

3Q 2002 Results

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Press Release

11/07/02

Revenue for the third quarter totaled 169 million in constant second-quarter euros, in line with the Company's projections and fulfilling our commitment to the markets

TERRA LYCOS IMPROVES EBITDA BY 46% OVER THE THIRD QUARTER OF LAST YEAR AND 18% OVER THE PREVIOUS QUARTER

- In line with Company's projections provided to analysts last July, revenue for the third quarter of 2002 was 169 million in constant second-quarter euros, an increase over the 162 million euros reported in the second quarter.
- In spite of revenue growth during 2002 in local currencies, the effect of the devaluation of all currencies outside the euro zone where Terra Lycos operates, yielded a negative impact of 23 million euros on consolidated third-quarter revenue.
- Third quarter consolidated revenue in current euros, taking into consideration the monetary effect explained in the previous point, totaled 146 million current euros.
- Earnings before Interest, taxes, depreciation and amortization (EBITDA) was -26 million euros, a margin of -18%, which is also in line with the Company's projections. (See Appendix I)
- Net income for the first nine months of the year improved 30% compared to the same period the previous year. Net income for the third quarter improved 4% over the previous quarter to -99 million euros. Amortization of goodwill, totaling 62 million euros, represented 63% of net income.
- In September 2002, Terra Lycos had a total of 2.5 million paying customers for access, communications and portal services, an increase of 12% over the previous quarter.
- The Company ended the quarter with 342,000 ADSL customers, 97% more than in the third quarter of 2001. The number of unique users totaled 118 million.

Madrid, November 7, 2002.- Terra Lycos (MC: TRR; NASDAQ: TRLY), the leading global Internet network, today presented its financial results for the third quarter of fiscal year 2002.

Revenue

In the third quarter of 2002, Terra Lycos earned revenue of 169 million in constant second-quarter euros, thereby meeting the Company's revenue projections (between 165 and 175 million in constant second-quarter euros) announced for the quarter. Total revenue, after consolidation of the different local currencies, suffered a negative exchange rate effect of 23 million euros due to appreciation of the euro since 78% of revenue originated from currencies other than the euro. The figure for equivalent revenue in current euros, taking into account the exchange rate effect, was 146 million euros.

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During the quarter, 60% of total revenue originated from the media business, including advertising, integrated marketing solutions, electronic commerce and content and portal services subscriptions, and 40% came from the access business and communications services.

The Company's move toward charging for services and content through the "O.B.P." (Open, Basic, Premium) model yielded positive results, and revenue from paying subscribers for services other than access represented 11% of total revenue this quarter. Communications services and portal subscriptions thus continue to contribute to the diversification of Terra Lycos' sources of revenue. Among other examples of O.B.P., a for-pay e-mail service was launched in Brazil, which offers the protection of anti-virus and anti-spam filters and already has nearly 100,000 customers. Similarly, for personal pages, functionality was improved on products such as Domains, Tripod and Angelfire to meet customer needs. In addition, the enterprise version of Hosted Site Search was also launched.

During the quarter, Terra Lycos signed alliances with leading companies in other sectors. An Internet Integration agreement was reached with Grupo Intereconomía, a leading radio producer of specialized economic/financial information, and an alliance was formed with Ebro Puleva, Spain's largest food-sector group, under which it will join the Terra Food Channel. After the close of the quarter, Terra Lycos and IBM announced an agreement that will allow Terra Lycos users to enjoy IBM's instant messaging service and communicate with Lotus Sametime users around the world.

In October, Terra Lycos acquired Get Relevant's direct marketing technology in the United States, increasing the Company's ability to make particular offers to a specified target audience and consequently improve audience segmentation.

Operating Expenses

In the third quarter of 2002, Terra Lycos efficiently managed its resources with ongoing process improvement, allowing it to continue to gradually reduce operating costs. During the quarter, the Company reduced expenses by 19% over the same period the previous year, yielding a savings of 24 million euros.

Operating Margin - EBITDA

Earnings before interest, taxes, depreciation and amortization (EBITDA) for the third quarter of 2002 improved by 23 million euros over the same period the previous year, to -26 million euros, the best performance to date and in line with the ongoing positive trend in EBITDA over the previous eight quarters. EBITDA margin was -18%, meeting the Company's projections for the quarter (between -19% and -16%), and an improvement of 11 percentage points over the same period last year. (See Appendix II)

Net Income

Net income for the third quarter of 2002 was -99 million euros, a 4% improvement over the previous quarter. In the first nine months of the year, net income improved by 30% over the same period the previous year, and now stands at -332 million euros.

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Amortization of goodwill, totaling 62 million euros for the quarter, resulting from past acquisitions and involving no cash disbursement, represented 63% of net income.

Cash

Terra Lycos has one of the strongest cash positions in the sector, allowing it to finance its operations and explore business opportunities with a view to continued improvement in profitability. Efficient cash management allowed the Company to close the third quarter with 1.8 billion euros.

Operating Results

Terra Lycos closed September 2002 with a total of 5.3 million subscribers, 2.5 million of which, or 48%, are paying subscribers to access, communications and portal services. This is an increase of 12% over the previous quarter in the number of paying subscribers, while the number of free subscribers remains at 2.8 million. As of September 30, the number of ADSL customers was 342,000, an increase of 97% over the third quarter of 2001, and 14% over the previous quarter.

In addition to access subscribers, as of the close of third quarter, the Company had recurring revenue from the 1.1 million subscribers to communications and portal services, an increase of 24% over the previous quarter.

The number of unique users in September totaled 118 million. The average number of daily page views was 390 million.

Terra Lycos Executive Chairman Joaquim Agut said that "our primary objective remains to continue to grow profitably, and these results reflect the fact that we are maintaining the positive growth of recent quarters, through efficient resource management and ongoing process improvement." Joaquim Agut said that "without a doubt, the unfavorable advertising market environment is continuing to affect us, although our recurring revenue from paying subscribers continues to increase as a result of our commitment to innovation and customer satisfaction."

About Terra Lycos

Terra Lycos is a global Internet group with a presence in 42 countries in 19 languages, reaching 118 million unique users per month worldwide. The group, which grew out of the acquisition by Terra Networks, S.A. of Lycos, Inc., which took place in October 2000, operates some of the most widely visited Web sites in the United States, Europe, Asia and Latin America, and is the largest access provider in Spain and Latin America.

The Terra Lycos network of sites includes Terra in 17 countries, Lycos in 25 countries, Angelfire.com, Atrea.com, Azeler.es, Bumeran.com, Direcciona.es, Educaterra.com, Emplaza.com, Gamesville.com, HotBot.com, Ifigenia.com, Invertia.com, Lycos Zone, Maptel.com, Matchmaker.com, Quote.com, RagingBull.com, Rumbo.com, Tripod.com, Uno-e.com and Wired News (Wired.com), among others.

