

LYCOS Europe N.V.
interim report 2/2008

for the six months ending June 30, 2008



key figures

		Six months ending June 30, 2008 (unaudited)	Six months ending June 30, 2007 (unaudited)	Change
Revenues	in mln EUR	33.3	41.2	(19)%
EBITDA ¹	in mln EUR	(10.9)	(7.6)	(43)%
EBIT ¹	in mln EUR	(13.0)	(29.8)	56%
Net profit/(loss)	in mln EUR	(9.8)	48.7	∞(100)%
Shares (total outstanding) ²	number	312,300,000	312,300,000	0%
Earnings/loss per share (diluted and undiluted)	in EUR	(0.03)	0.16	∞(100)%
Share price (Xetra)	in EUR	0.42	0.72	(42)%
Cash, cash equivalents and other investments	in mln EUR	145.1	168.6	(14)%
Cash ratio (Cash, cash equivalents and other investments/total liabilities)	number	4.3	4.4	(2)%
Shareholders' equity	in mln EUR	157.0	175.8	(11)%
Equity ratio (Shareholders' equity/total assets)	in percent	82.3	82.0	0%
Employees	number	687	721	(5)%
		Three months ending June 30, 2008 (unaudited)	Three months ending June 30, 2007 (unaudited)	Change
Revenues	in mln EUR	17.1	21.2	(19)%
EBITDA ¹	in mln EUR	(4.7)	(5.3)	11%
EBIT ¹	in mln EUR	(5.7)	(26.0)	78%
Net profit/(loss)	in mln EUR	(3.9)	41.1	∞(100)%
Shares (total outstanding)	number	312,300,000	312,300,000	0%
Earnings/loss per share (diluted and undiluted)	in EUR	(0.01)	0.13	∞(100)%

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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24 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,

message from the ceo

In June, LYCOS Europe was honored with one of the most important distinctions in the Internet sector when it received the Eco Internet Award for 2008 as the best hosting provider for private customers. This prize, bestowed by the Verband der Deutschen Internetwirtschaft, is a testament to the high quality and user-friendliness of the LYCOS Web Hosting products. The “decido” consumer guide portal, launched in April 2008 by Pangora, has positioned itself well in the market. Our behavioral targeting solution “LYCOS Precision,” launched in Germany in June and currently being rolled out in the other European core markets, has given our marketing customers the critical advantage in reaching their precise target group while minimizing overcoverage. This has laid the foundation for future growth in advertising revenues. These advances have not yet fully manifested themselves in the traffic trend of the first half year, however.

Revenues amounted to EUR 33.3 million for the first six months of 2008 compared to EUR 41.2 million in 2007. The gross margin fell to 49 percent (from 55 percent last year) due to the decline. As a result of strict cost management ordinary expenses could be lowered by EUR 5.5 million, but this could not fully compensate for revenue declines. The EBITDA for the first six months of 2008 came to EUR (10.9) million, compared to EUR (7.6) million in the same period in 2007.

In the context of the strategic review process, progress is being made and LYCOS Europe expects that this process will be concluded, as planned, in the second half of 2008.

Christoph Mohn



Chief Executive Officer

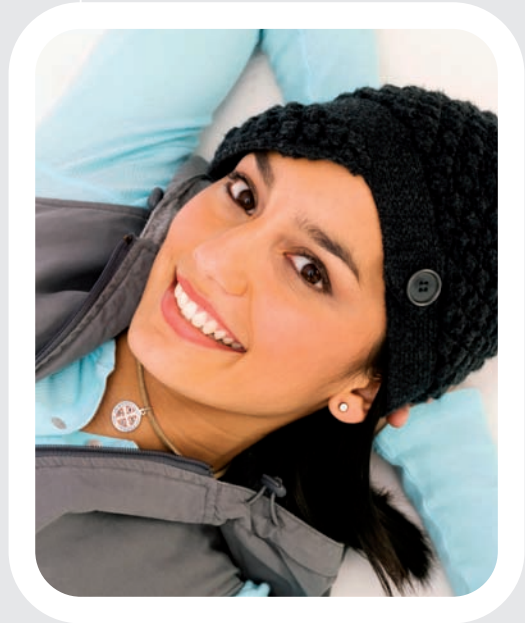
about lycos europe

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 continued to optimize its search pages in the second quarter. The search results pages for all countries have been completely redesigned with much more prominent placement of the search box on the country portals.

The country portals received users through links to a special site covering Europe's hottest sporting event, the EURO 2008. In addition to the portal homepages, other channels popular among users were redeveloped.



