

terra  
lycos

# **Terra Lycos 3Q 2001 Results**

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# Highlights



## **TERRA LYCOS REPORTS Q301 REVENUES UP 24%, WITH PROFITABILITY MARGINS CONTINUING TO IMPROVE**

- The company met its forecasts, reporting revenues of 170 million euros this quarter, an increase of 24% or 32 million euros from Q300.
- The EBITDA margin improved 42 percentage points from the year earlier, to -29%, equivalent to 48 million euros.
- Net profit increased by 133 million euros from Q201 due to improved EBITDA, improved earnings by equity method from affiliated companies and the increase in the amortisation period for goodwill on completed acquisitions
- Terra Lycos, as part of its commitment to profitability, is focusing on securing recurrent sources of revenue through an OBP (Open, Basic, Premium) payment model for both the access & services and media businesses, to generate revenue through paid subscriptions and by pay-per-view / pay-per-use.
- Page views increased 5% from the previous quarter, reaching an average of 481 million per day.
- Terra Lycos ended the quarter with 174,000 ADSL customers, which underscores its commitment to broadband as the future of Internet through the OPB payment model.

**Madrid, 8 November 2001** -- Terra Lycos (MC: TRR; NASDAQ: TRLY), the leading global Internet network, today released its Q301 results.

### **Revenues**

The revenues for this quarter were 170 million euros, an increase of 24% over the same period of 2000. Accordingly, the company has performed in line with its forecasts despite revenues being affected by 7 million euros due to an unfavourable exchange rate and a difficult market situation made worse by the events of September 11.

# Highlights



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## Revenue Performance

- During the quarter, 64% of total revenues came from the media business and 36% from the access & services business. The difficult online advertising market has not impeded Terra Lycos' revenue growth, which showed an 11% increase in media while access & services revenue were up 56% this quarter versus Q300. Also in Q301, important commercial agreements have been signed with companies such as IBM, Visa International, Apple, TPI, etc.
- Looking at January through September, total revenues were 38% higher than in the same period of 2000 with 103% growth in access & services revenue and 18% growth in media revenue. Continued revenue growth will be supported by the OBP (Open, Basic, Premium) payment model. Basic services and content open to all Internet users will be complemented by additional value-added services and content, with more advanced features, which users are prepared to pay for.

## Costs

- This revenue increase has occurred simultaneously to aggressive cost reduction. Operating costs were 18 million euros lower than the previous quarter and 47 million euros lower than Q300. Terra Lycos continues on its path to profitability by reducing costs without affecting growth, supported by the implementation of the Six Sigma processes and quality improvement program aimed at maximising growth and optimising the company's resources.

## EBITDA

- EBITDA (earnings before interest, taxes, depreciation and amortisation) was -49 million euros, an improvement of 16 million euros in just one quarter. Compared to the same period of 2000, EBITDA has increased by 48 million euros while revenues increased by 32 million euros over the same period, reflecting the company's commitment to move toward profitability. EBITDA as a percentage of total revenue for the quarter was -29%, a 42 percentage point improvement in the last 12 months.

## Net Earnings

- Net earnings as a percentage of revenue improved by 71 percentage points during the quarter, to -49% versus -120% the previous quarter. This represents an improvement of 133 million euros from Q201. Net earnings for the quarter were -83 million euros due to improved EBITDA, improved earnings by equity method from affiliated companies and the increase in the amortisation period for goodwill on acquisitions from 5 to 10 years. This extended amortisation period results in a better correlation between the present financial reality of the businesses acquired and the effective pace of sector maturity.

# Highlights



## Financial Information

### Cash Position

- A cash position of 2.25 billion euros will allow the company to continue to grow via strategic acquisitions, while always focusing on the goal of profitability.
- Joaquim Agut, executive chairman of Terra Lycos, said, "These results again show we are on the right path; our effort to reduce costs is being achieved at the same time as sustained growth, which allows us to advance toward profitability." Joaquim Agut added, "The company's success is based on diversified revenue sources; a global presence; and a firm commitment to broadband as a way of providing a unique range of quality pay services and content that will allow us to continue to grow our customer base."

### Operating Results

- From January to September, Terra Lycos secured 240,000 million new paying customers, of which 134,000 are new ADSL customers. Terra Lycos ended the quarter with 174,000 ADSL customers, reflecting the company's commitment to broadband as a way of providing value-added services and content through the OBP model.

As part of this model, Terra Lycos launched in Spain Terra ADSL Plus, the first product on the market to offer pay services and content in addition to connectivity. Terra ADSL Plus, which captured 10,000 customers in a little more than a week, includes all the advantages of ADSL technology, as well as access to a wide variety of content and services specially created for this technology.

In September 2001, average daily page views totalled 481 million, a 5% increase from the previous quarter and a 79% increase over Q300. There were 109 million unique users in September 2001, an increase of more than 20% over September 2000. The number of registered users grew to 112 million as of September 30, 2001, an increase of 55% over Q300.

### Other financial information:

- The financial information included in this press release is shown in euros and follows generally accepted accounting principles (GAAP) in Spain.
- Figures for the previous year are shown for purposes of comparison with the same sphere of consolidation as during the first three quarters of 2001 ("proforma accounts").

# Highlights

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## Key Facts and Figures

- **About Terra Lycos**

- Terra Lycos is the global Internet network operating in 43 countries in 20 languages, reaching 109 million unique monthly visitors worldwide. The group, which resulted from Terra Networks, S.A.'s acquisition of Lycos, Inc. in October last year, operates one of the most visited websites in the US, Canada, Europe, Asia and Latin America and is the world's third largest ISP.
- The Terra Lycos network of sites includes Terra.com, Lycos.com, Angelfire.com, ATuHora.com, Gamesville.com, HotBot.com, Invertia.com, Lycos Zone, Matchmaker.com, Quote.com, Rumbo.com, Direcciona.es, Sonique, Bumeran.com, Tripod.com, RagingBull.com and Wired News (Wired.com).
- With headquarters in Barcelona and operational units in Madrid and Boston, Terra Lycos is listed on the Madrid (TRR) stock exchange and on the NASDAQ (TRLY) electronic market.

# Highlights



	Q3 2001	Q2 2001	Q3 2000	$\Delta\%$ Quarterly	Annual
<b>Total Revenue</b>	<b>170.1</b>	<b>179.7</b>	<b>137.5</b>	<b>-5%</b>	<b>24%</b>
Media	109.3	110.7	98.5	-1%	11%
Access and Services	60.8	69.0	39.0	-12%	56%
<b>EBITDA</b>	<b>(48.8)</b>	<b>(65.5)</b>	<b>(97.0)</b>		
<b>EBITDA Margin</b>	<b>-29%</b>	<b>-36%</b>	<b>-71%</b>	<b>-7 p.p.</b>	<b>-42 p.p.</b>
<b>Total Subscribers</b>	<b>4.3</b>	<b>4.3</b>	<b>3.5</b>	<b>0%</b>	<b>22%</b>
<b>Average daily page views (million)</b>	<b>481</b>	<b>460</b>	<b>269</b>	<b>5%</b>	<b>79%</b>
<b>Unique users (million)</b>	<b>109</b>	<b>103</b>	<b>91</b>	<b>6%</b>	<b>20%</b>

	9m 2001	9m 2000	$\Delta\%$
<b>Total Revenue</b>	<b>527.6</b>	<b>382.7</b>	<b>38%</b>
Media	342.6	291.4	18%
Access and Services	185.0	91.3	103%
<b>EBITDA</b>	<b>(190.3)</b>	<b>(220.5)</b>	
<b>EBITDA Margin</b>	<b>-36%</b>	<b>-58%</b>	<b>-22 p.p.</b>
<b>Total Subscribers</b>	<b>4.3</b>	<b>3.5</b>	<b>22%</b>
<b>Average daily page views (million)</b>	<b>481</b>	<b>269</b>	<b>79%</b>
<b>Unique users (million)</b>	<b>109</b>	<b>91</b>	<b>20%</b>

