

LYCOS Europe N.V.
interim report 1 / 2008

for the three months ending March 31, 2008

LYCOS
meet you there

key figures

First three months 2008 and 2007

		Three months ending March 31, 2008 (unaudited)	Three months ending March 31, 2007 (unaudited)	Change
Revenues	in mln EUR	16.2	20.0	(19)%
EBITDA ¹	in mln EUR	(6.2)	(2.3)	∧(100)%
EBIT ¹	in mln EUR	(7.3)	(3.8)	(92)%
Net profit/(loss)	in mln EUR	(5.9)	7.6	∧(100)%
Shares (total outstanding) ²	number	312,300,000	312,300,000	0%
Earnings per share (diluted and undiluted)	in EUR	(0.02)	0.02	∧(100)%
Share price (Frankfurt, Germany)	in EUR	0.35	0.78	(55)%
Cash, cash equivalents and other investments	in mln EUR	149.4	104.3	43%
Cash ratio (Cash, cash equivalents and other investments/total liabilities)	number	4.7	2.3	∧100%
Shareholders' equity	in mln EUR	161.0	199.2	(19)%
Equity ratio (Shareholders' equity/total assets)	in percent	83.5	81.5	2%
Employees	number	684	709	(4)%

¹ EBITDA is Earnings Before Interest, Taxes, Depreciation, Amortization and Impairment, EBIT is Earnings Before Interest and Taxes.

² Including Treasury shares

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22 Quarterly Financial Information

This report to the shareholders should be read in conjunction with the (consolidated) financial statements and notes thereto. This report contains certain forward-looking statements and information relating to LYCOS Europe based on the beliefs of LYCOS Europe as well as assumptions made by and information currently available to LYCOS Europe. These statements include, but are not limited to, statements about LYCOS Europe's strategies, plans, objectives, expectations, intentions, revenues, expenditures and assumptions as well as other statements contained in this report that are not historical facts. When used in this document, words such as "anticipate", "believe", "estimate", "expect", "intend", "plan" and "project" and similar expressions, as they relate to LYCOS Europe or its management, are intended to identify forward-looking statements. These statements, which reflect LYCOS Europe's current views with respect to future events, are not guarantees of future performance and involve risks and uncertainties that are difficult to predict. Further, certain forward-looking statements are based upon assumptions as to future events that may not prove to be accurate. Investors are cautioned that forward-looking statements contained in this section involve both risk and uncertainty. Several important factors cause actual results to differ materially from those anticipated by these statements.

dear shareholders,

The EBITDA for the first three months of 2008 came to EUR (6.2) million, compared to EUR (2.3) million in the same period in 2007.

The product improvement measures have begun to take hold and are leading to an overall stabilization of traffic. It has not yet been possible to bring traffic back up to the levels seen in the same period last year, however, so advertising revenues were down compared to the first quarter of 2007. Shopping revenues were impacted by competitive pressures in the white label business. united-domains AG, on the other hand, showed a sharp increase in revenues. The gross margin fell to 47 percent (from 60 percent last year) due to the overall decline in revenues.

Strict cost management yielded savings of some EUR 1.4 million, but this could not fully compensate for revenue declines.

The data center move from Stockholm to Frankfurt was largely completed in the first quarter, thereby fulfilling a key prerequisite to further increasing product competitiveness.

The “decido” shopping guide portal, developed by Pangora GmbH in the Shopping unit, was launched in Germany in mid April. The portal www.decido.de is the next generation of online shopping, bundling a variety of different sources of advice to cover the full spectrum of e-commerce.

united-domains AG was able to continue its positive trend. The portfolio of united-domains AG was expanded in the first three months and the customer base increased nicely through the introduction of the “.asia” domain.

All in all, LYCOS Europe is working hard to improve its operating result in the future.

