



TERRA LYCOS

Second Quarter 2001 Results

July 30th, 2001

Highlights

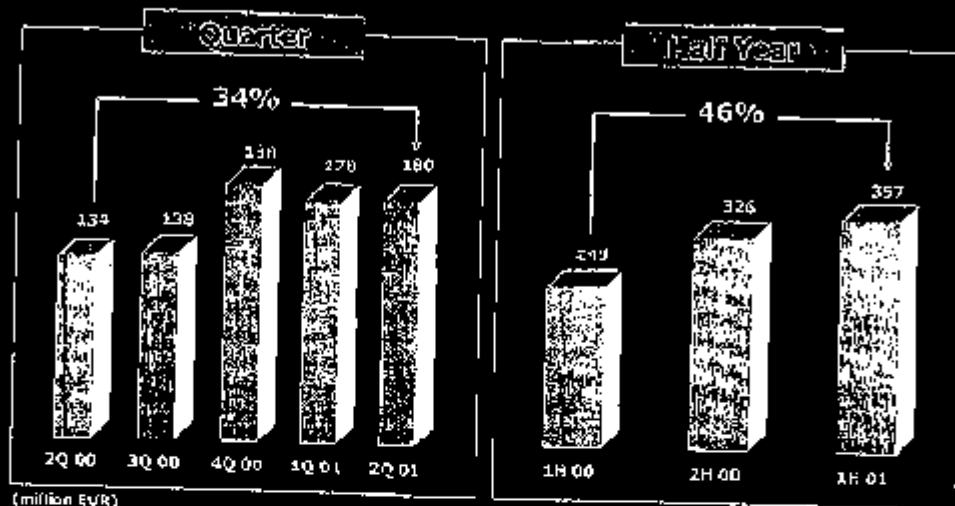


- ✓ Revenue of EUR 180 million, above highest end of guidance range (EUR 165-170 M) and analysts' expectations
- ✓ Stable and diversified revenue generation
- ✓ Revenue growth of 34% vs. Q2'00 and 46% vs. H1'00
- ✓ Media revenue growth of 4% vs. Q2'00 in spite of the decline of the online advertising market
- ✓ -36% EBITDA Margin on the most positive end of guidance (-36%/-40%) - Operating cost reduction directly reflected in EBITDA
- ✓ Similar cash position to 1Q'01: EUR 2,5 billion
- ✓ More than 124% average daily page views growth from last year
- ✓ 37% more unique users than in June 2000
- ✓ Historic record of quarterly pay new subs. 40% from broadband

- In this second quarter, market conditions have been tough, but as you will see we have delivered on our commitments to the market.
- As you will remember, the guidance we provided you for the second quarter was total revenues in a range of 165 to 170 million euros and an EBITDA within a range of minus 36 to minus 40 percent.
- We have exceeded analyst expectations on both the top line and EBITDA line. We delivered 180 million euros in revenues and -36% EBITDA margin.
- As you know, we are present in 42 countries and consolidate revenues from 16 countries. Our markets diversification permit to balance our sources of revenues.
- On the other hand, our revenue diversification from a Business Unit perspective has been critical in achieving our quarterly growth. In particular, internet penetration in LATAM continues growing rapidly, and we are capturing an important part of this growth through our access business.
- As a summary, the main highlights for the quarter are:
 - First: we exceeded analyst's expectations, over-delivered our own estimations of revenues and hit the EBITDA margin guidance on its most optimistic scenario.
 - Second: revenues increased slightly over the previous quarter. But most importantly, in spite of unfavorable market conditions we have been able to increase by 34% our revenue line on a yearly basis.

- Third: EBITDA continues to follow the positive trend initiated in the 3Q00. From that date we have been able to improve our EBITDA margin by 35 percentage points, equivalent to more than 31 million euros, representing a 50% improvement
- Fourth: From a cash perspective, we are extremely proud to have EUR 2,5 billion at the end of Q2 from Q1 due to tight fiscal control and discipline.
- Fifth: Unique users increased by 37% over Q2 '00. Average daily page views increased 124% over Q2 '00.
- Sixth: we've been making solid progress on our strategy of moving from "free to paid". During this quarter we have achieved a record 190.000 new pay subscribers and have reduced the number of free subscribers by 375.000. As of June 30th, 30% of our total subscribers pay, compared to 24% last quarter.
- And last, from an operational point of view we have made great strides in developing our compelling offering of content and services to our clients.