## Spanish GAAP


  
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## Q3 01

**Consolidated Statements of Operations**  
(In millions of Euros - Spanish GAAP)

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000 (1)	2001	2000 (1)
<b>Revenues:</b>				
Media	109.3	98.5	342.6	291.4
Access and Services	60.8	39.0	185.0	91.3
<b>Total revenues</b>	<b>170.1</b>	<b>137.5</b>	<b>527.6</b>	<b>382.7</b>
Cost of revenues	(90.5)	(58.5)	(277.9)	147.2
<b>Gross Profit</b>	<b>79.6</b>	<b>79.0</b>	<b>249.6</b>	<b>235.5</b>
<b>Operating expenses:</b>				
Research and development	(31.3)	(42.7)	(102.7)	93.9
Sales and marketing	(62.0)	(107.6)	(236.6)	281.8
General and administrative	(35.1)	(25.6)	(100.6)	80.3
<b>Total operating expenses</b>	<b>(128.4)</b>	<b>(176.0)</b>	<b>(439.9)</b>	<b>456.0</b>
<b>EBITDA</b>	<b>(48.8)</b>	<b>(97.0)</b>	<b>(190.3)</b>	<b>(220.5)</b>
<b>EBITDA Margin</b>	<b>-29%</b>	<b>-71%</b>	<b>-36%</b>	<b>-58%</b>
Depreciation / non-cash charges	(43.2)		(131.1)	
Financial income (loss)	27.7		96.6	
Share in gains (losses) by equity method	(46.7)		(173.0)	
Amortization of goodwill	(51.3)		(320.3)	
Extraordinaries and other	(22.6)		(31.4)	
<b>Income (loss) before taxes</b>	<b>(185.0)</b>		<b>(749.4)</b>	
Corporate Income tax	101.7		275.0	
Minority interest	0.4		1.1	
<b>Net Income (loss)</b>	<b>(82.9)</b>		<b>(473.3)</b>	
<b>Shares Outstanding (' 000)</b>	<b>558,619</b>	<b>519,035</b>		

(1) Proforma figures for Terra Networks and Lycos Inc. through EBITDA, assuming Terra Networks had acquired Lycos on January 1, 2000.



# Spanish GAAP

## Consolidated Balance Sheet as of September 30, 2001 (In millions of Euros - Spanish GAAP)

### ASSETS

Due from Shareholders for Uncalled Capital	388.7
Fixed Assets	1,383.3
Goodwill in Consolidation	1,866.3
Long-term deferred expenses	11.4
Current Assets	2,552.7
Cash and Short-term financial investments	2,333.1
Other current assets	219.6
<b>TOTAL ASSETS</b>	<b>6,202.4</b>

### LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity	5,592.4
Minority interests	3.5
Long-term liabilities	162.6
Current liabilities	444.0
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>6,202.4</b>

Q3 2001

Q3 2000

## Revenue by Business

(% of total revenue)

Media	64%	72%
Access and Services	36%	28%

## Revenue by Region and Business

(% of total revenue)

<b>United States</b>	<b>47%</b>	<b>53%</b>
Media	47%	53%
Access and Services	0%	0%
<b>Spain &amp; Latam</b>	<b>47%</b>	<b>44%</b>
Media	11%	16%
Access and Services	36%	28%
<b>Other</b>	<b>6%</b>	<b>3%</b>

## Media Revenue

(% of media revenue)

Brick & Mortar	88%	67%
Dot-com	12%	33%

## Operating Data

Q3 2001

Q3 2000

Δ %

### Total Subscribers (million)

Pay	30%	31%	
Free	70%	69%	

### ADSL Subscribers (thousand)

Spain	174	17	924%
Latam	91	8	1038%
	83	9	822%

### Average daily page views (million)

Unique users (million)	481	269	79%
	109	91	20%

# 3Q 2001 Results

## Spanish GAAP



### Historic Financial and Operating Information

Pro-Forma P&L (1)

(EUROS million - SPANISH GAAP) (2)

	Q1 2000	Q2 2000	Q3 2000	Q4 2000	TOTAL 2000	Q1 2001	Q2 2001	Q3 2001
Media	86.3	105.6	98.5	140.0	431.4	122.6	110.7	109.3
Access and Services	24.8	27.4	39.0	48.4	139.7	55.2	69.0	60.8
<b>Total Revenue</b>	<b>111.1</b>	<b>134.0</b>	<b>137.5</b>	<b>188.4</b>	<b>571.1</b>	<b>177.8</b>	<b>179.7</b>	<b>170.1</b>
Cost of Sales	(42.3)	(46.3)	(50.5)	(82.4)	(229.6)	(88.9)	(98.5)	(90.5)
<b>Gross Profit</b>	<b>68.8</b>	<b>87.7</b>	<b>79.0</b>	<b>106.0</b>	<b>341.5</b>	<b>88.9</b>	<b>81.2</b>	<b>79.6</b>
R&D	(23.7)	(27.5)	(42.7)	(43.5)	(137.4)	(36.7)	(34.7)	(31.3)
S&M	(79.6)	(94.6)	(107.6)	(116.6)	(398.4)	(89.8)	(84.8)	(62.0)
G&A	(19.9)	(34.8)	(25.6)	(48.2)	(128.5)	(38.4)	(27.1)	(35.1)
<b>Total Operating Expenses</b>	<b>(123.2)</b>	<b>(156.8)</b>	<b>(176.0)</b>	<b>(208.3)</b>	<b>(664.3)</b>	<b>(164.9)</b>	<b>(146.6)</b>	<b>(128.4)</b>
<b>EBITDA</b>	<b>(54.4)</b>	<b>(69.1)</b>	<b>(97.0)</b>	<b>(102.3)</b>	<b>(322.8)</b>	<b>(76.0)</b>	<b>(65.5)</b>	<b>(48.8)</b>
Depreciation/non-cash						(39.2)	(48.7)	(43.2)
Financial income (loss)						30.0	38.9	27.7
Share in gains (losses) by equity method						(47.4)	(78.9)	(46.7)
Amortization of goodwill						(126.3)	(142.6)	(51.3)
Extraordinaries and other						(0.9)	(7.9)	(22.6)
<b>Income (loss) before taxes</b>	<b>(259.8)</b>	<b>(304.7)</b>	<b>(304.7)</b>	<b>(304.7)</b>	<b>(185.0)</b>	<b>(259.8)</b>	<b>(304.7)</b>	<b>(185.0)</b>
Corporate income tax						85.5	87.8	101.7
Minority interest						(0.2)	0.9	0.4
<b>Net Income (loss)</b>	<b>(174.5)</b>	<b>(216.0)</b>	<b>(216.0)</b>	<b>(216.0)</b>	<b>(82.9)</b>	<b>(174.5)</b>	<b>(216.0)</b>	<b>(82.9)</b>
<b>Total shares (000s) (3)</b>	<b>496,881</b>	<b>503,118</b>	<b>519,035</b>	<b>552,709</b>	<b>518,034</b>	<b>557,127</b>	<b>557,471</b>	<b>558,619</b>

(1) Proforma figures for Terra Networks and Lycos Inc. assuming Terra Networks had acquired Lycos Inc. on January 1st, 2000

(2) As of 2001 P&L data through EBITDA accounted under Spanish GAAP does not differ from P&L data under US GAAP. For previous periods some accounting differences arise.

(3) Excludes shares reserved to the Stock Option Plan

## Spanish GAAP

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## P&amp;L Data

	Q1 2000	Q2 2000	Q3 2000	Q4 2000	TOTAL 2000	Q1 2001	Q2 2001	Q3 2001
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## Revenue by Business

(% of total revenue)

Media  
Access and Services

Media	78%	80%	72%	74%	76%	69%	62%	64%
Access and Services	22%	20%	28%	26%	24%	31%	38%	36%

## Revenue by Region and Business

(% of total revenue)

United States  
Media  
Access and Services  
Spain & Latam  
Media  
Access and Services  
Other

United States	69%	68%	53%	55%	60%	56%	44%	47%
Media	69%	68%	53%	55%	60%	56%	44%	47%
Access and Services	0%	0%	0%	0%	0%	0%	0%	0%
Spain & Latam	31%	32%	44%	38%	37%	40%	51%	47%
Media	9%	12%	16%	12%	13%	9%	13%	11%
Access and Services	22%	20%	28%	26%	24%	31%	38%	36%
Other	0%	0%	3%	7%	3%	4%	5%	6%

## Media Revenue

(% of media revenue)