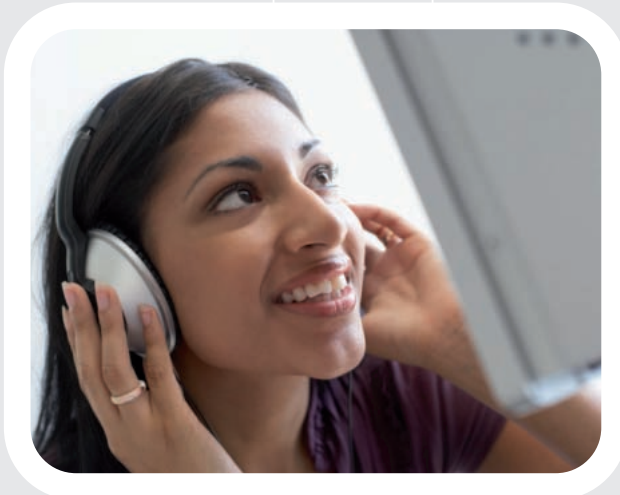
Christoph Mohn



Chief Executive Officer

message from the ceo

about lycos europe



LYCOS Europe is one of the leading European portal providers and online advertisers operating a network of websites in seven languages in Europe and the USA. The company's combination of Portal & Search (e.g. LYCOS Search and LYCOS iQ), Communication & Communities (e.g. LYCOS Mail), Shopping (e.g. BuyCentral and eVita) and Web Hosting and Domain Names (e.g. LYCOS Web-hosting and united-domains) addresses a wide range of target groups.

Portal & Search

LYCOS further expanded the content for users of its various national portals during the first quarter to accommodate the specific requirements of individual countries. In Italy, for example, a Lifeblog was launched in which notable personalities write about specific topics. In Spain, the nightlife portal "Agentes de la Noche ES" went live.

The first quarter saw a redesign of the search sites for Spain, Italy and the Netherlands, with the other countries to follow at the beginning of the second quarter.

The LYCOS iQ knowledge platform was able to further improve its market position through optimized marketing activities. In the Netherlands, LYCOS iQ.nl was launched as the first social search service. Numerous PR activities supported the debut, providing the product with good visibility in the media.

Communication & Communities

The data center move from Stockholm to Frankfurt was the defining element for LYCOS Mail in the first quarter. The focus at Jubii was on improving product stability and performance. In addition, new features such as auto-complete were introduced.



LYCOS Dating focused on distribution in the first quarter, utilizing e-mail signature promotion. User dating profiles are now better integrated on the LYCOS portals, garnering additional attention for the Love@Lycos dating product. The relaunch in late 2007 led to a significant increase in new registrations in Germany and France.

The investment in features to protect young users of LYCOS Chat continued in early 2008. An alarm button allowing direct contact to the police department's Internet unit was integrated into the chat portal, for example.

about lycos europe

Shopping

Pangora GmbH set a clear signal of innovation in the social shopping sector in the first quarter of 2008. The “decido” shopping guide portal developed by Pangora was completed in the first quarter and went live on April 14, 2008. Unlike familiar price comparison portals, decido supports users right from the product selection phase. One innovation is the integration of a community based on LYCOS iQ. At the time of its launch, decido already has access to about 70,000 human advisors ready to offer knowledgeable information in their respective areas of expertise. Online queries are often answered within just a few minutes.

Pangora was able to bring an important social shopping partner on board in its white label business: The German version of the French social commerce portal zlio.com was launched in March 2008. Zlio.com allows users to set up their own online shop from the selection of participating online shops and pocket a commission for successful product recommendations.

Web Hosting & Domain Names

LYCOS Web Hosting introduced the “.es” domain in Spain in the first quarter. The introduction of the “.at” domain in Germany expands the domain portfolio. The introduction of direct payment as a new, market-driven payment method represents another means of customer acquisition. One focus in early 2008 was on optimizing the existing product portfolio. The invoice area of the Control Panel has been improved and is now simple and easy to use.

united-domains AG was able to continue its positive trend. The portfolio of united-domains AG was expanded in the first three months and the customer base increased nicely through the introduction of the “.asia” domain.