Total Revenues



Diversification drives growth beating expectations

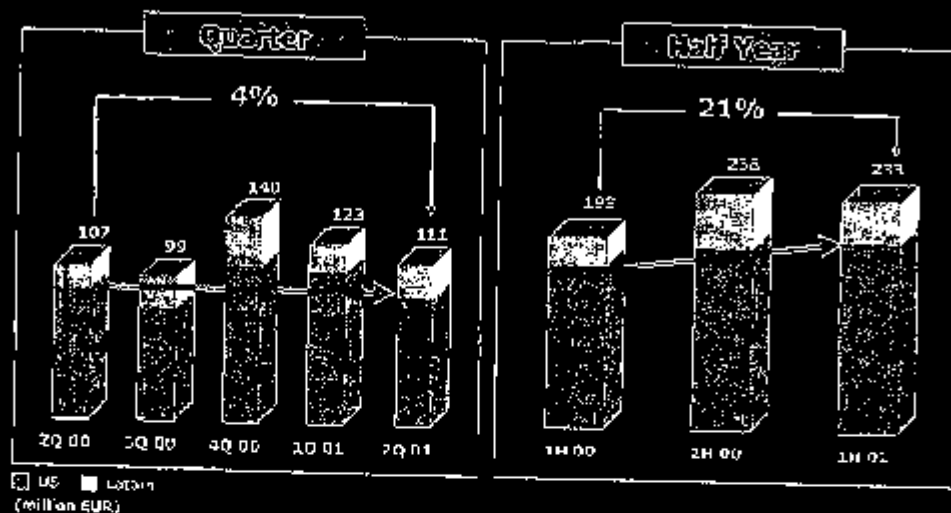
•I would like to stress that even though market conditions were, and continue to be difficult, our business is still growing strongly on a yearly basis; +34% vs Q2 last year and +46% vs. first half of last year.

•Our revenue diversification is proving to be successful:

•Of our total revenues of 180 million Euros for this quarter, access revenues accounted for 38% while media the remaining 62%.

•Geographically, total revenues split nearly equally between the two geographical areas: USA, and Spain and LATAM.

Media Revenues



Annual growth in adverse market conditions

- Particularly in our media business, we generated 111 million Euros or an increase of 4% over Q2 '00. Of these revenues, 79% were generated in the US and 21% in LATAM and Spain.
- Total US media revenue for the first half of this year was 16% higher than on the same period of 2000.
- The macroeconomic scenario in the US did not improve during the quarter, which has affected advertising expenditures.
- We continue our strategy of providing integrated digital marketing solutions to our clients, to tap into their marketing budgets rather than just simply online advertising. We are offering integrated hosting and marketing solutions, building offline core competency to help extend brands online. We provided during this quarter low cost hosting solutions and integrated portal services for companies like The US Golf Association.
- We are seeing advertising demand increasing for innovative ad products like iBlaster and dhtml with clients like Absolut, Coke, McDonalds and others. We also had success in the creation of new streaming ads designed to drive consumer demand from such high profile advertisers as BMW. These ads command higher CPM's.

- We continue to be extremely focused on growing customer's registration and one to one direct marketing capabilities to highly targeted audiences. We are gaining new momentum with customers and advertisers for the upcoming Holiday season.
- We are using personalization and dynamic content as well as our communications services offer as an effective marketing tool to increase duration, satisfaction and registrations needed for direct marketing and consumer profiling.
- Our audience metrics are evidence of our strong position in the US. The Lycos Network had 33,3 million unique users in June -the highest number of users ever-. The average reach for the network has been 38,9% over the past year, June 2000 to June 2001, and frequency of use has increased from 2.9 days per month last December to 3.1 in June of this year.
- The strategic agreements we signed during the quarter and the services we launched in the US are the best indicators of our focus on keeping developing this market.
- One of the most important agreements is the one we signed with eBay. Through this agreement, eBay is leveraging Terra Lycos' global position and our tremendous reach. This multiyear agreement integrates all of eBay's listings and categories into the Lycos Auction destination.
- We also signed a strategic marketing alliance for the US between our award-winning children's site, Lycos Zone and The Dannon Company, a leading national producer of yogurt products, which demonstrates our ability to seamlessly integrate marketing messages with the online consumer experience, increasing the effectiveness for the advertiser. In addition, Lycos Zone is prominently displayed on Dannon's Danimals packaging on supermarket shelves