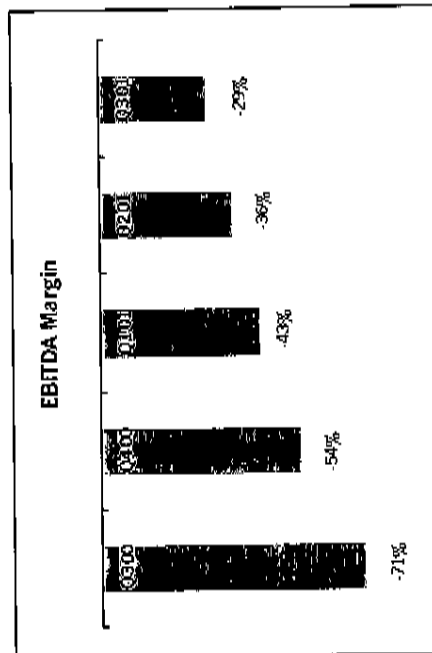
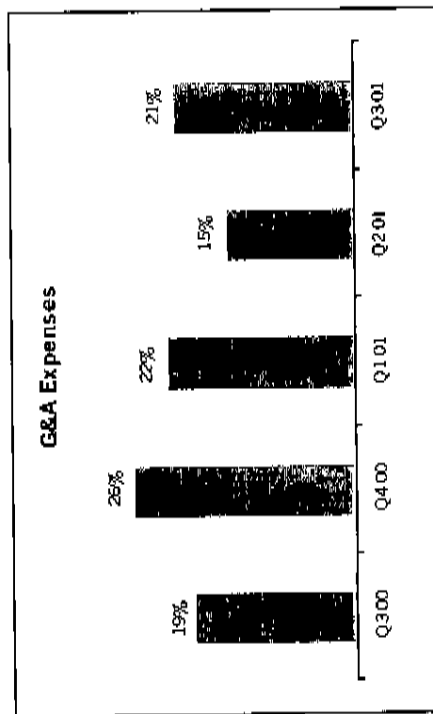
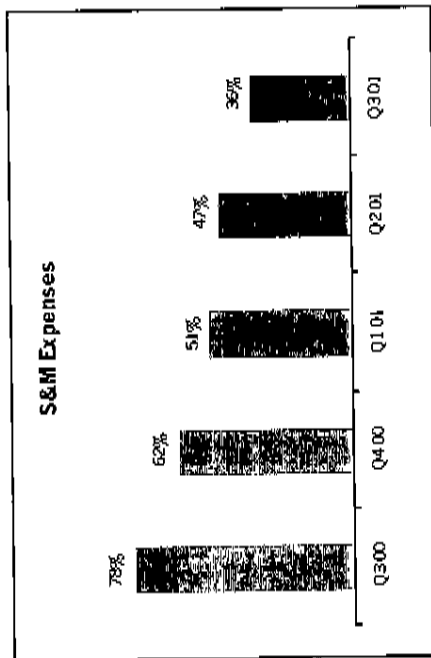
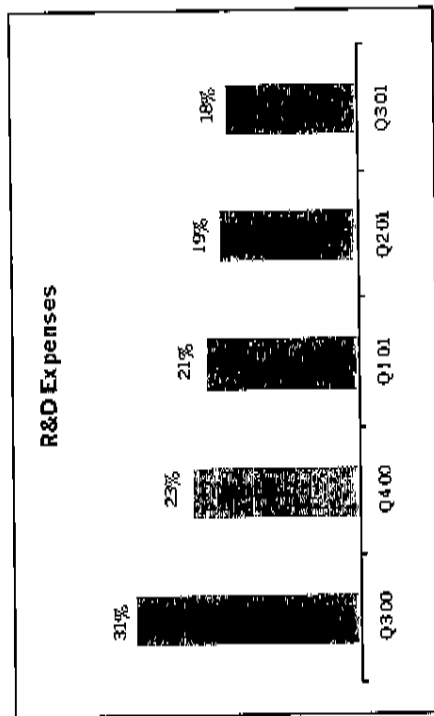
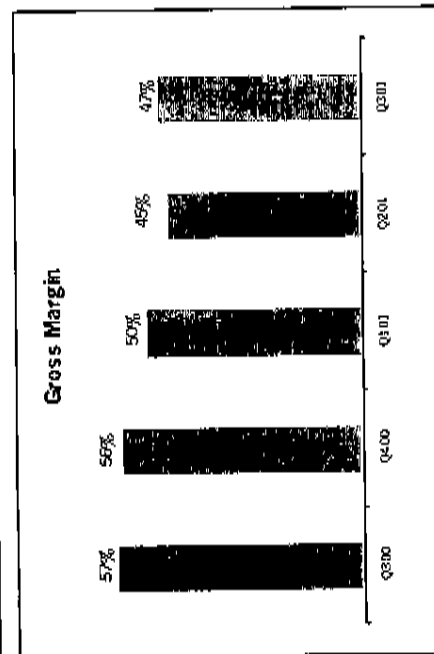
Brick & Mortar  
Dot-com

Brick & Mortar	67%	72%	67%	72%	69%	76%	87%	88%
Dot-com	33%	28%	33%	28%	31%	24%	13%	12%

## Spanish GAAP



% percentage of revenue



## Spanish GAAP



## Consolidated Balance Sheet

(Euros million - SPANISH GAAP)

	2000 December 31	2001 March 31	2001 June 30	2001 September 30
<b>ASSETS</b>				
Due from Shareholders for Uncalled Capital	501.9	474.2	420.7	388.7
Fixed Assets	1,062.2	1,406.9	1,309.0	1,383.3
Goodwill in Consolidation	2,266.1	1,907.2	1,883.1	1,866.3
Long-term deferred expenses	7.7	23.2	14.2	11.4
Current Assets	2,900.4	2,874.6	2,845.8	2,552.7
Cash and Short-term financial investments	2,673.4	2,601.7	2,610.9	2,333.1
Other current assets	227.0	272.9	234.8	219.6
<b>TOTAL ASSETS</b>	<b>6,738.2</b>	<b>6,686.1</b>	<b>6,472.9</b>	<b>6,202.4</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
Shareholders' equity	6,126.8	6,002.4	5,840.7	5,592.4
Minority interests	0.3	3.5	3.3	3.5
Long-term liabilities	177.8	202.7	188.0	162.6
Current liabilities	433.3	477.6	440.9	444.0
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>6,738.2</b>	<b>6,686.1</b>	<b>6,472.9</b>	<b>6,202.4</b>

# Spanish GAAP



	Pay	Free
Total Subscribers (million)	1.0	1.0

ADSL Subscribers (thousand)

	3	8	17	40	60	133	174
(1)	3	8	17	40	60	133	174
(2)	2	5	8	25	36	79	91
(3)	1	3	9	15	24	54	83

**Average daily page views (million)**  
**Unique users (million)**

200	205	269	350	431	460	481
65	75	81	94	99	103	109

	Q3 2001	Q2 2001	Q3 2000	$\Delta\%$	
				Quarterly	Annual
<b>Total Revenue</b>	170.1	179.7	137.5	-5%	24%
Media	109.3	110.7	98.5	-1%	11%
Access and Services	60.8	69.0	39.0	-12%	56%
<b>EBITDA</b>	(48.8)	(65.5)	(102.3)		
<b>EBITDA Margin</b>	-29%	-36%	-74%	-7 p.p.	-45 p.p.
<b>Total Subscribers</b>	4.3	4.3	3.5	0%	22%
<b>Average daily page views (million)</b>	481	460	269	5%	79%
<b>Unique users (million)</b>	109	103	91	6%	20%

	9m 2001	9m 2000	$\Delta\%$
<b>Total Revenue</b>	527.6	382.7	38%
Media	342.6	291.4	18%
Access and Services	185.0	91.3	103%
<b>EBITDA</b>	(190.3)	(266.2)	
<b>EBITDA Margin</b>	-36%	-70%	-34 p.p.
<b>Total Subscribers</b>	4.3	3.5	22%
<b>Average daily page views (million)</b>	481	269	79%
<b>Unique users (million)</b>	109	91	20%



US GAAP

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3Q 01

Consolidated Statements of Operations  
(In millions of Euros, US GAAP)

	Three Months Ended September 30		Nine Months Ended September 30	
	2001	2000 <sup>(1)</sup>	2001	2000 <sup>(1)</sup>
<b>Revenues:</b>				
Media	109.3	98.5	342.6	291.4
Access and Services	60.8	39.0	185.0	91.3
<b>Total revenues</b>	<b>170.1</b>	<b>137.5</b>	<b>527.6</b>	<b>382.7</b>
Cost of revenues	(90.5)	58.5	(277.9)	(147.2)
<b>Gross Profit</b>	<b>(79.6)</b>	<b>79.0</b>	<b>249.6</b>	<b>235.5</b>
<b>Operating expenses:</b>				
Research and development	(31.3)	42.7	(102.7)	(94.0)
Sales and marketing	(62.0)	113.0	(236.6)	(327.3)
General and administrative	(35.1)	25.6	(100.6)	(80.4)
<b>Total operating expenses</b>	<b>(128.4)</b>	<b>181.3</b>	<b>(439.9)</b>	<b>(501.7)</b>
<b>EBITDA</b>	<b>(48.8)</b>	<b>(102.3)</b>	<b>(190.3)</b>	<b>(266.2)</b>
<i>EBITDA Margin</i>	<i>-29%</i>	<i>-74%</i>	<i>-36%</i>	<i>-70%</i>
Depreciation / non-cash charges	(46.3)		(140.8)	
Financial income (loss)	(74.7)		(5.8)	
Share in gains (losses) by equity method	7.7		(162.5)	
Amortization of goodwill	(324.8)		(1,787.0)	
Extraordinaries and other	(18.9)		(27.7)	
<b>Income (loss) before taxes</b>	<b>(505.7)</b>		<b>(2,313.9)</b>	
Corporate income tax	(57.1)		(47.4)	
Minority interest	0.4		1.1	
<b>Net Income (loss)</b>	<b>(562.4)</b>		<b>(2,360.2)</b>	
<b>Shares Outstanding (' 000)</b>	<b>558,619</b>	<b>519,035</b>		

(1) Proforma figures for Terra Networks and Lycos Inc. through EBITDA, assuming Terra Networks had acquired Lycos on January 1, 2000.