Sales

The Sales unit signed new distribution contracts in the first quarter. In Denmark, the positioning of jubii.dk was helped along by an exclusive telesales partnership with Synerco/H&W. In France, integration of the recently acquired W2 Régie was completed.

economic development

Market development

The number of people throughout Europe using the Internet each week increased in 2007 by 6 percent on a year-to-year basis. Germany, the UK, France, Italy and Spain made up 87 percent of all Internet users. Almost half of European Internet users went online every day of the week, and 8 out of 10 European Internet users had high-speed broadband connections.

LYCOS Europe Sales Network had about 36 million unique users (as of March 2008, including distribution partners). As a result, its European reach based on the relevant markets is 24 percent (including distribution partners).

On average, Internet users spend nearly 12 hours per week online, and nearly a third of all users spend over 16 hours online. It is forecasted that the average time will increase to about 15 hours per week by 2010, which is equivalent to about 29 percent of the overall forecasted media time.

Result analysis

Revenues

LYCOS Europe's revenues for the three months ending March 31, 2008 were EUR 16.2 million, a decrease of 19 percent compared to the three months ending March 31,

2007. The main reason was a decrease in advertising revenues of 36 percent, or EUR 2.4 million. Revenues from paid services and shopping declined by 5 percent and generated EUR 11.1 million. Paid services and shopping contributed 68 percent, advertising 27 percent and other revenues 5 percent to LYCOS Europe's total revenues in the three months ending March 31, 2008.

EBITDA

During the first three months of 2008, the EBITDA of EUR (6.2) million decreased compared to EUR (2.3) million in the same period in 2007.

The gross profit of EUR 7.6 million for the three-month period ending March 31, 2008 decreased by EUR 4.4 million compared to EUR 12.0 million for the reference period in 2007. The reason for the decline in gross profit, besides the factors cited above, was the general decrease in profits in the Shopping business. Total cost of revenues increased by 8 percent to EUR (8.6) million.

Ordinary sales and marketing expenses fell by EUR 0.9 million during the three months ending March 31, 2008. Ordinary research and development costs decreased by EUR 0.2 million from the first quarter of 2007. Ordinary general and administration expenses declined by EUR 0.7 million.

Financial Result

The net finance income increased to EUR 1.4 million compared to EUR 0.8 million generated during the first three months of 2007, driven mainly by the interest received on the additional cash from the disposal activities in 2007.

Net Result

This results in a net loss of EUR 5.9 million for the three months ending March 31, 2008 compared to a net profit of EUR 7.6 million in the prior year. The results in the first quarter of 2007 were strongly influenced by the disposal of the Swedish Access business.

Due to the decline in net results, earnings per share decreased to EUR (0.02) for the first three months of 2008 compared to EUR 0.02 for the first three months of 2007.

Balance Sheet Analysis

Total assets decreased from EUR 205.2 million as of December 31, 2007 to EUR 192.9 million as of March 31, 2008. Cash, cash equivalents and other investments declined to EUR 149.4 million as of March 31, 2008 compared to EUR 157.2 million as of December 31, 2007. The decrease is related primarily to an earn-out payment of EUR 5.0 million to former shareholders of mentasys GmbH.

Property, plant and equipment and intangible assets excluding goodwill decreased to EUR 12.4 million as of March 31, 2008. Goodwill amounted to EUR 13.2 million.

Total liabilities as of March 31, 2008 declined to EUR 31.9 million compared to EUR 38.3 million as of December 31, 2007. This is mainly the result of the reduction of an earn-out provision for former shareholder of mentasys GmbH with a decrease of EUR 5.0 million and a general reduction of accounts payables.

The above yields a cash ratio of 4.7 (cash, cash equivalents and other investments divided by total liabilities), showing the strong financial position of LYCOS Europe.

Cash Flow Analysis

The consolidated cash flow statements comprise movements of cash and cash equivalents with an original maturity under three months. Other investments with an original maturity above three months are classified as short (original maturity 3–12 months) and long-term other investments (original maturity above 12 months) in the balance sheet.