- In the second quarter, we formalized and extended our relationship with the United States Golf Association whereby we hosted the official web site of the US Open and senior US Open. We've had success hosting the past two US Opens web sites, the 1999 official Superbowl web site and the official community site for Sidney 2000 Olympic Games. We will continue to leverage the expertise we have gained from hosting these events to offer paid for high volume commercial web site hosting services at competitive rates.
- Within our vertical categories, we launched Lycos Careers which offers listings and career-centered content, increased its audience nearly 200%. The site has more than 500,000 permanent and temporary job listings. This vertical category is strategic for us and as you will know, last December we acquired Bumeran, which was a leading company in this category in LATAM.
- Also on our vertical strategy, we launched Quote.comTV which is a web-delivered financial news broadcast service. This service goes beyond traditional news reporting, with live, breaking market news from industry experts, delivered in a network-quality audio and visual experience that conveniently sits on users desktops.
- In keeping with our strategy of being platform neutral and providing our users with internet services and content wherever they are, we introduced a new product: Lycos 411. This is a human powered subscription service where Terra Lycos users can get information by phone, speaking with Lycos 411's personal internet assistants who can access any information available on the internet.
- In the US Hispanic Portal we have integrated some Lyco's products and technologies such as Tripod, to build personal pages or the Hob Stats technology to measure traffic.

- The US online advertising market has been tougher than in the 1Q as we anticipated. Things seem to have stabilized, but they have not begun to bounce back.
- Despite lots of activity and interest, we are not seeing the offline dollars come on at a pace that would replace dot com dollars.
- So our view of the US advertising market for the rest of the year is conservative, expecting it to be stable, with a traditional season dip in Q3.
- We can not, at this point in time, see a market rebound during 2001. There are no clear indicators.
- While there is more activity and interest generated from brick and mortars, this does not necessarily translate into immediate term dollars.
- It's a macroeconomic issue not an Internet advertising issue. We do foresee stronger bookings 12 months from now than the industry is seeing today, due to the leading players role of educating the market, and the belief that traditional companies will continue to spend more on line as a percentage of their overall media spending. We cannot predict, however, whether or not media budgets as a whole will grow, this being the key to a return to accelerated growth and a true rebound.
- We think the industry will see gradual increase in bookings beginning in Q4.

- Our other key region, LATAM and Spain, represented 21% of all media revenues during this quarter.
- This figure represents a 22% increase versus the previous quarter and 37% over the same period last year. Revenues for the first half were 48% higher than the ones of the same period of 2000.
- We continue leveraging our global franchise by offering leading global advertisers the opportunity to have multi-country internet strategies. During this quarter we signed an important agreement with UNILEVER, a leading global advertisers, under which we will jointly produce content for women and promote related Unilever products. With these kind of initiatives we are also developing new CRM strategies and e-commerce programs.

•In Brazil:

- we have increased our market position according to MediaMetrix and Nielsen. We continue being the second largest Brazilian portal with a daily audience that increased around 10% in the last two months.
- We also continued our innovation process, launching the first Brazilian 24 hour TV through the internet.