US GAAP


  
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**Consolidated Balance Sheet**  
**as of September 30, 2001**  
(In millions of Euros - US GAAP)

**ASSETS**


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<b>Current Assets</b>	<b>2,552.7</b>
Cash and Short-term financial investments	2,333.1
Other short-term assets	219.6
<b>Fixed Assets</b>	<b>326.1</b>
<b>Long-term deferred expenses</b>	<b>11.4</b>
<b>Goodwill in Consolidation</b>	<b>11,923.4</b>
<b>TOTAL ASSETS</b>	<b>14,813.6</b>

**LIABILITIES AND SHAREHOLDERS' EQUITY**


---

<b>Current liabilities</b>	<b>444.0</b>
<b>Long-term liabilities</b>	<b>104.4</b>
<b>Minority interests</b>	<b>3.5</b>
<b>Shareholders' equity</b>	<b>14,261.7</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>14,813.6</b>

US GAAP

terra  
lycos

## P&amp;L Data

## Revenue by Business

(% of total revenue)

	Q3 2001	Q3 2000
Media	64%	72%
Access and Services	36%	28%

## Revenue by Region and Business

(% of total revenue)

<b>United States</b>	<b>47%</b>	<b>53%</b>
Media	47%	53%
Access and Services	0%	0%
<b>Spain &amp; Latam</b>	<b>47%</b>	<b>44%</b>
Media	11%	16%
Access and Services	36%	28%
<b>Other</b>	<b>6%</b>	<b>3%</b>

## Media Revenue

(% of media revenue)

Brick & Mortar	88%	67%
Dot-com	12%	33%

## Operating Data

	Q3 2001	Q3 2000	Δ %
<b>Total Subscribers (million)</b>	<b>4.3</b>	<b>3.5</b>	<b>22%</b>
Pay	30%	31%	
Free	70%	69%	
<b>ADSL Subscribers (thousand)</b>	<b>174</b>	<b>17</b>	<b>924%</b>
Spain	91	8	1038%
Latam	83	9	822%
<b>Average daily page views (million)</b>	<b>481</b>	<b>269</b>	<b>79%</b>
<b>Unique users (million)</b>	<b>109</b>	<b>91</b>	<b>20%</b>

# 3Q 2001 Results

## US GAAP

terra  
lycos

### Historic Financial and Operating Information

#### Pro-Forma P&L (1)

(EUROS million - US \$ mil) (2)

	Q1 2000	Q2 2000	Q3 2000	Q4 2000	TOTAL 2000	Q1 2001	Q2 2001	Q3 2001
Media	86.3	106.6	98.5	140.0	431.4	122.6	110.7	109.3
Access and Services	24.8	27.4	39.0	48.4	139.7	55.2	69.0	60.8
<b>Total Revenue</b>	<b>111.1</b>	<b>134.0</b>	<b>137.5</b>	<b>188.4</b>	<b>571.0</b>	<b>177.8</b>	<b>179.7</b>	<b>170.1</b>
Cost of Sales	(42.3)	(46.3)	(58.5)	(82.2)	(229.4)	(88.9)	(98.5)	(90.5)
<b>Gross Profit</b>	<b>68.8</b>	<b>87.7</b>	<b>79.0</b>	<b>106.1</b>	<b>341.6</b>	<b>88.9</b>	<b>81.2</b>	<b>79.6</b>
R&D	(23.7)	(27.6)	(42.7)	(42.9)	(136.8)	(36.7)	(34.7)	(31.3)
S&M	(110.1)	(104.3)	(113.0)	(125.8)	(453.1)	(89.8)	(84.8)	(62.0)
G&A	(19.9)	(34.8)	(25.6)	(47.5)	(127.9)	(38.4)	(27.1)	(35.1)
<b>Total Operating Expenses</b>	<b>(153.7)</b>	<b>(166.7)</b>	<b>(181.3)</b>	<b>(216.1)</b>	<b>(717.8)</b>	<b>(164.9)</b>	<b>(146.6)</b>	<b>(128.4)</b>
<b>EBITDA</b>	<b>(85.0)</b>	<b>(79.0)</b>	<b>(102.3)</b>	<b>(110.0)</b>	<b>(376.2)</b>	<b>(76.0)</b>	<b>(65.5)</b>	<b>(48.8)</b>
Depreciation/non-cash						(42.7)	(51.8)	(46.3)
Financial income (loss)						30.0	38.9	(74.7)
Share in gains (losses) by equity method						(91.5)	(78.6)	7.7
Amortization of goodwill						(722.7)	(739.5)	(324.8)
Extraordinaries and other						(0.9)	(7.9)	(18.9)
<b>Income (loss) before taxes</b>	<b>(903.8)</b>	<b>(904.3)</b>	<b>(904.3)</b>	<b>(904.3)</b>	<b>(904.3)</b>	<b>(903.8)</b>	<b>(904.3)</b>	<b>(505.7)</b>
Corporate income tax	16.8	(7.0)			(57.1)	16.8	(7.0)	(57.1)
Minority interest	(0.2)	0.9			0.4	(0.2)	0.9	0.4
<b>Net Income (loss)</b>	<b>(887.3)</b>	<b>(910.5)</b>	<b>(910.5)</b>	<b>(910.5)</b>	<b>(910.5)</b>	<b>(887.3)</b>	<b>(910.5)</b>	<b>(562.4)</b>
<b>Total shares ('000s) (3)</b>	<b>496,881</b>	<b>503,118</b>	<b>519,035</b>	<b>552,709</b>	<b>518,034</b>	<b>557,127</b>	<b>557,471</b>	<b>558,619</b>

(1) Proforma figures for Terra Networks and Lycos Inc. assuming Terra Networks had acquired Lycos Inc. on January 1st, 2000

(2) As of 2001 P&L data through EBITDA accounted under Spanish GAAP does not differ from P&L data under US GAAP. For previous periods some accounting differences arise.

(3) Excludes shares assigned to the Stock Option Plan.

# 3Q 2001 Results

## US GAAP

terra  
lycos

### P&L Data

	Q1 2000	Q2 2000	Q3 2000	Q4 2000	TOTAL 2000	Q1 2001	Q2 2001	Q3 2001
--	---------	---------	---------	---------	---------------	---------	---------	---------

#### Revenue by Business

(% of total revenue)

Media  
Access and Services

Media	78%	80%	72%	74%	76%	69%	62%	64%
Access and Services	22%	20%	28%	26%	24%	31%	38%	36%

#### Revenue by Region and Business

(% of total revenue)

United States  
Media  
Access and Services  
Spain & Latam  
Media  
Access and Services  
Other

United States	69%	68%	53%	55%	60%	56%	44%	47%
Media	69%	68%	53%	55%	60%	56%	44%	47%
Access and Services	0%	0%	0%	0%	0%	0%	0%	0%
Spain & Latam	31%	32%	44%	38%	37%	40%	51%	47%
Media	9%	12%	16%	12%	13%	9%	13%	11%
Access and Services	22%	20%	28%	26%	24%	31%	38%	36%
Other	0%	0%	3%	7%	3%	4%	5%	6%

#### Media Revenue

(% of media revenue)