Communication & Communities

LYCOS Mail introduced a new e-mail consolidation service in the second quarter to raise the bar for e-mail services. This new service enhances the general user experience and makes it possible to redirect e-mails from other accounts into your Jubii account.

The second quarter at LYCOS Chat was dominated by developing activities. The new LYCOS Chat is scheduled to debut at the end of the year.

LOVE@LYCOS took advantage of the spring season to conduct a major dream partner survey. The results will be published early in the third quarter. Another focus of the Dating business was active customer outreach and relationship maintenance—for example, reactivating inactive users.

Shopping

The community consumer guide portal decido (www.decido.de), developed in house by Pangora, launched in Germany in April 2008. The service showed very good growth since its start.

Pangora expanded its white label business with a strategically important partnership with the ProSieben-Sat1 subsidiary solute GmbH, operator of the price comparison portal billiger.de. Pangora and solute have agreed on an exclusive partnership for the pan-European rollout of billiger.de under the “miniprice” parent brand. The internationalization of the portal began in France in early June with the site www.miniprix.fr. Italy and Great Britain will follow. Pangora is supplying its shopping technology to solute as an ASP solution and has taken on all the marketing activities for the shops in the various countries.



Web Hosting & Domain Names

LYCOS Web Hosting received the Eco Internet Award for 2008 as the best hosting provider for private customers. This award, presented by the Verband der Deutschen Internetwirtschaft, is one of the most prestigious in the Internet sector and a testament to the high quality and user-friendliness of the LYCOS Web Hosting products.

All LYCOS Web Hosting products were revamped this year to bring them into line with current market conditions. The renamed packages offer a more transparent

product portfolio and a greater performance-to-price ratio. Six different web hosting products allow customers to choose a package that suits their individual needs.

Sales

The Sales business in Germany launched its behavioral targeting products in the second quarter under the sub-brand LYCOS Precision. Now it is possible to control campaigns or marketing elements in real time, with a focus on the precise target group and minimal overcoverage. Great Britain, France and Denmark will follow in the coming months.

The partner network has continued to grow: LYCOS Network Europe gained a major new partner in June with the US-based Live Universe, a global leader in online marketing campaigns with some four million unique users.

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 33 million unique users as of June 2008, including distribution partners, compared to 36 million unique users in the reference period. As a result, its European reach based on the relevant markets is 22 percent (including distribution partners).

On average, Internet users are spending nearly 12 hours per week online, and nearly a third of all users are spending over 16 hours online. According to forecasts 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 six months ending June 30, 2008 were EUR 33.3 million, a decrease of 19 percent compared to the six months ending June 30, 2007. The main reason was a decrease in advertising revenues of 38 percent, or EUR 5.3 million. Revenues from paid services and shopping remained basically stable at EUR 23.5 million. Paid services and shopping contributed 71 percent, advertising 26 percent and other revenues 3 percent to LYCOS Europe's total revenues in the six months ending June 30, 2008.

During the second quarter of 2008, LYCOS Europe revenues decreased by 19 percent to EUR 17.1 million compared to the second quarter of 2007. This is mainly caused by declining advertising revenues amounting to EUR 4.2 million compared to 7.1 million in the second quarter 2007.

economic development

EBITDA

During the first six months of 2008, the EBITDA amounted to EUR (10.9) million compared to EUR (7.6) million in the same period in 2007.

The gross profit of EUR 16.3 million for the six-month period ending June 30, 2008 decreased by EUR 6.4 million compared to EUR 22.7 million for the reference period in 2007. The reason for the decline in gross profit, besides the factors cited above, was the general margin decrease in the Shopping business. Total cost of revenues increased by 8 percent to EUR (17.0) million.

Ordinary expenses could be lowered by EUR 5.5 million in total as a result of strict cost management. Ordinary sales and marketing expenses fell by EUR 2.9 million during the six months ending June 30, 2008. Ordinary research and development costs decreased by EUR 1.3 million compared to 2007. Ordinary general and administration expenses declined by EUR 1.3 million.

The EBITDA of the second quarter 2008 amounted to EUR (4.7) million compared to the EBITDA of EUR (5.3) million in the prior year.

Financial Result

The net finance income amounted to EUR 3.2 million compared to EUR 66.8 million generated during the first six months of 2007. Adjusted for the disposal of Seznam.cz, a.s. ("Seznam") the net finance income of the first six months 2007 was EUR 2.0 million. The increase of EUR 1.2 million is mainly driven by the interest received on the additional cash from the disposal activities in 2007.