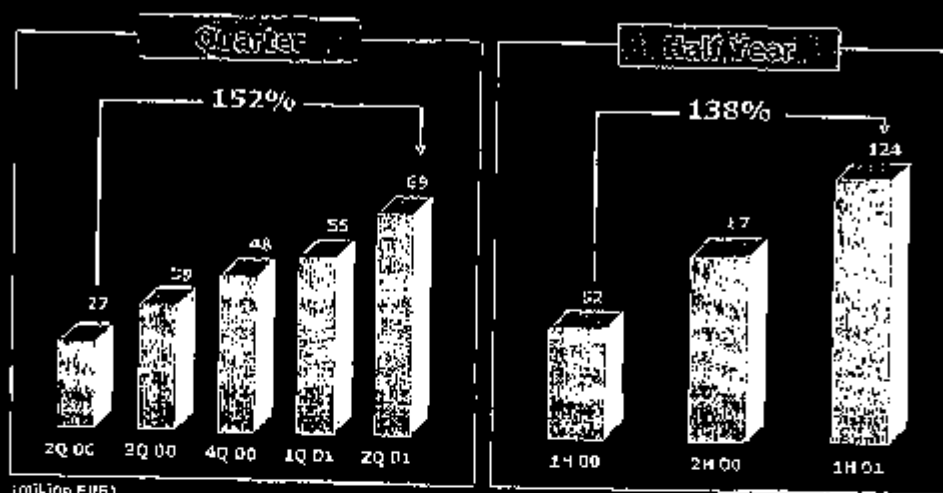
•In Mexico:

- We have been awarded with the best prizes for being the best portal and ISP in Mexico.
 - Terra Lycos has consolidated as a leading portal in Mexico. For this reason, the President of Mexico, Mr Vicente Fox joined us for a live interactive chat session, the first time ever a President took part in a live chat.
 - Also, as part of the synergies after the merger with Lycos, we have launched the Lycos search engine which deepens our existing Mexican search services to be the best in the country.
 - In Mexico, we also created jointly with Bumeran, a leading recruiting portal in LATAM where Terra Lycos holds a majority stake, the largest online job listing portal in the country.
 - During this quarter, we also launched the Mexican version of our travel portal: Rumbo, our JV with Amadeus.
- In Spain, we continue to be the leading portal with a very wide distance to our next competitor according to OJD and a 64% reach according to Mediametrix.
- It is important to mention the agreement we reached with TPI, leveraging one of the companies of the Telefonica Group. Through this agreement, TPI offers web building possibilities to their clients, mostly SME's, bundled with promotional advertising in our portal.
 - In Argentina, we leveraged the Telefonica Group by offering in our portal Big Brother, content developed by Endemol which has taken us to the second position among Argentinean web sites according to Media Metrix.
 - In Peru we continue to maintain our leadership position, capturing 50% of local traffic.

Regarding to our revenues coming from e-commerce I would like to highlight that:

- We signed on 35 new merchants to Lycos Shop in the US during the quarter, including brick and mortar retailers such as Circuit City, Bose, De Beers and many others.
- Also, referrals to merchants from Lycos Shop ad placements increased 67% in the quarter.
- On our verticals, and specifically on travel, we are pushing sales of higher-margin products such as cruises and vacation packages. The average sale price of this kind of products is approximately \$2000 with an average transaction fee received of \$90. These revenues have increased 88% since last quarter and now represent over 12% of total travel sales.
- In the following quarters we will launch a tool to provide product database and advanced product comparison shopping for Lycos Shop.
- In LATAM and Spain, Terra Lycos has now more than 500 merchants offering more than one million products.
- We are offering new services like online ticket reservations, recharge of prepaid mobile cards or developing digital pictures online.
- We offer global solutions to our merchants: technology platform, web building, payment solutions, logistics and call centers.
- In Spain, we launched Crear Tu Tienda a new solution for SME's which allows them to create and run a virtual online shop.
- Before moving to the access side of the business, I would like to speak briefly about an Agreement we recently signed with VISA International Latin America & the Caribbean region. The Agreement will capitalize on the reach, penetration and consumer loyalty of the two brands in Latam and the Caribbean. More details will be given in the following weeks.