Brick & Mortar  
Dot-com

Brick & Mortar	72%	67%	72%	76%	87%	88%
Dot-com	28%	33%	28%	24%	13%	12%

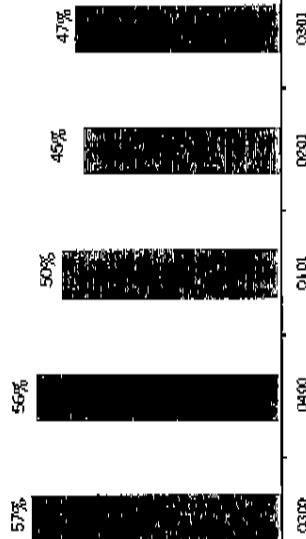
# 3Q 2001 Results

## US GAAP

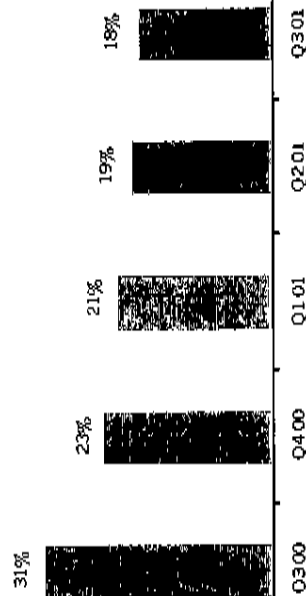


As percentage of revenue

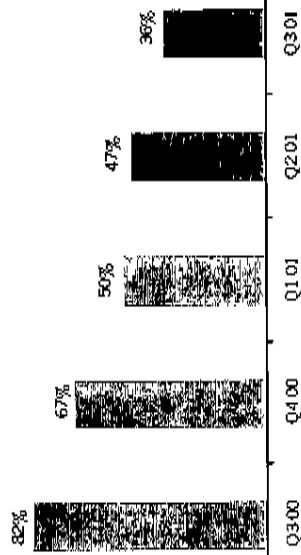
### Gross Margin



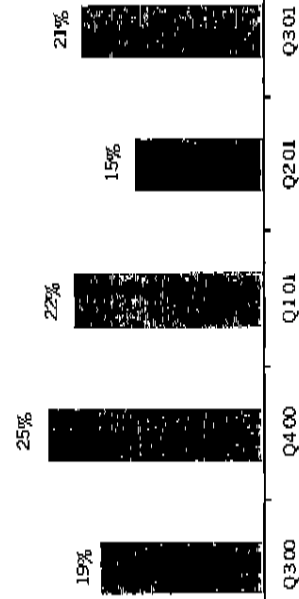
### R&D Expenses



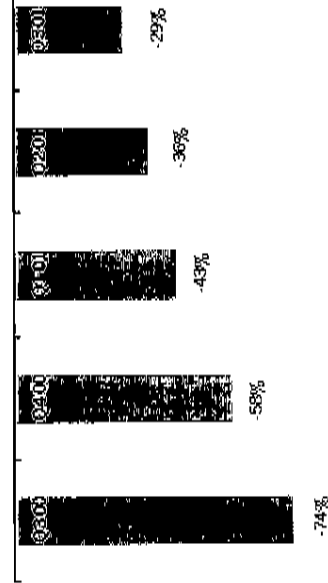
### S&M Expenses



### G&A Expenses



### EBITDA Margin



## US GAAP



## Consolidated Balance Sheet

(EUROS million - US GAAP)

	2000 December 31	2001 March 31	2001 June 30	2001 September 30
<b>ASSETS</b>				
<b>Current Assets</b>	<b>2,895.4</b>	<b>2,874.6</b>	<b>2,845.8</b>	<b>2,552.7</b>
Cash and Short-term financial investments	2,670.9	2,601.7	2,610.9	2,333.1
Other short-term assets	224.5	272.9	234.8	219.6
<b>Fixed Assets</b>	<b>603.3</b>	<b>548.1</b>	<b>510.0</b>	<b>326.1</b>
Long-term deferred expenses	7.5	160.6	14.2	11.4
Goodwill in Consolidation	13,449.3	12,808.0	12,058.6	11,923.4
<b>TOTAL ASSETS</b>	<b>16,955.4</b>	<b>16,391.2</b>	<b>15,428.6</b>	<b>14,813.6</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>				
<b>Current liabilities</b>	<b>430.0</b>	<b>457.2</b>	<b>440.9</b>	<b>444.0</b>
Long-term liabilities	117.1	141.1	129.2	104.4
Minority interests	0.3	3.5	3.3	3.5
Shareholders' equity	16,408.0	15,789.4	14,855.2	14,261.7
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>16,955.4</b>	<b>16,391.2</b>	<b>15,428.6</b>	<b>14,813.6</b>

# 3Q 2001 Results

US GAAP

terra  
lycos

## Operating Data

	Q1 2000	Q2 2000	Q3 2000	Q4 2000	TOTAL 2000	Q1 2001	Q2 2001	Q3 2001
<b>Total Subscribers (million)</b>								
Pay	2.0	2.7	3.5	4.1	4.1	4.5	4.3	4.3
Free	43%	35%	31%	24%	24%	24%	30%	30%
	57%	65%	69%	76%	76%	76%	70%	70%
<b>ADSL Subscribers (thousand)</b>								
Spain	3	8	17	40	40	60	133	174
Latam	2	5	8	25	25	36	79	91
	1	3	9	15	15	24	54	83
<b>Average daily page views (million)</b>	200	205	269	350	350	431	460	481
<b>Unique users (million)</b>	65	75	91	94	94	99	103	109



## Other Information



### DIFFERENCES BETWEEN SPANISH AND UNITED STATES GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The most significant differences between U.S. GAAP and Spanish GAAP relevant to TerraLycos are as follows:

- **Capitalization of start-up costs**

1. Under Spanish GAAP, expenses incurred during the start-up of a business which will contribute to future revenues may be deferred and amortized over five years. For U.S. GAAP purposes, start-up costs must be expensed as incurred.

- **Recognition of deferred tax assets**

Spanish GAAP permit the recognition of deferred tax assets, including those related to net operating loss carryforwards, if the deferred tax assets can be reasonably realized within a ten-year period. For 2000 and 1999 TerraLycos has recognized such tax assets under Spanish GAAP, since its business plan indicates that these assets will be realized within a ten-year period. Under U.S. GAAP, based on relevant considerations, a valuation allowance would be provided in full against the deferred tax assets related to TerraLycos' net operating losses.

- **Goodwill arising from acquisition of Lycos Virginia, Inc.**

1. Under U.S. GAAP, the acquisition price of Lycos Virginia, Inc. is determined in a different manner than the calculation under Spanish GAAP, therefore resulting in a different amount of goodwill. First, the Terra Networks, S.A. shares issued to consummate the acquisition are valued using the average market price of Terra Networks, S.A.'s common stock around the time the merger was agreed and announced. Furthermore, upon acquisition, Terra Networks, S.A. agreed to replace outstanding options to purchase shares of Lycos, Inc. common stock held by Lycos' employees with options to purchase Terra Networks, S.A.'s shares. The value of these replacement options, to a certain extent, is also considered purchase price under U.S. GAAP. Moreover, in regards to non-vested options granted, a portion of the fair value of these awards is instead classified as deferred compensation and is amortized over the remaining period of time in which employees earn full rights to the options.

- **Investments under FASB 115**

Under U.S. GAAP, equity investments constituting between 20% and 50% of a company's share capital should be accounted for under the equity method. Investments constituting less than 20% of a company's share capital should be accounted for pursuant to FASB 115 ("Accounting for Certain Investments in Debt and Equity Securities"). Lycos, Inc., subsidiary of Terra Networks, S.A., has several equity investments and, pursuant to FASB 115, it has been concluded that all of its equity investments constituting less than 20% of a company's share capital should be considered "available for sale" and, accordingly, these investments are marked to market at each balance sheet date, and any unrealized gains or losses are

# Other Information



operations. Under Spanish GAAP, all unrealized losses are recorded in the statement of operations and a reserve for those Investments whose value has declined is recorded. However, under Spanish GAAP, the historical cost basis of those investments that have increased in value is not adjusted and all unrealized gains are not recognized as income until they are realized.

- **Tax deduction benefit of stock options**

1. Under U.S. GAAP, the exercise of employee stock options results in a tax benefit which can be carried forward to offset future taxable income. This benefit, when recognized, is accounted for as a credit to additional paid-in capital for U.S. GAAP purposes. Under Spanish GAAP, a reduction in income tax expense would be recorded. Under U.S. GAAP, the deferred tax asset associated with the future deduction would be fully reserved against, as it is not certain that it will be realized.

- **Acquisitions accounted for as pooling of interests**

2. Pooling of interests accounting is not permitted under Spanish GAAP. Under Spanish GAAP, the fair value of the shares issued to the shareholders of the company acquired is recorded as purchase price and the excess of the purchase price over the net assets acquired is recorded as goodwill, which is amortized over a five-year period. Under U.S. GAAP, when a transaction is accounted for as a pooling of interests, the historical accounts of the parties are combined both retroactively and prospectively and no fair value adjustments are made.

- **Acquisitions through share exchange transactions**

When an acquisition through a share exchange transaction takes place, for U.S. GAAP purposes, the difference between the fair value of the shares around the time the terms of the agreements are reached and announced and the par value at which, for Spanish GAAP purposes, the shares are issued is considered additional purchase price. This additional consideration results in the same amount of goodwill.

- **Gain on sale of investment**

1. During January 2001, Lycos Europe increased capital in order to acquire Multimanía through a share exchange transaction. The total amount of the capital increase was approximately €230 million. As a result of the capital increase, Lycos' percentage of ownership in Lycos Europe was reduced to approximately 29% from 32% and Lycos recognized, for Spanish GAAP purposes, a one-time gain of €66 million. Under U.S. GAAP, a one-time gain is recognized only if the company receives cash or cash equivalents in exchange for the shares issued in the capital increase.