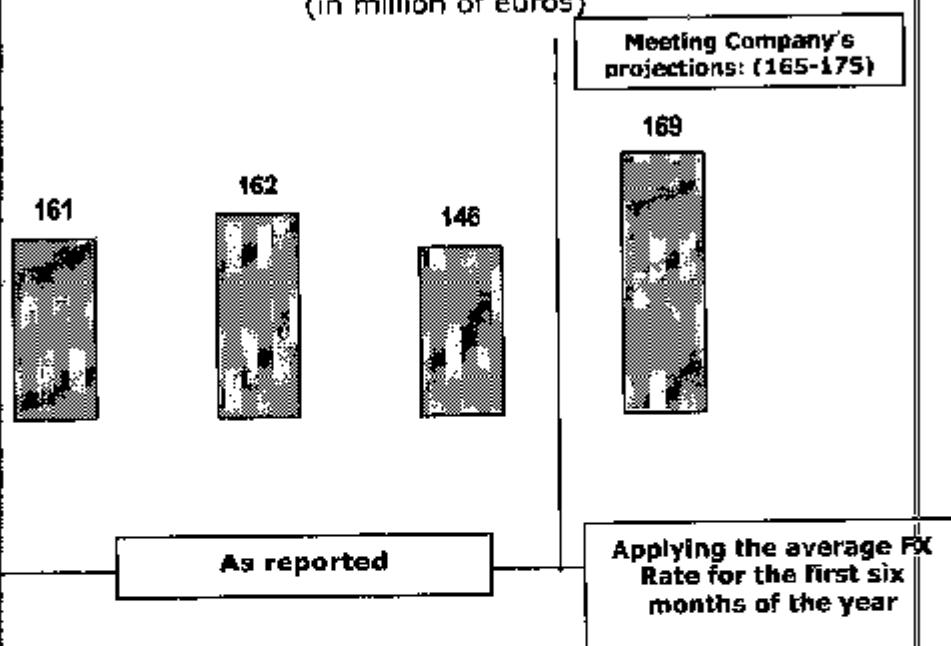
Terra Lycos, headquartered in Barcelona and with operating centers in Madrid and Boston, as well as elsewhere, is traded on the Madrid stock exchange (TRR) and the Nasdaq electronic market (TRLY).

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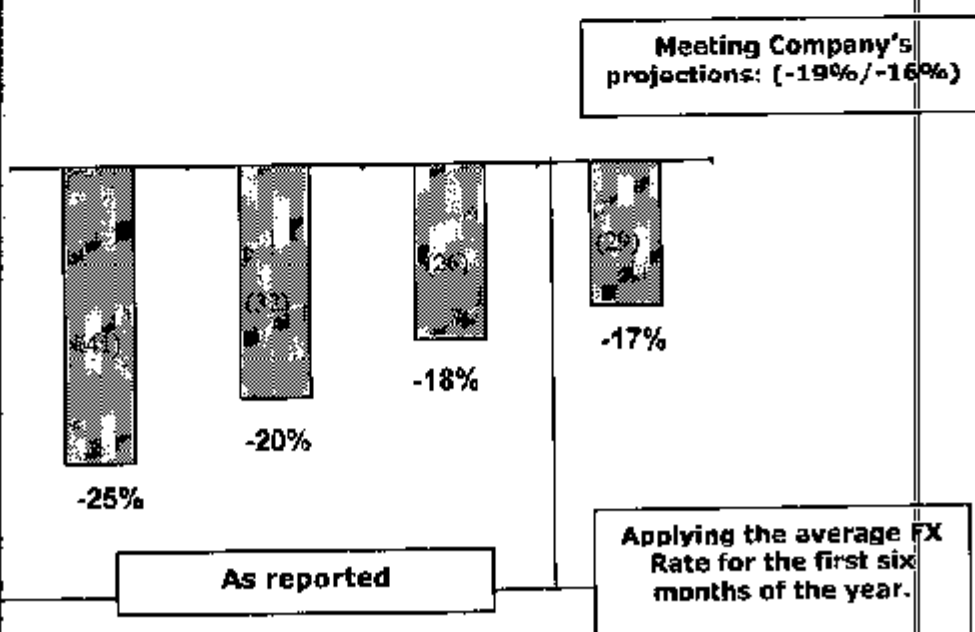
Press Release

APPENDIX I

TOTAL REVENUES (in million of euros)



EBITDA IMPROVEMENT

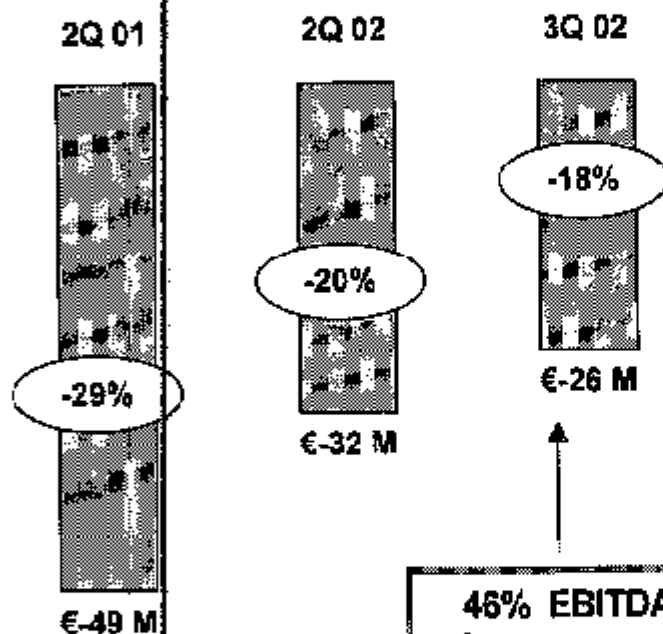


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APPENDIX II

Change in EBITDA (millions of euros)
and as a percent of revenue



✓ EBITDA rose by 23 million euros (11 percentage points) over 3Q 2001

✓ 19% EBITDA improvement (6 million euros) over previous quarter

✓ Efficiently managing the optimization of resources: savings of 24 million euros in operational costs

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Management Discussion

3Q'02 Revenues

Please, note that when guidance was provided for the rest of the year on July 24th, it was specifically mentioned and filed in the CNMV that we were applying a Q2 '02 constant euro exchange rate, that is, the average exchange rate for the first six months of the year. This is very important in order to have a meaningful comparison base.

The revenue figure for the quarter was 169 million euros, if applying the FX rate for the first six months of the year, within the guidance Terra defined of 165 to 175 million euros.

Reported revenues were 146 million euros, which is affected by the fact that 78% of revenues are in currencies other than the euro.

There was a 23 million euro negative exchange rate impact in the third quarter, 6 million unfavorable coming from the US, 12 million unfavorable from Brazil and the rest primarily from Mexico and Chile. However, because 3Q revenues are calculated based on the difference between 9 months revenues at the average exchange rate for the period, less reported earnings in Q1 and Q2, Q3 revenues are suffering a FX impact that corresponds to the previous quarters.