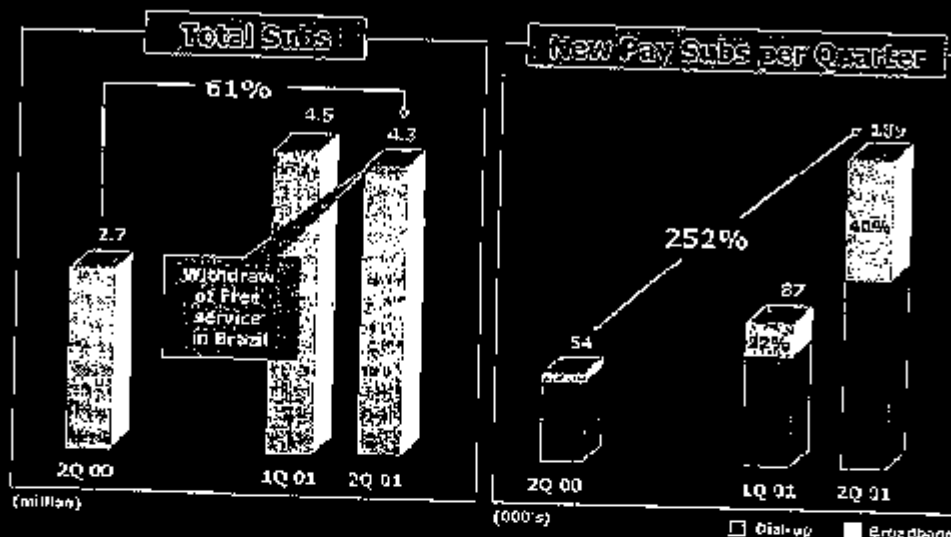
Access Revenues



Exceptional revenue growth driven by higher pay subscriber base

- Our Access business generated 69 million Euros of revenue, accounting for 38% of the company's total revenue.
- This business line showed a very strong growth of 152% over the same quarter of 2000 and 138% vs the first half of last year, especially driven by a higher pay subscriber base.
- We have discontinued offering free access in Brazil as of June 15, which explains the decrease in the total number of subscribers reported.
- As we announced in our previous earnings conference call, we are moving from free to paid added value products and services and focusing on a quality and differentiated offering which permits us to charge our clients. Some examples of what we are charging stand alone or bundled with the access are: Virtual Disk, Filtering, e-line, exclusive content and Help-Desk.

Subscribers



Historic record of quarterly pay new subs. 40% from broadband

- In this quarter, we have had the highest growth in pay subscribers in Terra Lycos' history. In these three months we had almost 190,000 new pay subscribers; 17% more than in the previous quarter.
- It is worth mentioning that we have more than doubled our ADSL clients from 60,000 in March to 133,000 in June.
- Therefore, our ARPU for pay subscribers has increased to 20 Euros from 18 Euros last quarter and 10 Euros 2Q last year.
- In Spain:
 - As of the end of June we have almost reached our target for ADSL clients for the whole year. We have been able to reduce 50% the time needed to install ADSL.
 - To start capturing the value from the strong ADSL growth we expect in the future, we have launched a multimedia zone in our portal that includes exclusive content and services for ADSL clients. We offer more than 12,000 videos, online games and interactive content, among others. This product that is currently open will soon be available only for ADSL clients and in the future will also include subscription and paid-mode services.
 - Also in Spain, we have started to redesign our products to increase the differentiation among open or free, basic and premium products; we will limit the features of the free service. We will share with you all these changes in following quarters.
- We have also experienced an important growth in ADSL subscribers in Brazil, where we are the leaders in this segment. ADSL revenues for this 2nd Quarter are higher than the ones for the full year 2000. At the same time, this 2Q has been the best quarter in our history on access revenues in Brazil.

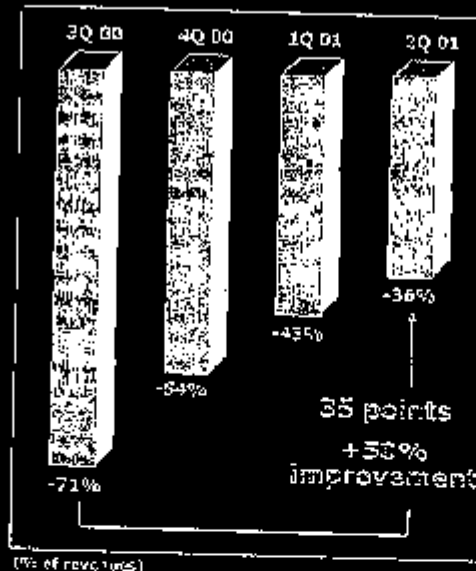
•In Mexico,

- We continue increasing our premium-paid services portfolio by bundling access and value added services. In the quarter launched E-Line, a service that allows our ISP users to receive a phone call while they are surfing the net. Another local very strong subscription based product is Infotel Financiero, which already has positive EBITDA.