# Other Information



<b>FULLY CONSOLIDATED COMPANIES</b>	
ARGENTINA	TERRA NETWORKS ARGENTINA S.A.
BRASIL	TELEFONICA INTERACTIVA BRASIL LTDA.
BRASIL	TERRA NETWORKS BRASIL S.A.
COLOMBIA	TERRA NETWORKS COLOMBIA HOLDING S.A.
CHILE	TERRA NETWORKS CHILE HOLDING LIMITADO
ESPAÑA	BUMERAN PARTICIPACIONES S.L.
ESPAÑA	CENTRO DE INVESTIGACION Y EXPERIMENTACION DE LA REALIDAD VIRTUAL S.L.
ESPAÑA	IFIGENIA PLUS, S.A.
ESPAÑA	MAPTEL SA
ESPAÑA	TERRA NETWORKS ESPAÑA, S.A.
GUATEMALA	TERRA NETWORKS GUATEMALA S.A.
MEXICO	TERRA NETWORKS MEXICO HOLDING S.A. DE C.V.
PERU	TERRA NETWORKS PERU S.A.I
REP. DOMINICANA	TERRA NETWORKS CARIBE
URUGUAY	TERRA NETWORKS URUGUAY
USA	LYCOS VIRGINIA INC.
USA	TERRA NETWORKS USA INC.
VENEZUELA	TERRA NETWORKS VENEZUELA S.A.

<b>EQUITY CONSOLIDATED COMPANIES</b>	
ESPAÑA	A TU HORA, S.A.
ESPAÑA	EMPLAZA
ESPAÑA	RED UNIVERSAL DE MARKETING Y BOOKINGS ON-LINE, S.A.
ESPAÑA	TERRA MOBILE, S.A.
ESPAÑA	UNO E BANK
USA	AREMATE.COM INC.
USA	ONE TRAVEL.COM, INC.

## Other Information



### Press Releases

#### Beginning 4<sup>th</sup>. Quarter:

- ♦ **October, 16th.:** Terra-Lycos and Grupo BBVA create ATREA, a vertical real state portal, which offers consumers all the services required to rent or sell housing.
- ♦ **October, 17th.:** Terra launches ADSL Plus, the only offer in the market with pay services and content.
- ♦ **October, 18th.:** Terra-Lycos buys DeCompras.com, leading e-commerce company in Mexico and Latin America.
- ♦ **October, 26th.:** Terra has over 100.000 ADSL customers.

## Other Information



## Contact Information

### Terra Lycos

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### Terra Lycos

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# Other Information



## Earnings Announcement Dates

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**1Q 01**

May 2<sup>nd</sup>, 2001

**2Q 01**

July 7<sup>th</sup>, 2001

.....  
: **3Q 01**

November 8<sup>th</sup>, 2001  
.....

**4Q 01**

February 2<sup>nd</sup>, 2002



# TERRA YCCO

## Third Quarter 2001 Results

Nov. 8th, 2001

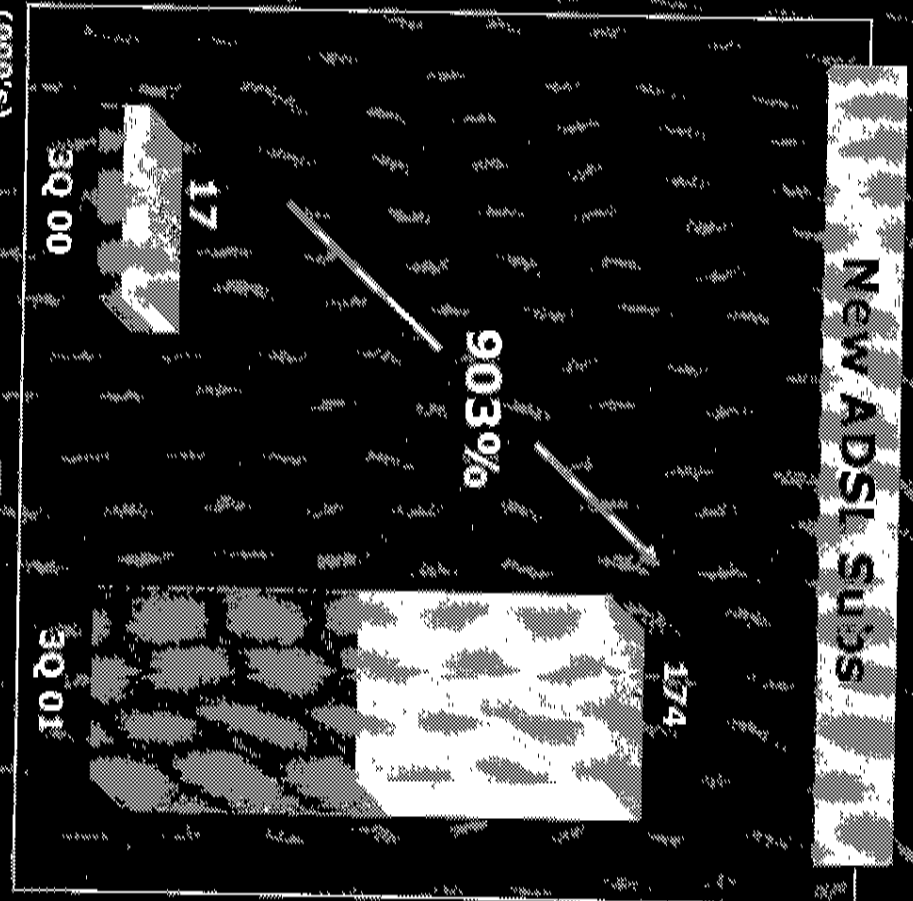
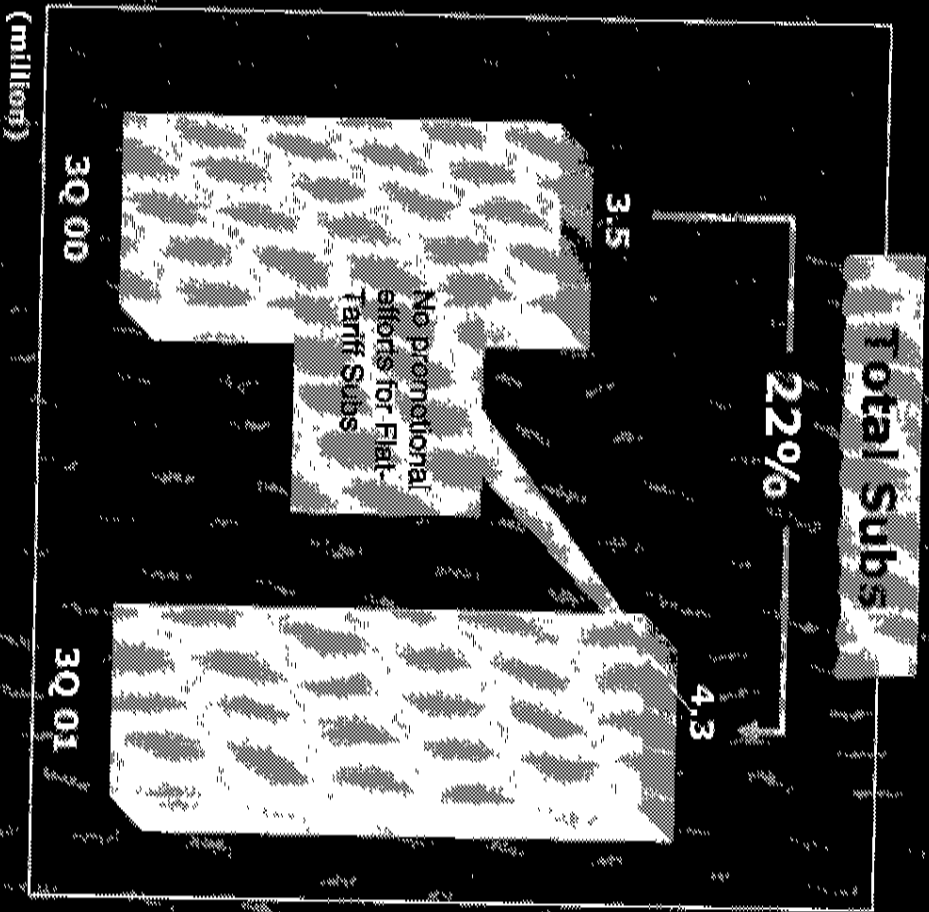
# Highlights



- Revenue of Euro 170 million, in line with analyst expectations
- Stable and diversified revenue generation
- Revenue growth of 24% vs Q300 and 38% for the nine months ended September
- Media revenue growth of 10% vs Q300 in spite of difficult market conditions
- -29% EBITDA margin, exceeding analyst expectations
- 109 million unique users worldwide
- 174.000 ADSL clients