Net Result

This results in a net loss of EUR (9.8) million for the six months ending June 30, 2008 compared to a net profit of EUR 48.7 million in the prior year. The results of the six months in 2007 were strongly influenced by the disposal of the Swedish Access business and the disposal of Seznam.

Due to the decline in net results, earnings per share decreased to EUR (0.03) for the first six months of 2008 compared to EUR 0.16 for the first six months of 2007.

Balance Sheet Analysis

Total assets decreased from EUR 205.2 million as of December 31, 2007 to EUR 190.8 million as of June 30, 2008. Cash, cash equivalents and other investments declined to EUR 145.1 million as of June 30, 2008 compared to EUR 157.2 million as of December 31, 2007.

Property, plant and equipment and intangible assets excluding goodwill decreased to EUR 11.9 million as of June 30, 2008. Goodwill increased from EUR 13.2 to EUR 16.7 million as of June 30, 2008 due to a revaluation of the earn-out provision for the former shareholders of mentasys GmbH.

economic development

Total liabilities as of June 30, 2008 declined to EUR 33.8 million compared to EUR 38.3 million as of December 31, 2007. This is mainly the result of a partial settlement of the earn-out provision for former shareholder of mentasys GmbH with an amount of EUR 5.0 million during the first three months of 2008 and a general reduction of accounts payables.

The above yields a cash ratio of 4.3 (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, cash equivalents and other investments amounted to EUR 145.1 million as of June 30, 2008 (EUR 168.6 million in the reference period).

Cash and cash equivalents decreased by EUR 52.0 million to EUR 22.8 million during the six-month period ending June 30, 2008. Of this, EUR (11.3) million was used in operating activities. Thereof EUR (5.0) million were used to settle part of the contingent consideration to former mentasys shareholders in the first quarter of 2008. In investing activities an amount of EUR 40.0 million was transferred from cash equivalents to other investments.

the share

the share

LYCOS Europe's Legal Shareholder Structure	Number of shares as of June 30, 2008		% of voting rights		% of shares		Number of shares as of June 30, 2007	% 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	62,270,000		20.0%	19.9%	62,270,000	20.0%	19.9%				
Christoph Mohn Internet Holding GmbH	37,730,000		12.1%	12.1%	37,730,000	12.1%	12.1%				
LYCOS Europe N.V. (treasury shares)	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 June 30, 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 290,550 are outstanding and exercisable on June 30, 2008.

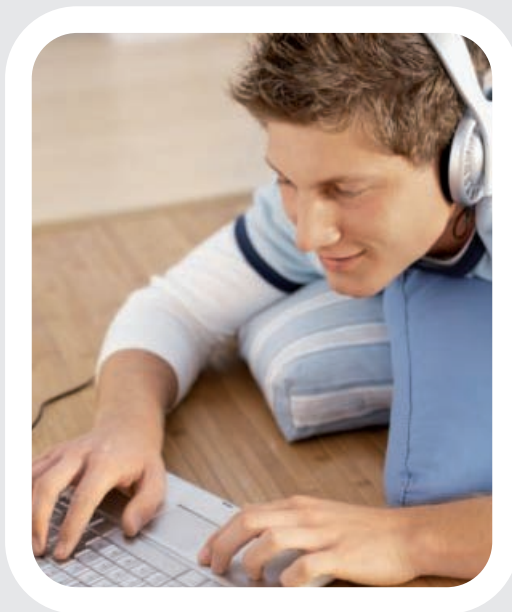
Share Price Performance

LYCOS Europe's share price declined from EUR 0.49 (January 2, 2008) to EUR 0.42 (June 30, 2008). The market capitalization as of June 30, 2008 was therefore EUR 131.2 million. From January 2, 2008 to June 30, 2008, the LYCOS Europe share decreased by 14.3 percent. The Technology All Share Index declined by 21.0 percent in the same period.

employees

LYCOS Europe had 687 employees as of June 30, 2008 compared to 697 employees as of December 31, 2007. Among all employees, 54 percent are located in Germany, 32 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

Also in the near future, the company will mainly focus on the product offensive in order to stabilize the traffic. This should be supported by the launch of the behavioural targeting. The growth of Lycos iQ will be fostered and further actions will be taken in the second half of 2008 to have “decido” prosper. The tight cost management will be maintained throughout the course of 2008.

Haarlem, the Netherlands

August 4, 2008

The Management Board

LYCOS Europe N.V.