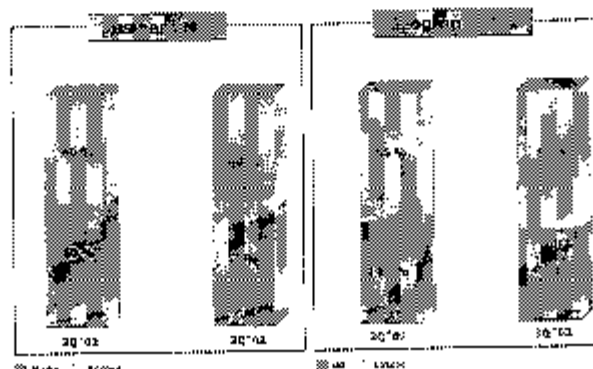
A better way to see the performance of Terra's business is analyzing the evolution in local currencies. By comparing with Q2 in local currencies, in Brazil revenues grew 8%, in Mexico revenues grew 7%, Spain increased 3%, Chile increased 14% and in the US revenues decreased 7%.

The company continues to exercise tight fiscal controls and discipline. For the quarter, reported EBITDA was -26 million euros, representing a -18% EBITDA margin, an improvement of 11 percentage points from Q3 '01, and within the guidance of -16% to -19% defined in the Q2 call.

From a cash perspective, at September 30th Terra had over 1.8 billion euros.

Terra continues executing on its strategy of evolving its business through the OBP model, standing for Open, Basic, and Premium. The OBP model will lessen our reliance on media revenue and increases our focus on value added services that consumers are willing to pay for. This has been a significant initiative for the Company in 2002 because today 11% of Terra's revenues come from OBP products versus only 7% in 2001.

For the quarter, Media accounted for 60% of revenues, while Access and services accounted for the remaining 40%. This is consistent with the mix seen in the second quarter.



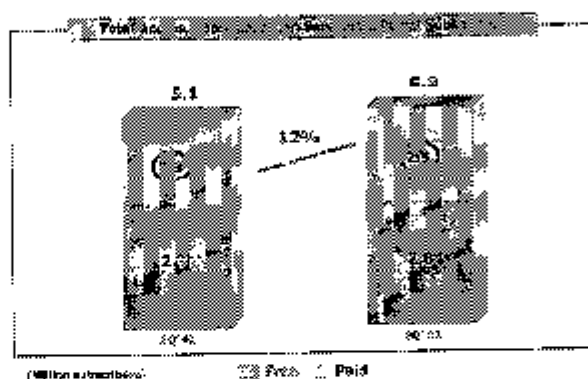
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Management Discussion

Geographically, for the quarter, LATAM and Spain accounted for 58% of revenues, while the U.S. accounted for the remaining 42%. In Q2 '02, LATAM and Spain accounted for 56% of revenues, while the US accounted for the remaining 44%.

Subscribers

In the second quarter Terra started reporting its communication services and portal subscribers in addition to its paid and free access subscribers. The company exited the third quarter with 2.5 million paying clients, 260,000 more than Q2, and 700,000 more than at the end of Q4 '01, a 79% increase.

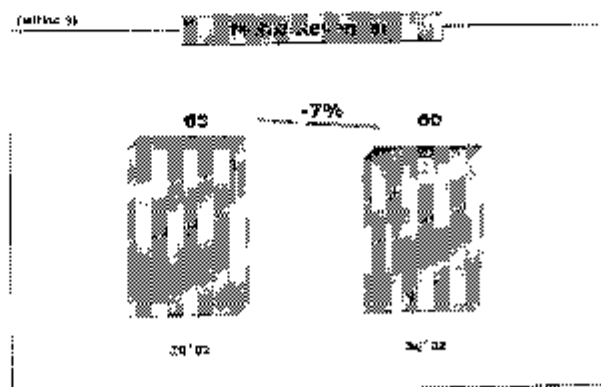


Paying Communication Services and Portal subscribers grew 24% to 1.1 million at September 30th from 920,000 at June 30th. The revenue derived from these non-access subscription services for all of 2001 was 7%, and this quarter alone amounted to 11%.

Quarterly Media Business Update

United States

Third quarter media revenues in the United States were 60 million dolares, down 7% from Q2 '02.



In order to stabilize the revenue line, the company has concentrated its efforts on subscription based services. In the third quarter, Lycos increased its paying subscriber base by over 18,000 subscribers to 124,000, a 18% increase over Q2.

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Management Discussion

Terra also continue to focus on a few key verticals including Search, dating, Communities, Personal Finance and Games, to name a few. These areas hold the greatest opportunity for Lycos.

Lycos extended the power and service of the Lycos InSite Search product. The company launched an Enterprise version of its Hosted Site Search offering in the third quarter, with the USA Today as its first partner. This new service allows larger web sites to easily submit up to 100,000 URLs for inclusion in the Lycos catalogue and also gives them powerful reporting capabilities to monitor their complete campaign performance.

In September Lycos launched InSite AdBuyer to capitalize on the expanding cost-per-click market. This product allows the InSite subscribers to create and manage advertising campaigns to promote their products by purchasing keywords through an auction interface.

In Matchmaker, the dating service, Lycos continues to aggressively invest in online acquisition campaigns to drive the Matchmaker subscriber base. The trend is favorable in terms of increasing net new trials while decreasing its cost per acquisition and improving its conversion rates.

In the Quote.com financial service Lycos started offering a more robust news and charting functionality, launching LiveCharts Plus in September. For 19.95 dollars a month, our subscribers can view streaming charts, portfolios, news stories, and market indices - all on one screen. Best of all, this product is entirely web based and does not require the user to install a new application.

Also in the quarter, the company launched CheckM8 capability in the U.S which is already available in other Terra Lycos geographies. CheckM8 is a Web-based application for the rapid and easy production of innovative media units including floating ads, preview ads, footer and margin ads, watermarks and many more and is already being used in campaigns for Taco Bell, Nexium and Barnes and Noble, to name just a few.

Also furthering efforts to diversify the revenue stream, Lycos continues our approach towards selling integrated and direct marketing solutions.

This past quarter a campaign with BMG was launched to promote the release of "Elvis 1", a commemorative album of thirty Number 1 hits from "The King." This integrated online/offline marketing program delivered huge results, bringing in over half a million registered users to the Lycos Network.

Also, a campaign called "Watch a Championship with a Champion" was launched, including an innovative sponsorship component whereby Taco Bell sponsored the Elway (american football) promotion and Verizon sponsored the McGwire (baseball) promotion. This type of integrated online /offline offering is what advertisers are looking for today.

Building on the company's Direct Marketing capabilities, on October 4th, Lycos completed the acquisition of Get Relevants' direct marketing technology. Such technology optimizes the distribution and targeting of co-registration offers. Also part of the acquisition was a co-registration network, and a collection of websites whose "opt-in" offers are managed by Get Relevant.

One of the company's key priorities is efficiency. It has developed a new Global Operations group which includes most product and all technology and operations resources throughout the entire organization.

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Management Discussion

Due to the focus on only a few key verticals in the US, and to the efficiencies from the Global Operation team, in October Lycos decided to reduce its US operation by 174 employees or 21%.

Also in the US, through the terra.com portal, in the third quarter, revenues grew 35% over the second quarter, having outperformed our closest competitor, in every quarter since 2001 and planning to keep doing so.