Cash and cash equivalents decreased by EUR 55.7 million to EUR 19.1 million during the three-month period ending March 31, 2008. Of this, EUR (7.4) million was used in operating activities. In investing activities an amount of EUR 48.0 million was transferred from cash equivalents to other investments.

the share

the share

LYCOS Europe's Legal Shareholder Structure	Number of shares as of March 31, 2008			Number of shares as of March 31, 2007		
	Number of shares	% of voting rights	% of shares	Number of shares	% of voting rights	% of shares
LE Holding Corp.	100,000,000	32.1%	32.0%	100,000,000	32.1%	32.0%
Bertelsmann Internet Holding GmbH / Fireball Internet GmbH / Jahr VVG mbH & Co. KG Christoph Mohn	62,270,000	20.0%	19.9%	62,270,000	20.0%	19.9%
Internet Holding GmbH LYCOS Europe N.V. (treasury shares)	37,730,000	12.1%	12.1%	37,730,000	12.1%	12.1%
	723,656	0.0%	0.2%	723,656	0.0%	0.2%
Free float	111,576,344	35.8%	35.8%	111,576,344	35.8%	35.8%
Total	312,300,000	100.0%	100.0%	312,300,000	100.0%	100.0%

Share Capital

The Company's share capital consists of AA, AB and B shares, each with a par value of EUR 0.01. The average and absolute number of issued and outstanding shares—including 723,656 treasury shares valued at EUR 7,236.56—was 312,300,000. The number of voting shares outstanding is therefore 311,576,344 as of March 31, 2008. The treasury shares were the result of issuance and acquisition in the context of an indemnification from Spray Ventures in 2002. In addition to the ordinary share capital, the Company has issued stock options to its employees, of which 361,350 are outstanding and exercisable on March 31, 2008.

Share Price Performance

LYCOS Europe's share price declined from EUR 0.49 (January 2, 2008) to EUR 0.35 (March 31, 2008). The market capitalization as of March 31, 2008 was therefore EUR 109.3 million. From January 2, 2008 to March 31, 2008, the LYCOS Europe share decreased by 28.6 percent. The Technology All Share Index declined by 20.4 percent in the same period.

employees

LYCOS Europe had 684 employees as of March 31, 2008 compared to 697 employees as of December 31, 2007. Among all employees, 55 percent are located in Germany, 31 percent in Armenia, 7 percent in France and 7 percent in offices located in Denmark, Italy, the Netherlands and the United Kingdom.

employees



outlook

outlook

Product offensive will remain the main focus for the next future to stabilize the traffic further. This is the prerequisite to strengthen the advertising revenues. Beside this we will take any actions to make decide a success story and to continue to grow the LYCOS iQ product. Additionally we will focus on a tight cost management.

Haarlem, the Netherlands

April 29, 2008

The Management Board

LYCOS Europe N.V.

LYCOS Europe N.V.

unaudited condensed consolidated
interim financial statements

for the period ending March 31, 2008

LYCOS Europe N.V.
 unaudited condensed consolidated interim
 balance sheets

In thousand Euro	Notes	March 31, 2008	December 31, 2007
Assets			
Property, plant and equipment		2,122	2,374
Intangible assets	4	23,499	23,860
Deferred tax assets		228	204
Other investments	5	9,803	9,803
Other non-current assets		366	486
Total non-current assets		36,018	36,727
Cash and cash equivalents	5	19,143	74,868
Other investments	5	120,500	72,500
Accounts receivable and other receivables	6	12,165	13,146
Prepaid expenses and other current assets		5,112	7,976
Total current assets		156,920	168,490
Total assets		192,938	205,217
Shareholders' equity and liabilities			
Share capital		3,123	3,123
Share premium		1,588,359	1,588,076
Treasury shares		(2,052)	(2,052)
Legal reserves		3,658	3,941
Translation reserve		(671)	(649)
Accumulated deficit		(1,465,594)	(1,465,594)
Unappropriated result		34,204	40,054
Total shareholders' equity attributable to equity holders of the Company		161,027	166,899
Deferred tax liabilities		1,260	1,377
Provisions and other long-term liabilities		3,426	8,564
Total non-current liabilities		4,686	9,941
Accounts payable	6	7,397	9,223
Restructuring provision		964	984
Other short-term liabilities		18,864	18,170
Total current liabilities		27,225	28,377
Total liabilities		31,911	38,318
Total shareholders' equity and liabilities		192,938	205,217