LYCOS Europe N.V.

unaudited condensed consolidated
interim financial statements

for the period ending June 30, 2008

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

In thousand Euro	Notes	June 30, 2008	December 31, 2007
Assets			
Property, plant and equipment		2,009	2,374
Intangible assets	4	26,577	23,860
Deferred tax assets		212	204
Other investments	5	9,803	9,803
Other non-current assets		408	486
Total non-current assets		39,009	36,727
Cash and cash equivalents	5	22,833	74,868
Other investments	5	112,500	72,500
Accounts receivable and other receivables	6	11,533	13,146
Prepaid expenses and other current assets		4,896	7,976
Total current assets		151,762	168,490
Total assets		190,771	205,217
Shareholders' equity and liabilities			
Share capital		3,123	3,123
Share premium		1,588,527	1,588,076
Treasury shares		(2,052)	(2,052)
Legal reserves		3,490	3,941
Translation reserve		(793)	(649)
Accumulated deficit		(1,425,540)	(1,465,594)
Unappropriated result		(9,751)	40,054
Total shareholders' equity attributable to equity holders of the Company		157,004	166,899
Deferred tax liabilities		1,188	1,377
Provisions and other long-term liabilities		6,934	8,564
Total non-current liabilities		8,122	9,941
Accounts payable	6	6,690	9,223
Restructuring provision		752	984
Other short-term liabilities		18,203	18,170
Total current liabilities		25,645	28,377
Total liabilities		33,767	38,318
Total shareholders' equity and liabilities		190,771	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	Six months ending June 30, 2008	Six months ending June 30, 2007	Three months ending June 30, 2008	Three months ending June 30, 2007
Advertising		8,581	13,887	4,218	7,090
Paid services and shopping		23,536	24,309	12,471	12,677
Other		1,195	2,963	428	1,433
Total revenues		33,312	41,159	17,117	21,200
Cost of revenues		(17,034)	(18,421)	(8,416)	(10,459)
Gross profit		16,278	22,738	8,701	10,741
Sales and marketing	8	(11,672)	(14,520)	(5,950)	(7,945)
Research and development	8	(7,972)	(9,235)	(3,802)	(4,996)
General and administration	8	(10,025)	(30,306)	(4,852)	(24,616)
Other operating income		354	1,493	207	833
Loss from operations		(13,037)	(29,830)	(5,696)	(25,983)
Finance income		3,213	66,961	1,603	66,286
Finance expense		(6)	(288)	4	(160)
Other finance income/(expense)		(2)	147	158	(67)
Net finance income		3,205	66,820	1,765	66,059
Profit/(loss) before tax		(9,832)	36,990	(3,931)	40,076
Income tax		81	197	30	96
Net profit/(loss) from continuing operations		(9,751)	37,187	(3,901)	40,172
Profit from discontinued operations (net of income tax)		0	11,501	0	906
Net profit/(loss) for the period attributable to equity holders of the Company		(9,751)	48,688	(3,901)	41,078
Basic/diluted profit/(loss) per share (Euro) – continued operations		(0.03)	0.12	(0.01)	0.13
Basic/diluted profit/(loss) per share (Euro)		(0.03)	0.16	(0.01)	0.13
Weighted average number of shares outstanding		311,576,344	311,576,344	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	Six months ending June 30, 2008	Six months ending June 30, 2007
Continued operations			
Cash flows from operating activities			
Loss before tax		(9,832)	36,990
Adjustments for:			
Depreciation, amortization and impairment	4	2,115	22,238
Finance income and expense		(3,207)	(66,673)
Other non cash movements		(3,864)	2,933
Change in accounts receivable		1,155	1,966
Change in prepaid expenses and other current assets		2,499	(326)
Change in other non-current assets		40	269
Change in accounts payable		(2,134)	(967)
Change in current liabilities		85	(1,921)
Change in other non-current liabilities		(1,798)	(6,165)
Interest received		3,767	2,509
Income tax paid		(93)	(39)
Net cash used in operating activities		(11,267)	(9,186)
Cash flows from investing activities			
Acquisitions of property, plant and equipment and other intangible assets		(1,466)	(773)
Development expenditure		541	301
Transfer from cash equivalents to other investments		(40,000)	(2,478)
Acquisitions of subsidiaries, net of cash acquired		0	(504)
Proceed from sale of subsidiaries and other investments, net of cash		265	65,000
Net cash (used)/provided in investing activities		(40,660)	61,546
Cash flows from financing activities			
Change in short-term debt		(54)	(98)
Net cash used in financing activities		(54)	(98)
Discontinued operations			
Net cash from operating activities		0	2,400
Net cash from investing activities		0	18,537
Net cash from discontinued operations		0	20,937
Effect of exchange rate changes on cash and cash equivalents		(54)	(250)
Change in cash and cash equivalents		(52,035)	72,949
Cash and cash equivalents, beginning of the period		74,868	70,886
Cash and cash equivalents, end of the period		22,833	143,835