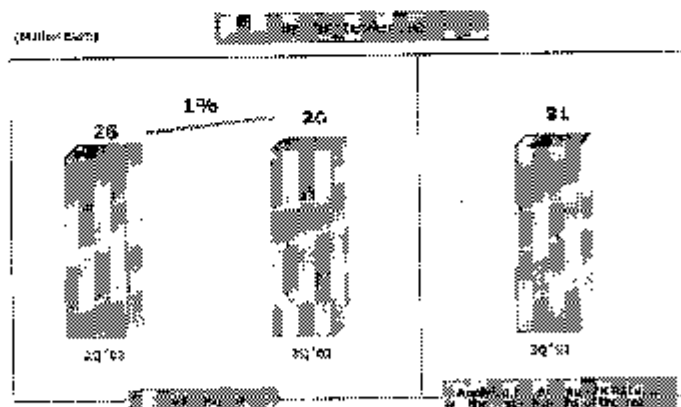
On the Marketing side, the first ever syndicated Hispanic Internet measurement tool has been launched by comScore Research, an initiative that will bring credibility and reliable measurement to the Hispanic Internet sector.

Lycos continues to attract blue chip advertisers and new non-traditional Hispanic advertisers. This quarter Lycos closed Power Channel, Ford, Miller Lite, AMD, Nissan, Verizon/Superpages, H&R Block, and the United States Postal Service.

In addition to attracting new advertisers, the company has been very successful in retaining existing clients to repeat business, as 57% of our sales closed in Q3 were from repeat customers.

LATAM and Spain

Third quarter media revenues in LATAM and Spain were 26 million euros, up 1% from Q2 '02. Applying a constant Q2 euro exchange rate to the local revenues, revenue would have been 31 million euros. Compared with the same quarter of last year, media revenues were up 31%.



In LATAM and Spain Terra is the preferred media solution for multinational advertisers because of its deep penetration of the LATAM and Spanish markets and its unique internet know how in these regions.

Terra has reinforced its regional sales structure. Most of the big advertisers are headquartered in different LATAM countries and therefore it is assigning regional sales people to the different countries where its major clients are. One of the main strengths of Terra Lycos in the region remains being its unique reach and presence.

A new business partnership with Heineken was recently signed to webhost Heineken's live events, conduct market research and execute joint online promotions to be implemented in Brazil, Chile and Argentina.

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Management Discussion

Terra
Brasil

Spain

Existing the quarter, Terra maintained its strong leadership position in Spain with a 54.9% reach according to Net Ratings.

During the third quarter, Terra decided to discontinue OJD auditing its page views. The reason being is that our clients are demanding us other metrics like unique users and duration that OJD was not ready to deliver.

Terra opened the center Navega Web together with Telefónica Telecomunicaciones Públicas where our games platform was included.

Terra reached an agreement, through Invertia, our leading Spanish financial portal, with Radio Intereconomía, also a leading Spanish financial news radio, to share content and jointly promote the services of both companies.

In the third quarter, the company also decided to change the look and feel of its home page in order to improve navigation and have a more user friendly interface.

Brazil

In Brazil, the economic environment continues to be complex. However, Terra was able to double media revenues versus the same quarter of last year and increase 10% over the previous quarter.

Terra estimates that around 90% of the online advertisers in Brazil are its clients, which has to do with its 52% reach in the country.

Almas Gemeas, our dating vertical and our leisure channel have been awarded by IDG as the best ones in each category.

Mexico

In Mexico, Terra continues to see success in selling integrated marketing solutions to brick and mortar companies that include not only selling online advertising but also helping them with content development, direct marketing and eCommerce. Our list of clients include Scotiabank Inverlat, LG Electronics, General Motors, BBVA Bancomer among others.

The company is the official site and internet access provider of the reality show Operación Triunfo, which is broadcasted by Televisa with great success. Our participation has helped Terra to reinforce its position as one of the leaders in the industry.

Argentina

As part of the strategic goal of developing the tourism segment, Terra Argentina launched interactive guides sold by TPI's sales force and promoted actively on the portal.

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Management Discussion

In Argentina, Terra also began the production of sites for Popstars second edition (Admira) and Fantasías (canal 13) in exchange for content, promotion and opportunities to attract advertisers (such as Pepsi or Impulse).

The company produces for Latam & Spain a content channel on health issues, partnership with Bibliomed.

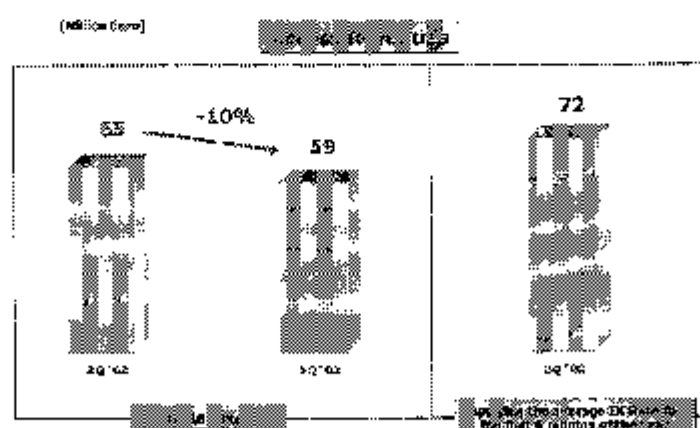
Centroamerica

Terra Centroamerica signed several co-branded content agreements, based only on a revenue sharing basis that will add important traffic and reinforce local content, being of great relevance La Republica, Costa Rica's second newspaper, and Guianos.com, leader on entertainment content in Guatemala.

In September Terra Costa Rica developed and launched the first multimedia portal of the country for Amnet, which in conjunction with RACSA, the local Government Internet monopoly, offer broadband access.

Quarterly Access and Services Business Update

Third quarter access and communication services revenues were 59 million euros, down 10% from the 65 million euros of Q2 '02. Applying a Q2 constant euro exchange rate to the local revenues, Access revenue would have been 72 million euros.



Terra continues executing the new communication services and ORP model across all the geographies. As already mentioned, Terra has today 1.1 million communication services and ORP clients which represent 11% of the revenues of the quarter.

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Management Discussion

Spain

Terra has 125,000 ADS clients, a 37% more than one year ago and 2% increase in the quarter which is affected by seasonality.

By the end of the quarter, the company launched a marketing campaign which together with a new one starting now, should have a positive impact in the next quarter.

Brazil

In Brazil, Terra has over 200,000 ADSL clients exiting the quarter, 148% more than one year ago and a 19% increase in the quarter.

As it is known, Terra discontinued its free access offering last year, although in order to compete with other free ISPs, the company launched a new narrowband paid access product, Terra Light, currently sold for 9.9 reals, which offers better quality, more reliability than a regular free ISP and a strong brand.

The company continued launching new OBP products. During the quarter it launched three new packages called Kit Plus, Kit Ejecutivo and Kit Fotomania, bundling different combinations of our individual communication services to our Brazilian audience.

Due to its excellent ISP offering, Carta Capital Magazine awarded Terra as the 'most admired' ISP provider in Brazil.