The accompanying notes are an integral part of these
 unaudited condensed consolidated interim financial statements

LYCOS Europe N.V.
 unaudited condensed consolidated interim
 income statements

In thousand Euro (except share data)	Notes	Three months ending March 31, 2008	Three months ending March 31, 2007
Advertising		4,363	6,797
Paid services and shopping		11,065	11,632
Other		767	1,530
Total revenues		16,195	19,959
Cost of revenues		(8,618)	(7,962)
Gross profit		7,577	11,997
Sales and marketing	8	(5,722)	(6,577)
Research and development	8	(4,170)	(4,239)
General and administration	8	(5,173)	(5,688)
Other operating income		147	660
Loss from operations		(7,341)	(3,847)
Finance income		1,610	675
Finance expense		(10)	(128)
Other finance income/(expense)		(160)	214
Net finance income		1,440	761
Loss before tax		(5,901)	(3,086)
Income tax		51	101
Net loss from continuing operations		(5,850)	(2,985)
Profit from discontinued operations (net of income tax)		0	10,595
Net profit/(loss) for the period attributable to equity holders of the Company		(5,850)	7,610
Basic/diluted loss per share (Euro) – continued operations		(0.02)	(0.01)
Basic/diluted profit/(loss) per share (Euro)		(0.02)	0.02
Weighted average number of shares outstanding		311,576,344	311,576,344

The accompanying notes are an integral part of these
 unaudited condensed consolidated interim financial statements

LYCOS Europe N.V.
 unaudited condensed consolidated interim
 statements of cash flows

In thousand Euro	Notes	Three months ending March 31, 2008	Three months ending March 31, 2007
Continued operations			
Cash flows from operating activities			
Loss before tax		(5,901)	(3,086)
Adjustments for:			
Depreciation, amortization and impairment		1,116	1,527
Finance income and expense		(1,600)	(547)
Other non cash movements		(174)	(1,087)
Change in accounts receivable		595	575
Change in prepaid expenses and other current assets		2,403	(1,811)
Change in other non-current assets		142	(169)
Change in accounts payable		(1,375)	(791)
Change in current liabilities		781	(1,427)
Change in other non-current liabilities	3	(5,233)	(252)
Interest received		1,883	672
Income tax paid		(48)	(6)
Net cash used in operating activities		(7,411)	(6,402)
Cash flows from investing activities			
Acquisitions of property, plant and equipment and other intangible assets		(814)	(1,247)
Development expenditure		236	(300)
Transfer from cash equivalents to other investments		(48,000)	(20,293)
Acquisitions of subsidiaries, net of cash acquired		0	(504)
Proceed from sale of subsidiaries and other investments, net of cash	3	265	0
Net cash (used)/provided in investing activities		(48,313)	(22,344)
Cash flows from financing activities			
Change in short-term debt		49	(90)
Net cash (used)/provided in financing activities		49	(90)
Discontinued operations			
Net cash from operating activities		0	1,680
Net cash from investing activities		0	18,352
Net cash from discontinued operations		0	20,032
Effect of exchange rate changes on cash and cash equivalents		(50)	(362)
Change in cash and cash equivalents		(55,725)	(9,166)
Cash and cash equivalents, beginning of the period		74,868	70,886
Cash and cash equivalents, end of the period		19,143	61,720

The accompanying notes are an integral part of these
 unaudited condensed consolidated interim financial statements

LYCOS Europe N.V.
 unaudited condensed consolidated interim
 statements of shareholders' equity