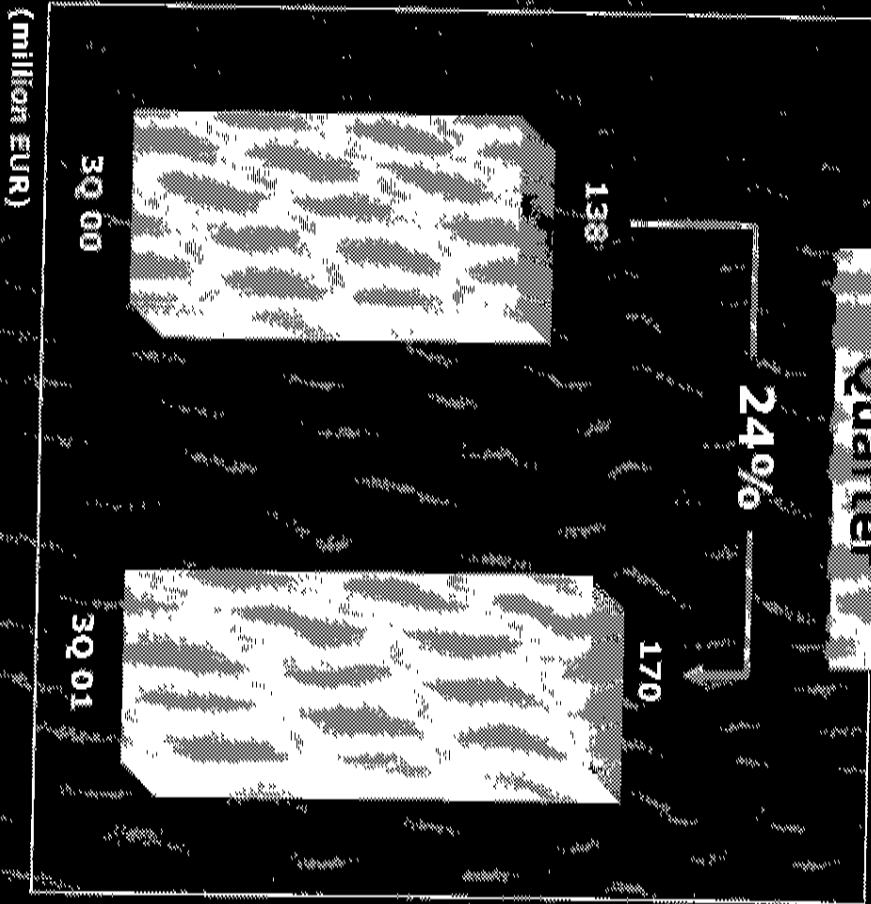
# Subscribers



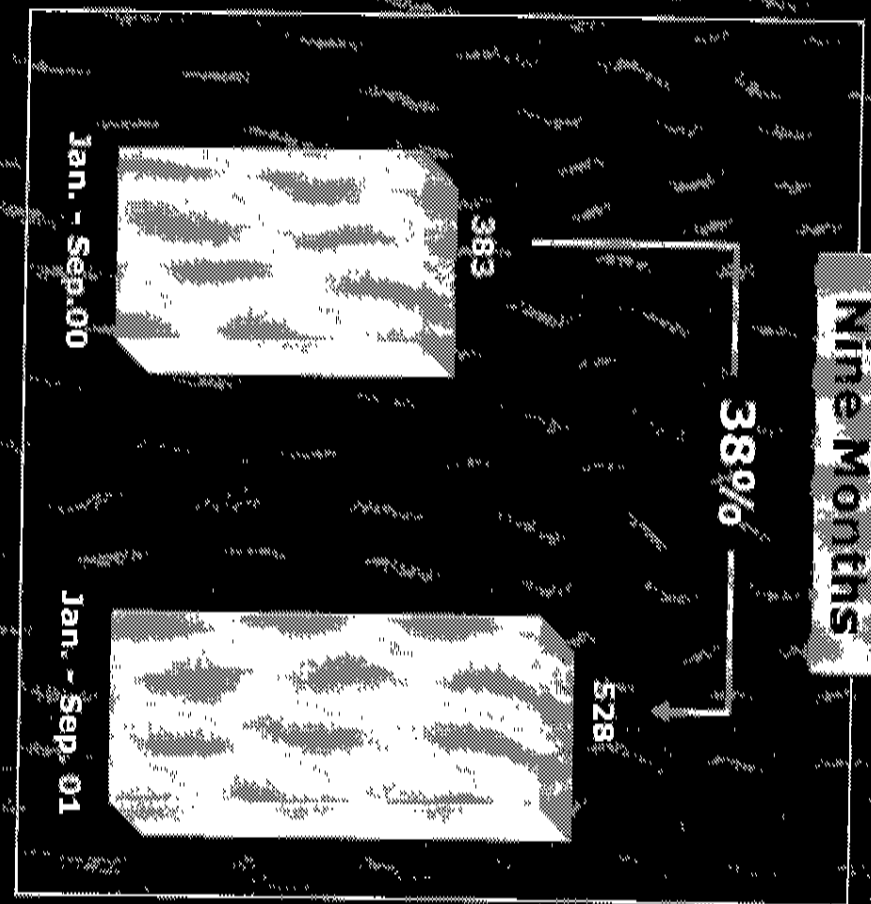
# Key figures



## Quarter



## Nine Months



(million EUR)

# Revenue Mix

Revenue Mix

Revenue Mix

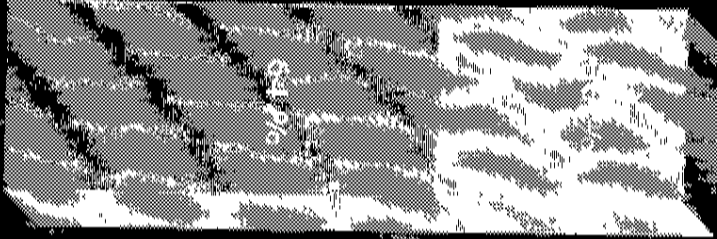
Revenue Mix

Revenue Mix

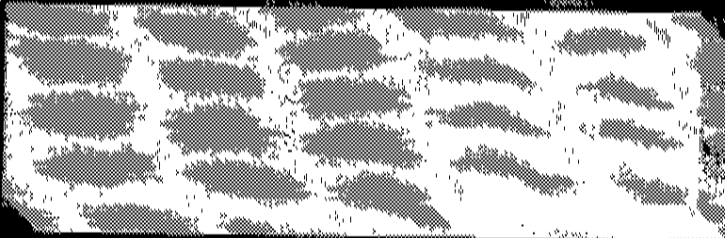
Revenue Mix

## Business Mix

170

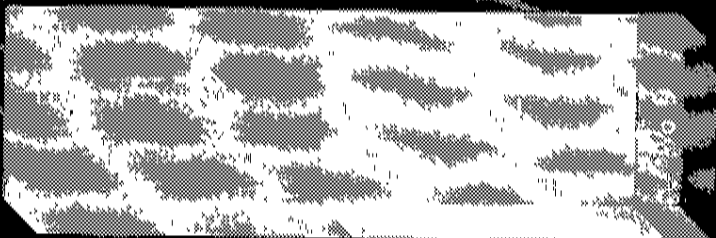


180

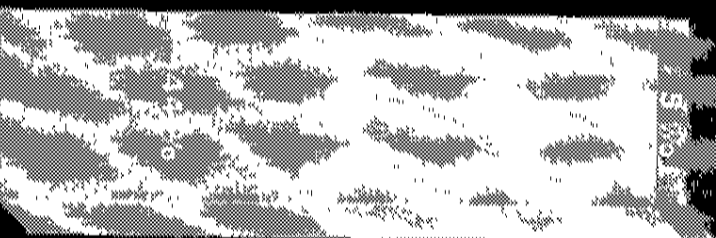


## Geography Mix

170



180



Media Access  
(million EUR)

US

Latam

Other

3Q 2001 Results

# 2001 Q3 Results Release



## Quarter

56%

61

39

3Q 00

3Q 01

(million EUR)