Mexico

In Mexico, a new price strategy for our access services was released in order to improve the ARPU. It consists on a fixed fee for the basic connectivity service and extra charges for additional OBP products.

Terra is now using various distributions channels to sell our products. In the case of our prepaid Internet access card called Terra Prepago, we are now selling this product through Mexican retailers and Shopping malls throughout Mexico. As already known, Terra stopped our free access offering in Mexico in the first quarter of this year and launched this prepaid Internet access card called Terra Prepago.

Argentina

In Argentina, the company launched a voice portal with Telefónica de Argentina that includes horoscope, weather, sports information and other features. It uses voice recognition for navigation and is available through regular phone lines.

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Management Discussion

Peru

In Peru, Terra launched the "Speedy Terra" ADSL product, product that includes several services such as PC and E-mail antivirus and five e-mail boxes. Telefónica also decided to purchase our services and include them in their ADSL product, so Terra receives a monthly fee of every model the company or Telefónica sells.

Telefónica Data and Terra Perú signed a contract offering a product, Cabinet, directed to the Cabinas Públicas Internet. Telefónica Data offers connectivity and Terra, its services (DDV, E-mail boxes, Antivirus, Virtual Agenda).

Chile

Two new products were launched in Chile: Total Flat Tarif and an upgraded ADSL which increased speed from 256 kbps to 512 kbps.

Terra Chile has 15% market share in broadband.

Technology

Technology continues to be a core competency at Terra Lycos. As mentioned, it recently reorganized all product, technology and operations around a new Global Operations group. This organization will enable Terra Lycos to streamline the production and roll-out process for existing and new products, allow for growth and create significant efficiencies in this area in the future.

In the third quarter, Terra expanded the CRM capabilities of 'My Lycos' to enable it to immediately present useful information to each specific user, catering to their interests (push technology). In addition, 'My Lycos' users now have the ability to see their last 10 search results as well as related links to similar content, manage all of their email from a single interface, and be alerted to newly available relevant online content for the user.

As the 4th largest Internet Network, Terra continues to leverage its expertise by providing hosting services to other businesses, it launched a new Web login tool for FOX Sports at foxsportsfans.com. This is a complete system based on Tripod and has a FOX Sports look and feel, which will allow users to journal and share insights on their favorite teams.

As the leading Enterprise Business portal in Latin America, in the third quarter Terra launched hosting services for several businesses in Venezuela and Colombia including ProExport and Technoquimicas. For each of these companies the company provides mail, chat, and forums; in addition to webhosting.

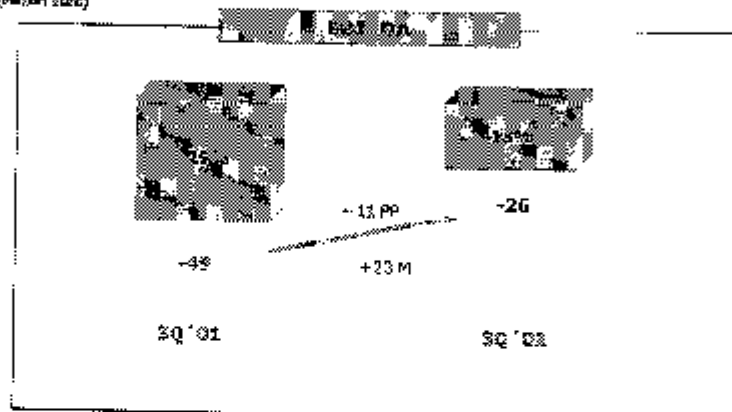
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Management Discussion

EBITDA

Terra achieved -18% EBITDA margin in current euros in the third quarter, versus a -29% in the same quarter of last year, the best performance ever and in line with analysts expectations. This EBITDA margin is within the guidance the company provided last July of -16% to -19%, which represents 23 million improvement versus the same quarter of last year.

(Million Euro)



3Q 2002 Results

Highlights

	Q3 2002	Q3 2002 Constant € '17	Q2 2002	Q3 2001	Quarterly Δ%	Annual Δ%
Total Revenue	145.8	166.0	161.7	170.1	-10%	-14%
Media	86.8	97.3	96.4	109.3	-10%	-21%
Access and Services	58.9	71.6	65.3	60.8	-10%	3%
EBITDA	(26.5)	(29.3)	(32.3)	(48.8)		
EBITDA Margin	-18%	-17%	-20%	-29%	2 p.p.	11 p.p.
Total Subscribers (million)	6.3	5.3	5.0	n.a.	5%	n.a.
Access Subs	4.2	4.2	4.1	4.3	1%	-3%
CSP + Portal Subs	1.1	1.1	0.9	n.a.	24%	n.a.
Average daily page views (million)	390	390	416	481	-6%	-19%
Unique users (million)	118	118	116	109	2%	8%

	9m 2002	9m 2001	Δ%
Total Revenue	468.1	527.6	-11%
Media	273.4	342.6	-20%
Access and Services	194.7	185.0	5%
EBITDA	(98.7)	(190.3)	
EBITDA Margin	-21%	-36%	15 p.p.
Total Subscribers (million)	5.3	n.a.	n.a.
Access Subs	4.2	4.3	-3%
CSP + Portal Subs	1.1	n.a.	n.a.
Average daily page views (million)	390	481	-19%
Unique users (million)	118	109	8%

(*) 9m'02 average exchange rates

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Financial Statements

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Financial Statements

Consolidated Operating P&L ^(*)

(in million of Euros Spanish GAAP)
unaudited

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2002	2001	2002	2001
Revenues:				
Media	86.8	109.3	273.4	342.6
Access and Services	68.9	60.6	194.7	155.0
Total revenues	145.8	170.1	468.1	527.6
Cost of revenues	(68.3)	(90.5)	(237.2)	(277.9)
Gross Profit	77.5	79.6	230.9	249.6
Operating expenses:				
Research and development	(26.9)	(31.3)	(83.2)	(102.7)
Sales and marketing	(54.0)	(62.0)	(164.0)	(236.6)
General and administrative	(23.0)	(35.1)	(83.4)	(100.6)
Total operating expenses	(103.9)	(128.4)	(330.6)	(439.9)
EBITDA	(26.5)	(48.8)	(99.7)	(190.3)
EBITDA Margin	-18%	-29%	-21%	-36%
Depreciation / non-cash charges	(38.9)	(43.2)	(127.1)	(131.1)
Financial income (loss)	15.6	27.7	49.3	96.6
Share in gains (losses) by equity method	(21.2)	(46.7)	(80.3)	(173.0)
Amortization of goodwill	(62.2)	(51.3)	(191.1)	(320.2)
Extraordinaries and other	3.8	(22.6)	0.9	(31.4)
Income (loss) before taxes	(129.3)	(185.0)	(427.9)	(749.4)
Corporate income tax	30.4	101.7	92.7	275.0
Minority interest	0.2	0.4	3.0	1.1
Net Income (loss)	(98.7)	(82.9)	(332.2)	(473.3)
Shares Outstanding ('000)	559,364	558,619	559,364	558,619