In thousand Euro (except share data)	Class AA		Class AB		Class B	
	shares		shares		shares	
	No. of shares	EUR	No. of shares	EUR	No. of shares	EUR
Balance as of						
December 31, 2006	62,000,000	620	62,000,000	620	188,300,000	1,883
Movement capitalized development expenses						
Translation loss						
Release due to disposal						
Financial instruments available-for-sale						
Net profit						
Balance as of						
March 31, 2007	62,000,000	620	62,000,000	620	188,300,000	1,883
Movement capitalized development expenses						
Translation gain						
Financial instruments available-for-sale						
Net profit						
Balance as of						
December 31, 2007	62,000,000	620	62,000,000	620	188,300,000	1,883
Movement capitalized development expenses						
Translation loss						
Net loss						
Balance as of						
March 31, 2008	62,000,000	620	62,000,000	620	188,300,000	1,883

The accompanying notes are an integral part of these
 unaudited condensed consolidated interim financial statements

Share premium	Legal reserve	Treasury shares	Translation reserve	Other reserves	Accumulated deficit & unappropriated result	Total	
EUR	EUR	No. of shares	EUR	EUR	EUR	EUR	
1,587,049	4,968	(723,656)	(2,052)	1,137	0	(1,465,594)	128,631
(113)	113						0
				(892)			(892)
				(939)			(939)
					64,800		64,800
						7,610	7,610
1,586,936	5,081	(723,656)	(2,052)	(694)	64,800	(1,457,984)	199,210
1,140	(1,140)						0
				45			45
					(64,800)		(64,800)
						32,444	32,444
1,588,076	3,941	(723,656)	(2,052)	(649)	0	(1,425,540)	166,899
283	(283)						0
				(22)			(22)
						(5,850)	(5,850)
1,588,359	3,658	(723,656)	(2,052)	(671)	0	(1,431,390)	161,027

LYCOS Europe N.V.
notes to the unaudited condensed
consolidated interim financial statements

1. significant accounting policies
2. segment reporting
3. acquisition and disposal of subsidiaries
and financial investments
4. intangible assets
5. cash, cash equivalents and other investments
6. related party transactions
7. contingencies and commitments
8. other operating expenses

1. significant accounting policies

a) The Company

LYCOS Europe N.V. (“LYCOS Europe” or the “Company” / ISIN NL000233195) is one of the leading European Internet destinations operating an international network of websites in seven languages. The Company commenced operations in the year 1997 and the companies existing before 2000 were reorganized as subsidiaries of LYCOS Europe N.V. in January 2000. The registered office of the Company is in Haarlem, the Netherlands (LYCOS Europe N.V., Richard Holkade 36, 2033 PZ Haarlem, the Netherlands).

The consolidated financial statements of the Company comprise the Company and its subsidiaries (together referred to as the “Group”).

b) Accounting policies

These unaudited condensed consolidated interim financial statements are prepared in accordance with IAS 34 “Interim Financial Reporting”. They do not include all of the information required for full annual financial statements, and should be read in conjunction with the LYCOS Europe consolidated financial statements for the year ending December 31, 2007. LYCOS Europe’s consolidated financial statements are prepared in accordance with International Financial Reporting Standards and its interpretations as adopted by Article 4 of Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of July 19, 2002 on the application of international accounting standards (Official Journal EC L 243 p.1) (“IFRS”).

The preparation of unaudited condensed consolidated interim financial statements in conformity with IFRS requires the management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgments about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The accounting policies used in the preparation of the unaudited condensed consolidated interim financial statements are consistent with those used in the consolidated financial statements for the year ending December 31, 2007.