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						
Net profit						
Balance as of						
June 30, 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						
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						
June 30, 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	Accumulated deficit & unappropriated result	Total	
EUR	EUR	No. of shares	EUR	EUR	EUR	
1,587,049	4,968	(723,656)	(2,052)	1,137	(1,465,594)	128,631
(304)	304					0
				(592)		(592)
				(939)		(939)
					48,688	48,688
1,586,745	5,272	(723,656)	(2,052)	(394)	(1,416,906)	175,788
1,331	(1,331)					0
				(255)		(255)
					(8,634)	(8,634)
1,588,076	3,941	(723,656)	(2,052)	(649)	(1,425,540)	166,899
451	(451)					0
				(144)		(144)
					(9,751)	(9,751)
1,588,527	3,490	(723,656)	(2,052)	(793)	(1,435,291)	157,004

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	
	Six months ending June 30, 2008	Six months ending June 30, 2007	Six months ending June 30, 2008	Six months ending June 30, 2007	Six months ending June 30, 2008	Six months ending June 30, 2007
In thousand Euro						
Revenues	20,965	25,663	0	(45)	3,935	5,248
Revenues from intersegment transactions	7,353	9,961	0	0	81	413
Total revenues	28,318	35,624	0	(45)	4,016	5,661
Net gain/(loss) for the period	(9,192)	(21,179)	0	11,501	(1,791)	(872)

	United Kingdom		Denmark		Other regions & eliminations	
	Six months ending June 30, 2008	Six months ending June 30, 2007	Six months ending June 30, 2008	Six months ending June 30, 2007	Six months ending June 30, 2008	Six months ending June 30, 2007
In thousand Euro						
Revenues	3,286	4,100	2,317	3,373	2,809	2,775
Revenues from intersegment transactions	108	199	4	133	(7,546)	(10,706)
Total revenues	3,394	4,299	2,321	3,506	(4,737)	(7,931)
Net gain/(loss) for the period	610	64	(1,143)	(505)	1,765	59,679

	Less discontinued operations		Continued operations	
	Six months ending June 30, 2008	Six months ending June 30, 2007	Six months ending June 30, 2008	Six months ending June 30, 2007
In thousand Euro				
Revenues	0	45	33,312	41,159
Revenues from intersegment transactions	0	0	0	0
Total revenues	0	45	33,312	41,159
Net gain/(loss) for the period	0	(11,501)	(9,751)	37,187

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. Due to new estimations of the performance in 2008 and 2009 the contingent consideration was adjusted in the second quarter of 2008. As of June 30, 2008 the consideration amounts to EUR 11.9 million of which EUR 5.0 million were paid during the first quarter of 2008.

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.

In the second quarter 2008, LYCOS Europe performed the annual impairment test for goodwill acquired in business combinations. The impairment test indicated that no impairment was required for the period ended June 30, 2008.

During the first six months of 2008 LYCOS Europe replaced certain self-developed products. As a result LYCOS Europe recorded an impairment loss of EUR 105 thousand as of June 30, 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 six months and other investments consist of deposits with a maturity of more than 12 months.

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	2,950
Due after 2008 until 2013	14,758
Due after 2013	334
Total	18,042

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	Six months ending June 30, 2008				Total
	Ordinary expenses	Restructuring	Impairment	Other amortization	
Sales and marketing	(11,207)	(143)	0	(322)	(11,672)
Research and development	(7,537)	(70)	(105)	(260)	(7,972)
General and administration	(9,640)	(304)	0	(81)	(10,025)
Total	(28,384)	(517)	(105)	(663)	(29,669)

In thousand Euro	Six months ending June 30, 2007				Total
	Ordinary expenses	Restructuring	Impairment	Other amortization	
Sales and marketing	(14,067)	0	0	(453)	(14,520)
Research and development	(8,882)	0	(93)	(260)	(9,235)
General and administration	(10,905)	1	(19,137)	(265)	(30,306)
Total	(33,854)	1	(19,230)	(978)	(54,061)

Haarlem, the Netherlands

August 4, 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	Quarter ending June 30, 2008
Revenues	16,195	17,117
EBITDA ⁴	(6,225)	(4,697)
EBIT ⁴	(7,341)	(5,696)
Net loss	(5,850)	(3,901)
Net loss per share basic and diluted in Euro	(0.02)	(0.01)

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.

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The interim report for the period ending June 30, 2008, is also available in German and French. In case of doubt, the English version is decisive.