(*) See Operating P&L Description in the Other Information section

3Q 2002 Results

Financial Statements

Consolidated Income Statement

(In million of Euros - Spanish GAAP)
unaudited

	Three Months Ended Sept. 30		Nine Months Ended Sept. 30	
	2002	2001	2002	2001
Total revenues:	145.8	170.1	466.1	527.6
Goods purchased	(69.7)	(85.0)	(227.0)	(273.4)
Personnel expenses	(42.8)	(48.1)	(136.8)	(157.2)
Depreciation and amortization	(33.8)	(35.7)	(110.4)	(109.4)
Other operating expenses	(64.9)	(93.3)	(220.6)	(308.9)
Operating income (loss)	(65.4)	(91.9)	(226.8)	(321.3)
Financial income (loss), net	15.6	27.7	49.3	96.6
Amortization of goodwill	(62.6)	(51.7)	(192.3)	(322.7)
Reversal of negative goodwill in consolidation	0.4	0.4	1.2	2.5
Equity share of affiliate losses, net	(21.2)	(46.7)	(60.3)	(173.0)
Income (loss) from ordinary activities	(133.1)	(162.3)	(428.8)	(718.0)
Extraordinary income (expense)	3.6	(22.0)	0.9	(31.4)
Income (loss) before taxes	(129.3)	(184.9)	(427.9)	(749.4)
Corporate income tax credit	30.4	101.7	92.7	275.0
Minority interest	0.2	0.4	3.0	1.1
Net income (loss)	(98.7)	(82.9)	(332.2)	(473.3)

3Q 2002 Results

Financial Statements

Consolidated Balance Sheet

as of September 30, 2002

(in million of Euros - Spanish GAAP)

unaudited

ASSETS

Due from Shareholders for Uncalled Capital	322.5
Fixed Assets	1,359.9
Goodwill in Consolidation	1,570.9
Long-term deferred expenses	13.7
Current Assets	2,027.1
Cash and Short-term financial investments	1,825.1
Other current assets	202.0
TOTAL ASSETS	5,294.1

LIABILITIES AND SHAREHOLDERS' EQUITY

Shareholders' equity	4,906.4
Minority interests	0.0
Long-term liabilities	78.7
Current liabilities	309.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,294.1

3Q 2002 Results

Financial Statements

Cash Flow

three months ended September 30, 2002

(in million of Euros - Spanish GAAP)

unaudited

Initial Balance	1,904 (*)
Cash flows from operating activities	-78
Cash flows from investing activities	-30
Cash flows from financing activities	11
Ending Balance	1,807

(*) Q2'02 ending balance expressed in Euros at Q3'02 closing exchange rates

3Q 2002 Results

Financial Statements

Revenue Data

Revenue by Business

(% of total revenue)

	Q3 2002	Q2 2002	Q3 2001
Media	60%	60%	64%
Access and Services	40%	40%	36%

Revenue by Region and Business

(% of total revenue)

United States	42%	44%	53%
Media	42%	44%	53%
Access and Services	0%	0%	0%
Spain & Latam	58%	56%	47%
Media	18%	16%	11%
Access and Services	40%	40%	36%

3Q 2002 Results

Financial Statements

Operating Data

	Q3 2002	Q2 2002	Q3 2001	<i>Quarterly</i> $\Delta\%$	<i>Annual</i>
Total Subscribers (million)	5.3	5.0	n.a.	5%	n.a.
Access Subscribers (million)	4.2	4.1	4.3	1%	-3%
Pay	33%	33%	30%		
Free	67%	67%	70%		
ADSL (thousand)	342	301	174	14%	97%
Spain	125	123	91	2%	37%
Latam	217	178	83	22%	163%
CSP + Portal Subscribers (million)	1.1	0.9	n.a.	24%	n.a.
Total Pay Subscribers (million)	2.5	2.3	n.a.	12%	n.a.
Access	55%	59%	n.a.		
Communication Services + Portal	45%	41%	n.a.		
Average daily page views (million)	390	416	481	-6%	-19%
Unique users (million)	118	116	109	2%	8%

3Q 2002 Results

Historic Data

3Q 2002 Results

Historic Data

Consolidated Operating P&L⁽¹⁾

(in million of Euros - Spanish GAAP)⁽²⁾
unaudited

	2001		2002		
	Q3	Q4	Q1	Q2	Q3
Revenues:					
Media	109.3	105.6	90.1	96.4	96.6
Access and Services	60.8	60.4	70.5	65.3	58.9
Total Revenue	170.1	166.0	160.6	161.7	145.6
Cost of Revenues	(90.5)	(88.6)	(68.3)	(60.5)	(68.3)
Gross Profit	79.6	79.4	72.3	81.2	77.5
Operating expenses:					
Research and development	(31.3)	(24.8)	(28.7)	(27.7)	(26.9)
Sales and marketing	(82.0)	(69.5)	(54.5)	(55.5)	(54.0)
General and administrative	(35.1)	(27.7)	(30.0)	(30.4)	(23.0)
Total Operating Expenses	(128.4)	(121.0)	(113.1)	(113.6)	(103.9)
EBITDA	(48.8)	(41.7)	(40.8)	(32.3)	(26.5)
Depreciation/non-cash charges	(43.2)	(54.5)	(46.4)	(41.8)	(38.9)
Financial income (loss)	27.7	29.7	14.4	19.3	15.6
Share in gains (losses) by equity method	(40.7)	(6.7)	(21.0)	(18.1)	(21.2)
Amortization of goodwill	(51.3)	(63.2)	(65.7)	(63.2)	(62.2)
Extraordinaries and other	(22.8)	(43.4)	(1.4)	(1.6)	3.8
Income (loss) before taxes	(165.0)	(181.9)	(160.8)	(137.8)	(129.3)
Corporate income tax	101.7	88.4	30.0	32.2	30.4
Minority interest	0.4	0.5	0.6	2.2	0.2
Net Income (loss)	(62.9)	(93.0)	(130.2)	(103.3)	(98.7)
Shares Outstanding ('000)⁽³⁾	558,619	558,836	580,600	559,313	559,364

(1) See Operating P&L Description in the Other information section

(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 2002 Results

Historic Data

Consolidated Income Statement

(in million of Euros - Spanish GAAP)
unaudited

	2001		2002		
	Q3	Q4	Q1	Q2	Q3
Total revenues	170.1	166.0	160.6	161.7	145.8
Goods purchased	(85.0)	(78.7)	(83.2)	(74.1)	(69.7)
Personnel expenses	(48.1)	(47.8)	(47.8)	(46.2)	(42.8)
Depreciation and amortization	(35.7)	(48.1)	(40.4)	(36.2)	(33.8)
Other operating expenses	(83.3)	(87.7)	(76.4)	(79.3)	(64.9)
Operating income (loss)	(91.9)	(96.2)	(87.2)	(74.2)	(65.4)
Financial income (loss), net	27.7	29.7	14.4	19.3	15.6
Amortization of goodwill	(51.7)	(63.6)	(66.1)	(63.6)	(62.6)
Reversal of negative goodwill in consolidation	0.4	0.4	0.5	0.4	0.4
Equity share of affiliate losses, net	(46.7)	(8.7)	(21.0)	(18.1)	(21.2)
Income (loss) from ordinary activities	(162.3)	(138.4)	(159.4)	(136.2)	(133.1)
Extraordinary income (expense)	(22.6)	(43.4)	(1.4)	(1.6)	3.8
Income (loss) before taxes	(184.9)	(181.9)	(160.8)	(137.8)	(129.3)
Corporate income tax credit	101.7	88.4	30.0	32.2	30.4
Minority interest	0.4	0.5	0.6	2.2	0.2
Net income (loss)	(82.9)	(93.0)	(130.2)	(103.3)	(98.7)