2. segment reporting

Segment information is presented in respect of the Group's geographical segments. The primary format, geographical segments, is based on the Group's management and internal reporting structure. Intersegment pricing is determined on an arm's length basis. Segment results include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Geographical Segments	Germany		Sweden (discontinued)		France	
	Three months ending March 31, 2008	Three months ending March 31, 2007	Three months ending March 31, 2008	Three months ending March 31, 2007	Three months ending March 31, 2008	Three months ending March 31, 2007
In thousand Euro						
Revenues	9,885	12,122	0	(46)	1,876	2,527
Revenues from intersegment transactions	3,140	3,904	0	0	81	204
Total revenues	13,025	16,026	0	(46)	1,957	2,731
Net gain/(loss) for the period	(5,604)	(2,817)	0	10,595	(899)	(122)

	United Kingdom		Denmark		Other regions & eliminations	
	Three months ending March 31, 2008	Three months ending March 31, 2007	Three months ending March 31, 2008	Three months ending March 31, 2007	Three months ending March 31, 2008	Three months ending March 31, 2007
In thousand Euro						
Revenues	1,763	2,013	1,252	1,870	1,419	1,428
Revenues from intersegment transactions	60	99	4	79	(3,285)	(4,286)
Total revenues	1,823	2,112	1,256	1,949	(1,866)	(2,858)
Net gain/(loss) for the period	669	319	(568)	(200)	552	(165)

	Less discontinued operations		Continued operations	
	Three months ending March 31, 2008	Three months ending March 31, 2007	Three months ending March 31, 2008	Three months ending March 31, 2007
In thousand Euro				
Revenues	0	45	16,195	19,959
Revenues from intersegment transactions	0	0	0	0
Total revenues	0	45	16,195	19,959
Net gain/(loss) for the period	0	(10,595)	(5,850)	(2,985)

3. acquisition and disposal of subsidiaries and financial investments

mentasys

On November 15, 2006, Pangora GmbH, an indirect 100 percent subsidiary of LYCOS Europe N.V., completed the purchase of all shares in mentasys GmbH, a German shopping solution specialist. The purchase price was EUR 30.0 million including a contingent consideration of EUR 14.0 million based on the performance in the years 2007 to 2009. As per year-end 2007 the provision for this contingent consideration amounted to EUR 8.4 million, of which EUR 5.0 million was paid in the first quarter of 2008.

W2.Media

On January 1, 2008 LYCOS Europe N.V. bought certain assets of W2.Media SAS, a French sales house, for a consideration of EUR 0.3 million.

Bottnia Internet Provider

On January 16, 2008 the Company sold its interest in Bottnia Internet Provider AB for a consideration of SEK 3.8 million. The transaction gain amounted to EUR 0.3 million.

4. intangible assets

Goodwill is stated at cost less any accumulated impairment losses. Other intangible assets are stated at cost less accumulated amortization and if applicable any impairment charge.

LYCOS Europe will perform the annual impairment test for goodwill acquired in business combinations during the second quarter of 2008.

During the first three months of 2008 LYCOS Europe replaced certain self-developed products. As a result LYCOS Europe recorded an impairment loss of EUR 84 thousand as of March 31, 2008.

5. cash, cash equivalents and other investments

Cash consist of bank balances and call deposits, cash equivalents consist of short-term deposits with an original and remaining maturity of less than three months and other investments consist of deposits.

6. related party transactions

The Company engages in various related party transactions with both Telefónica SA and Bertelsmann AG and their subsidiaries, which include revenue and expense transactions. These transactions are booked on separate accounts and are generally settled within thirty days of the relevant transaction. The billing rates are set at rates, which approximate fair value.

7. contingencies and commitments

Minimum Lease and Rental Payments

The Company has entered into operating lease agreements in Armenia, Denmark, France, Germany, Italy, the Netherlands and the United Kingdom.

The future, non-cancelable minimum lease, rental and datacenter related payments under these commitments are as follows:

In thousand Euro

Due within 2008	4,379
Due after 2008 until 2013	15,822
Due after 2013	332
Total	20,533

Litigation

From time to time, the Company is subject to legal proceedings and claims in the ordinary course of business. LYCOS Europe is currently not aware of any legal proceeding or claims that the Company believes will have, individually or in the aggregate, a materially adverse effect on the Company's financial position, results of operations or cash flows.