## Nine Months

103%

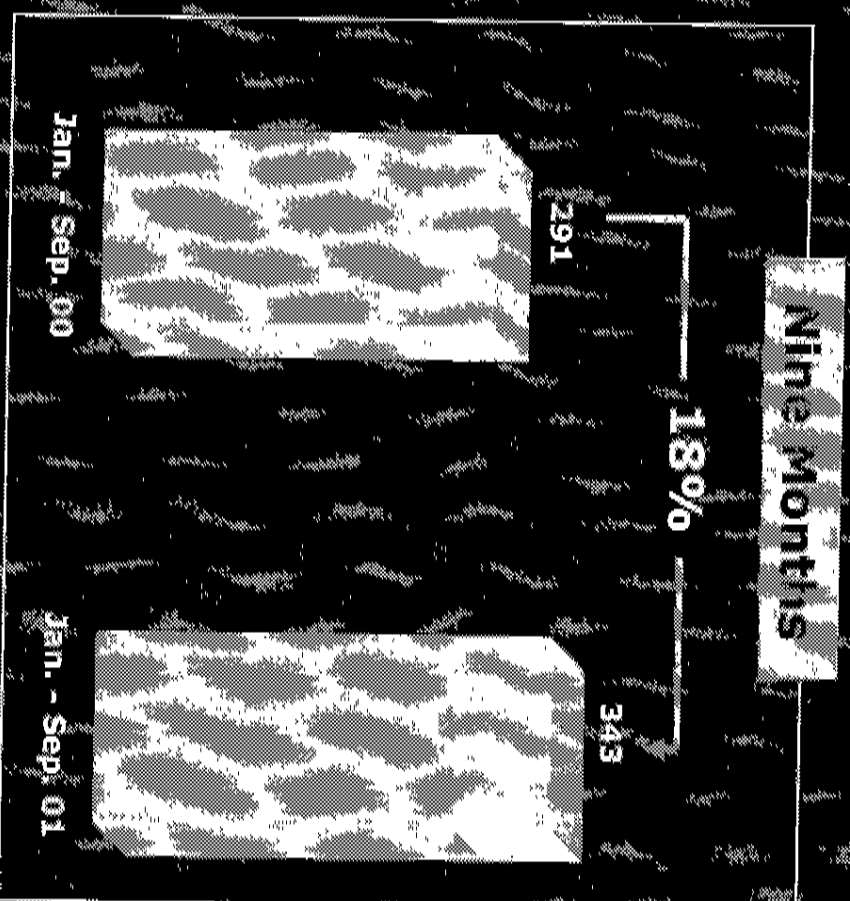
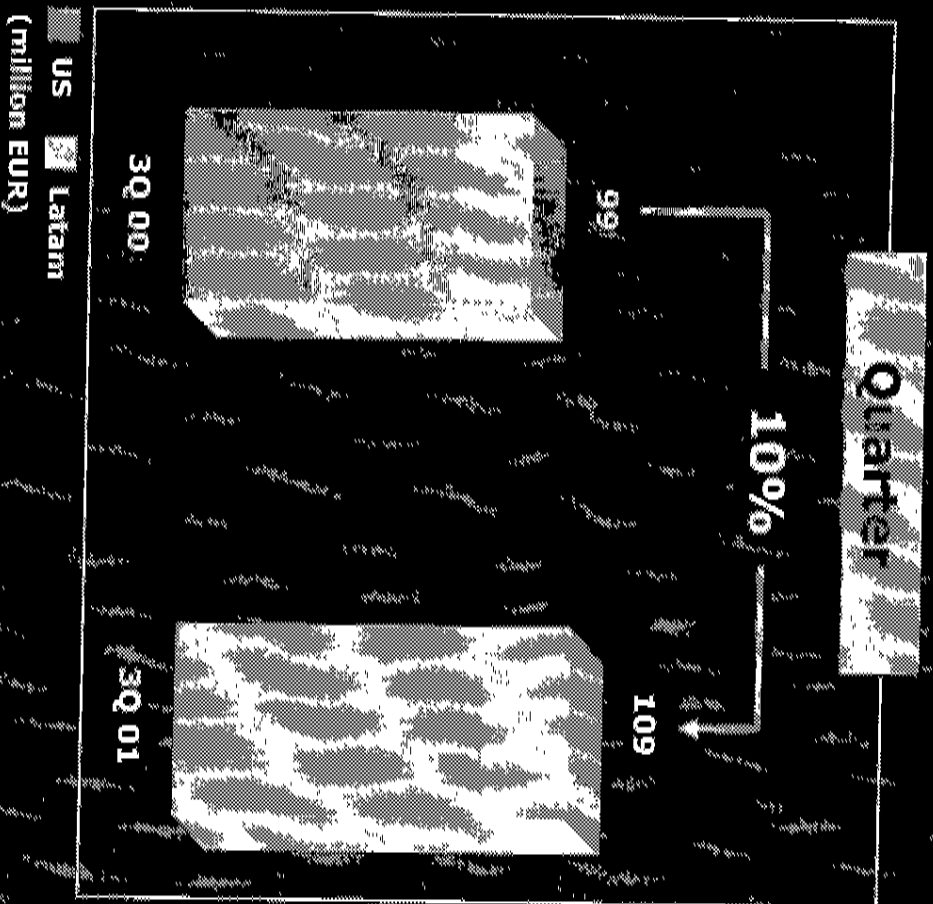
185

91

Jan. - Sep. 00

Jan. - Sep. 01

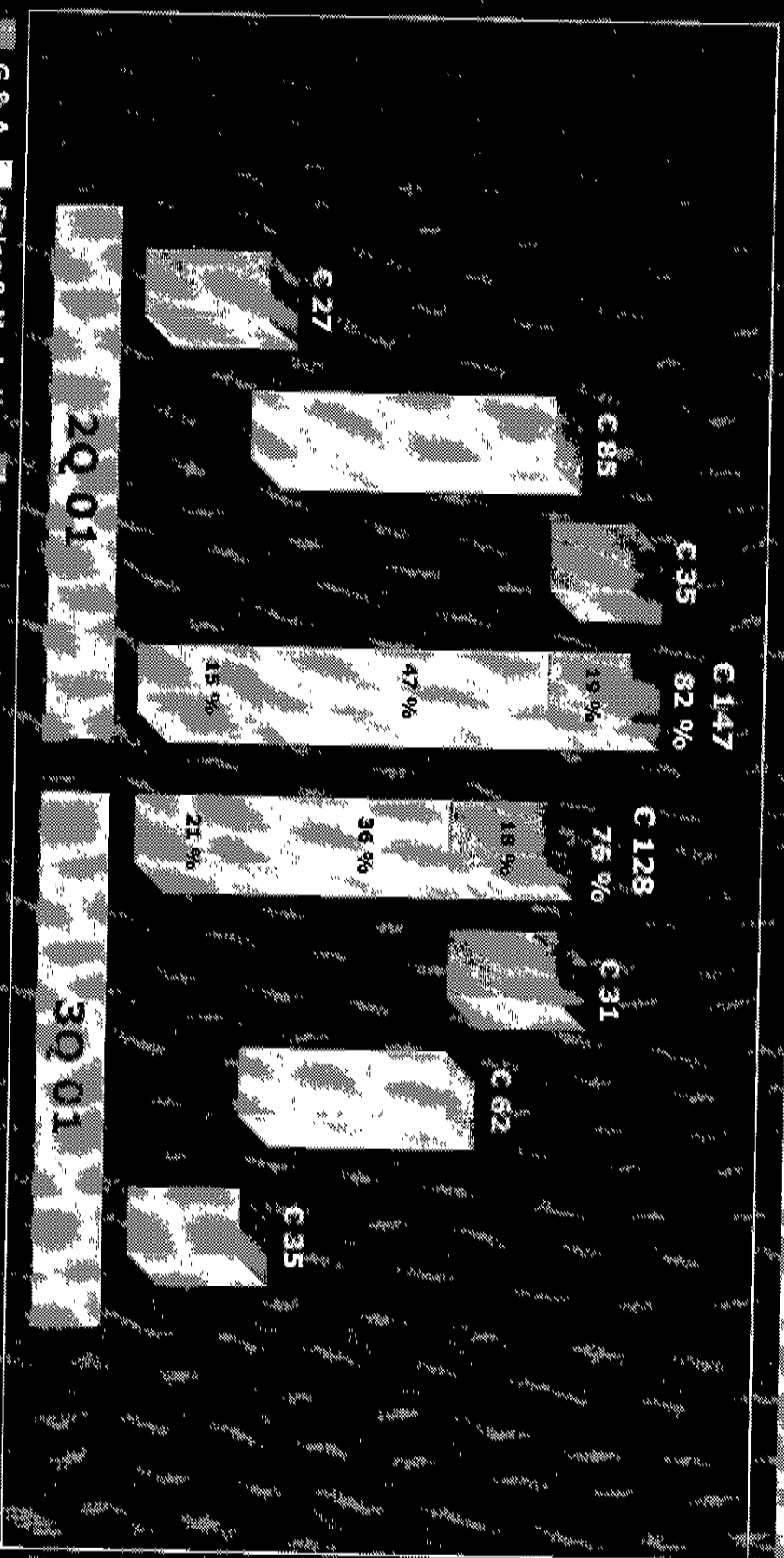
# Media Revenues



■ US ■ Latam  
(million EUR)



# Operating expenses down 19% and R&D down 11% in 2001



■ G & A ■ Sales & Marketing ■ R & D  
(million EUR)  
(% of revenues)

Operating expenses improvement of €19 million, to a 76% of revenue (down from 82%)

# EBITDA Margin

Q3 2001