3Q 2002 Results

Historic Data

Consolidated Balance Sheet

(in million of Euros - Spanish GAAP)
unaudited

	2001		2002		
	Sept 30	Dec 31	March 31	June 30	Sept 30
ASSETS					
Due from Shareholders for Uncalled Capital	388.7	387.0	350.3	339.0	322.5
Fixed Assets	1,383.3	1,499.9	1,423.2	1,375.7	1,359.9
Goodwill in Consolidation	1,856.3	1,819.2	1,760.0	1,625.5	1,570.9
Long-term deferred expenses	11.4	8.8	14.9	12.3	13.7
Current Assets	2,552.7	2,412.5	2,234.1	2,098.8	2,027.1
Cash and Short-term financial Investments	2,333.1	2,190.1	2,021.9	1,971.4	1,825.1
Other current assets	219.6	222.9	212.3	127.3	202.0
TOTAL ASSETS	6,202.4	6,107.3	5,782.4	5,451.3	5,294.1
LIABILITIES AND SHAREHOLDERS' EQUITY					
Shareholders' equity	5,592.4	5,556.8	5,311.7	5,097.4	4,906.4
Minority interests	3.5	3.5	1.6	-0.1	0.0
Long-term liabilities	162.6	115.5	108.0	199.9	78.7
Current liabilities	444.0	431.5	361.1	334.1	309.0
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	6,202.4	6,107.3	5,782.4	5,451.3	5,294.1

3Q 2002 Results

Historic Data

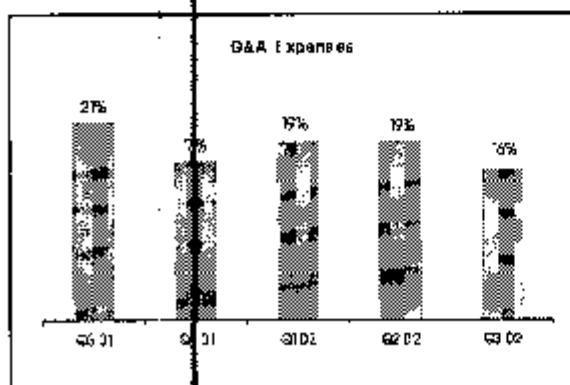
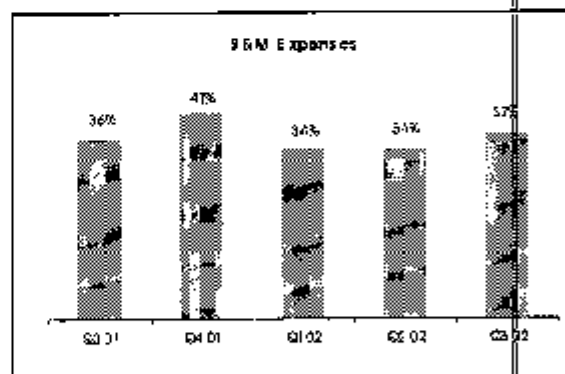
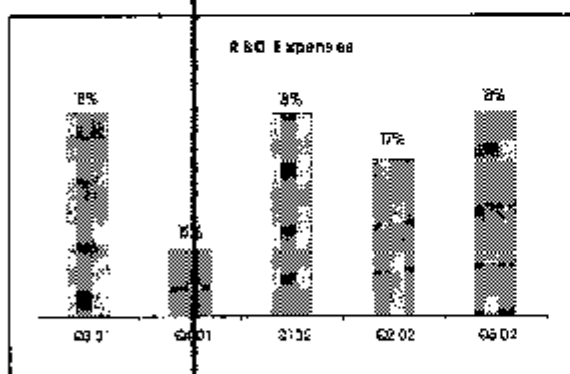
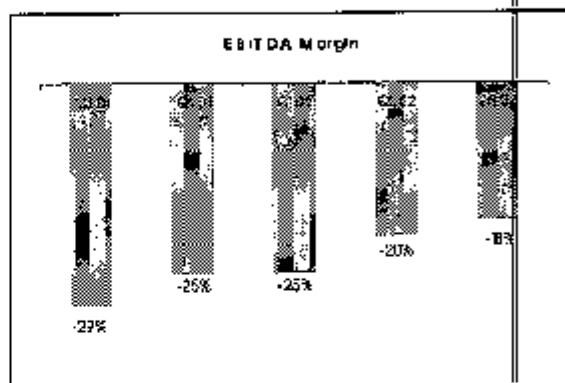
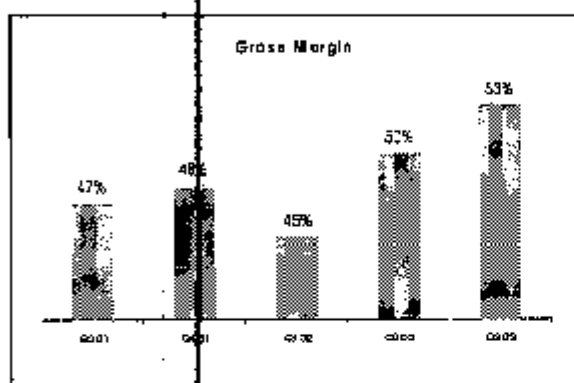
Revenue Data

	2001		2002		
	Q3	Q4	Q1	Q2	Q3
Revenue by Business					
(% of total revenue)					
Media	54%	54%	56%	60%	60%
Access and Services	36%	36%	44%	40%	40%
Revenue by Region and Business					
(% of total revenue)					
United States	53%	43%	42%	44%	42%
Media	53%	43%	42%	44%	42%
Access and Services	0%	0%	0%	0%	0%
Spain & Latam	47%	57%	56%	56%	56%
Media	11%	21%	14%	16%	18%
Access and Services	36%	36%	44%	40%	40%

3Q 2002 Results

Historic Data

Operating Expenses and Margins



3Q 2002 Results

Historic Data

Operating Data

	2001		2002		
	Q3	Q4	Q1	Q2	Q3
Total Subscribers (million)	n.a.	4.7	4.9	5.0	5.3
Access Subscribers (million)	4.3	4.3	4.4	4.1	4.2
Pay	30%	30%	30%	33%	33%
Free	70%	70%	70%	67%	67%
ADSL (thousand)	174	233	272	301	342
Spain	91	109	122	123	125
Latam	83	124	150	178	217
CSP + Portal Subscribers (million)	n.a.	0.4	0.5	0.9	1.1
Total Pay Subscribers (million)	n.a.	1.7	1.8	2.3	2.5
Access	n.a.	78%	72%	59%	55%
CSP + Portal	n.a.	22%	28%	41%	45%
Average daily page views (million)	481	500	450	416	390
Unique users (million)	109	111	115	116	118