- Regarding our free offering, it only includes now a maximum of 20 hours per month, with no call center support and lower speed. Our goal is to migrate these free clients onto any premium service.

- In Central America, we launched an Interactive TV channel which permits our clients to surf the net. This product is targeting people who cannot afford to buy a PC. We have reached the second position in the access business in El Salvador and our flat tariff product through ISDN is today the most popular in Guatemala. On the other hand, thanks to Emergia, a company of the Telefonica Group, we have reduced there our communication costs by 60%.

EBITDA Margin



- Continuity on trend initiated in 3Q'00
- 7 percentage points qoq
- Operating cost reduction directly reflected on EBITDA improvement

- Now to address our EBITDA margin, we continue having strong focus on cost management and financial discipline. We are taking advantage of our merger synergies and all the standard processes we are implementing across geographies.
- We have achieved a -36% EBITDA margin, which is in the top of the range of -36% to -40% we gave to the market.
- This means we have improved 35 percentage points since 3Q00 or more than Eur31 million, showing an overall improvement of +50%.

- Before focusing on the new appointments, I would like to mention our latest strategic agreement signed last week with IBM that has an implication on Terra Lycos' worldwide e-business infrastructure.
- This is a multi- faced relationship including technology and marketing collaboration. We are planning for our future expansion, and proud to have this alliance with IBM and look for great outcomes in the near future
- Through this new relationship IBM becomes our new strategic technology partner with which we will also explore marketing collaboration opportunities that leverage the strengths of both companies.
- IBM systems will serve as the foundation of our global IT infrastructure, tying together the company's Web serving, enterprise resource planning and customer relationship management and systems.
- We also plan to work actively with scientists at the IBM Research Lab in California to develop new technologies and applications.

• I would like to share with you the latest new appointments to the Terra Lycos Executive Management team that reinforce our commitment to build a unified global team dedicated to growth and profitability.

• All of these appointments will enhance the Company's relationships with our clients, and will serve to maximize the full commercial potential of our business relationships.

• Antonio Botas has been appointed as the Senior Vice President responsible for the e-commerce Strategic Business Unit (SBU).

• In our continued efforts to maximize our global presence, I am pleased to announce the promotion of Eric Gerritsen to the role of Senior Vice President of Global Alliances, reporting directly to me. Eric has played an instrumental role spearheading all of the ex-Lycos expansion in Europe, Japan, Korea, Asia, and Canada over the last three years. In his new role, Eric will continue to oversee these joint ventures and will also assume the leadership of the Global Alliances that Jeff Bennett assembled in January 2001. We currently have a blue chip roster of joint venture partners around the world, and I am confident that under Eric's leadership, we will both maximize these existing alliances and create new ones.

• With Eric's expanded responsibilities, Jeff Bennett will continue to report directly to me as Senior Vice President of Corporate Development. In this capacity, Jeff will focus on managing the extremely important relationship with Bertelsmann for our Strategic Alliance Agreement and the Lycos Europe joint venture.

• Juan Rovira has joined Terra Lycos as Senior Vice President of Affiliate Companies, reporting to me. Juan will be directly responsible for the portfolio of companies we have Joint Ventures with, such as Amadeus, BBVA, El Corte Ingles, Meta4, etc., excluding the Terra Lycos joint ventures that Eric will manage. This function was recently created in order to strengthen the relationships and develop the business of the participating companies based on the business plans in place when we made these investments. This new unit will serve to maximize the profitability of our investments, both financially and strategically, and will require support from all other functions and geographies across Terra Lycos.

• Juan comes to us from the Telefonica Group where he was General Manager of Business Development of Telefonica Internacional among other various positions in Spain as well as in the USA. He has been involved in the Internet sector since 1994 as a Director of Electronic Banking Services for the affiliate companies of Banco Santander Central Hispano.

• I look forward to communicating additional key initiatives in the near future as we continue to strengthen our global powerhouse.