8. other operating expenses

Other operating expenses comprise of:

In thousand Euro	Three months ending March 31, 2008				Total
	Ordinary expenses	Restructuring	Impairment	Other amortization	
Sales and marketing	(5,496)	(65)	0	(161)	(5,722)
Research and development	(3,897)	(59)	(84)	(130)	(4,170)
General and administration	(4,887)	(246)	0	(40)	(5,173)
Total	(14,280)	(370)	(84)	(331)	(15,065)

In thousand Euro	Three months ending March 31, 2007				Total
	Ordinary expenses	Restructuring	Impairment	Other amortization	
Sales and marketing	(6,348)	0	0	(229)	(6,577)
Research and development	(4,109)	0	0	(130)	(4,239)
General and administration	(5,559)	1	0	(130)	(5,688)
Total	(16,016)	1	0	(489)	(16,504)

Haarlem, the Netherlands

April 29, 2008

The Management Board

LYCOS Europe N.V.

quarterly financial information (unaudited)

In thousand Euro (except per share data)	Quarter ending March 31, 2004	Quarter ending June 30, 2004	Quarter ending September 30, 2004	Quarter ending December 31, 2004
Revenues ³	23,790	23,856	22,838	33,292
EBITDA ^{3,4}	(9,645)	(11,928)	(7,169)	(5,485)
EBIT ^{3,4}	(13,067)	(15,445)	(10,504)	(11,295)
Net loss	(11,913)	(14,404)	(9,049)	(10,110)
Net loss per share basic and diluted in Euro	(0.04)	(0.05)	(0.03)	(0.03)

In thousand Euro (except per share data)	Quarter ending March 31, 2005 (restated)	Quarter ending June 30, 2005 (restated)	Quarter ending September 30, 2005 (restated)	Quarter ending December 31, 2005 (restated)
Revenues	18,251	20,022	20,044	20,929
EBITDA ⁴	(6,194)	(6,264)	410	1,709
EBIT ⁴	(8,644)	(8,360)	(1,520)	(166)
Net loss	(8,069)	(8,390)	(2,046)	(1,730)
Net loss per share basic and diluted in Euro	(0.03)	(0.03)	(0.01)	(0.01)

In thousand Euro (except per share data)	Quarter ending March 31, 2006	Quarter ending June 30, 2006	Quarter ending September 30, 2006	Quarter ending December 31, 2006
Revenues	18,311	23,273	17,408	23,388
EBITDA ⁴	(834)	777	(3,379)	(1,192)
EBIT ⁴	(2,336)	(718)	(4,853)	(5,231)
Net profit / (net loss)	(2,032)	(242)	9,144	(5,166)
Net profit / (net loss) per share basic and diluted in Euro	(0.01)	0.00	0.03	(0.02)

In thousand Euro (except per share data)	Quarter ending March 31, 2007	Quarter ending June 30, 2007	Quarter ending September 30, 2007	Quarter ending December 31, 2007
Revenues	19,959	21,200	17,224	18,331
EBITDA ⁴	(2,320)	(5,272)	(5,290)	(5,273)
EBIT ⁴	(3,847)	(25,983)	(6,605)	(7,532)
Net profit / (net loss)	7,610	41,078	(4,619)	(4,015)
Net profit / (net loss) per share basic and diluted in Euro	0.02	0.13	(0.01)	(0.01)

In thousand Euro (except per share data)	Quarter ending March 31, 2008
Revenues	16,195
EBITDA ⁴	(6,225)
EBIT ⁴	(7,341)
Net loss	(5,850)
Net loss per share basic and diluted in Euro	(0.02)

³ Not restated.

⁴ EBITDA is Earnings Before Interest, Taxes, Depreciation, Amortization and Impairment, EBIT is Earnings Before Interest and Taxes.

LYCOS Europe N.V.

Richard Holkade 36
2033 PZ Haarlem
The Netherlands

Investor Relations

Phone: +49 (0)52 41 / 80 7 10 00

Fax: +49 (0)52 41 / 80 67 10 50

E-mail: investor.relations@lycos-europe.com

Web: www.lycos-europe.com

The interim report for the period ending
March 31, 2008, is also available in German
and French. In case of doubt, the English
version is decisive.