3Q 2002 Results

1980	1981	1982	1983	1984	1985	1986	1987	1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038	2039	2040	2041	2042	2043	2044	2045	2046	2047	2048	2049	2050	2051	2052	2053	2054	2055	2056	2057	2058	2059	2060	2061	2062	2063	2064	2065	2066	2067	2068	2069	2070	2071	2072	2073	2074	2075	2076	2077	2078	2079	2080	2081	2082	2083	2084	2085	2086	2087	2088	2089	2090	2091	2092	2093	2094	2095	2096	2097	2098	2099	2100	2101	2102	2103	2104	2105	2106	2107	2108	2109	2110	2111	2112	2113	2114	2115	2116	2117	2118	2119	2120	2121	2122	2123	2124	2125	2126	2127	2128	2129	2130	2131	2132	2133	2134	2135	2136	2137	2138	2139	2140	2141	2142	2143	2144	2145	2146	2147	2148	2149	2150	2151	2152	2153	2154	2155	2156	2157	2158	2159	2160	2161	2162	2163	2164	2165	2166	2167	2168	2169	2170	2171	2172	2173	2174	2175	2176	2177	2178	2179	2180	2181	2182	2183	2184	2185	2186	2187	2188	2189	2190	2191	2192	2193	2194	2195	2196	2197	2198	2199	2200	2201	2202	2203	2204	2205	2206	2207	2208	2209	2210	2211	2212	2213	2214	2215	2216	2217	2218	2219	2220	2221	2222	2223	2224	2225	2226	2227	2228	2229	2230	2231	2232	2233	2234	2235	2236	2237	2238	2239	2240	2241	2242	2243	2244	2245	2246	2247	2248	2249	2250	2251	2252	2253	2254	2255	2256	2257	2258	2259	2260	2261	2262	2263	2264	2265	2266	2267	2268	2269	2270	2271	2272	2273	2274	2275	2276	2277	2278	2279	2280	2281	2282	2283	2284	2285	2286	2287	2288	2289	2290	2291	2292	2293	2294	2295	2296	2297	2298	2299	2300	2301	2302	2303	2304	2305	2306	2307	2308	2309	2310	2311	2312	2313	2314	2315	2316	2317	2318	2319	2320	2321	2322	2323	2324	2325	2326	2327	2328	2329	2330	2331	2332	2333	2334	2335	2336	2337	2338	2339	2340	2341	2342	2343	2344	2345	2346	2347	2348	2349	2350	2351	2352	2353	2354	2355	2356	2357	2358	2359	2360	2361	2362	2363	2364	2365	2366	2367	2368	2369	2370	2371	2372	2373	2374	2375	2376	2377	2378	2379	2380	2381	2382	2383	2384	2385	2386	2387	2388	2389	2390	2391	2392	2393	2394	2395	2396	2397	2398	2399	2400	2401	2402	2403	2404	2405	2406	2407	2408	2409	2410	2411	2412	2413	2414	2415	2416	2417	2418	2419	2420	2421	2422	2423	2424	2425	2426	2427	2428	2429	2430	2431	2432	2433	2434	2435	2436	2437	2438	2439	2440	2441	2442	2443	2444	2445	2446	2447	2448	2449	2450	2451	2452	2453	2454	2455	2456	2457	2458	2459	2460	2461	2462	2463	2464	2465	2466	2467	2468	2469	2470	2471	2472	2473	2474	2475	2476	2477	2478	2479	2480	2481	2482	2483	2484	2485	2486	2487	2488	2489	2490	2491	2492	2493	2494	2495	2496	2497	2498	2499	2500	2501	2502	2503	2504	2505	2506	2507	2508	2509	2510	2511	2512	2513	2514	2515	2516	2517	2518	2519	2520	2521	2522	2523	2524	2525	2526	2527	2528	2529	2530	2531	2532	2533	2534	2535	2536	2537	2538	2539	2540	2541	2542	2543	2544	2545	2546	2547	2548	2549	2550	2551	2552	2553	2554	2555	2556	2557	2558	2559	2560	2561	2562	2563	2564	2565	2566	2567	2568	2569	2570	2571	2572	2573	2574	2575	2576	2577	2578	2579	2580	2581	2582	2583	2584	2585	2586	2587	2588	2589	2590	2591	2592	2593	2594	2595	2596	2597	2598	2599	2600	2601	2602	2603	2604	2605	2606	2607	2608	2609	2610	2611	2612	2613	2614	2615	2616	2617	2618	2619	2620	2621	2622	2623	2624	2625	2626	2627	2628	2629	2630	2631	2632	2633	2634	2635	2636	2637	2638	2639	2640	2641	2642	2643	2644	2645	2646	2647	2648	2649	2650	2651	2652	2653	2654	2655	2656	2657	2658	2659	2660	2661	2662	2663	2664	2665	2666	2667	2668	2669	2670	2671	2672	2673	2674	2675	2676	2677	2678	2679	2680	2681	2682	2683	2684	2685	2686	2687	2688	2689	2690	2691	2692	2693	2694	2695	2696	2697	2698	2699	2700	2701	2702	2703	2704	2705	2706	2707	2708	2709	2710	2711	2712	2713	2714	2715	2716	2717	2718	2719	2720	2721	2722	2723	2724	2725	2726	2727	2728	2729	2730	2731	2732	2733	2734	2735	2736	2737	2738	2739	2740	2741	2742	2743	2744	2745	2746	2747	2748	2749	2750	2751	2752	2753	2754	2755	2756	2757	2758	2759	2760	2761	2762	2763	2764	2765	2766	2767	2768	2769	2770	2771	2772	2773	2774	2775	2776	2777	2778	2779	2780	2781	2782	2783	2784	2785	2786	2787	2788	2789	2790	2791	2792	2793	2794	2795	2796	2797	2798	2799	2800	2801	2802	2803	2804	2805	2806	2807	2808	2809	2810	2811	2812	2813	2814	2815	2816	2817	2818	2819	2820	2821	2822	2823	2824	2825	2826	2827	2828	2829	2830	2831	2832	2833	2834	2835	2836	2837	2838	2839	2840	2841	2842	2843	2844	2845	2846	2847	2848	2849	2850	2851	2852	2853	2854	2855	2856	2857	2858	2859	2860	2861	2862	2863	2864	2865	2866	2867	2868	2869	2870	2871	2872	2873	2874	2875	2876	2877	2878	2879	2880	2881	2882	2883	2884	2885	2886	2887	2888	2889	2890	2891	2892	2893	2894	2895	2896	2897	2898	2899	2900	2901	2902	2903	2904	2905	2906	2907	2908	2909	2910	2911	2912	2913	2914	2915	2916	2917	2918	2919	2920	2921	2922	2923	2924	2925	2926	2927	2928	2929	2930	2931	2932	2933	2934	2935	2936	2937	2938	2939	2940	2941	2942	2943	2944	2945	2946	2947	2948	2949	2950	2951	2952	2953	2954	2955	2956	2957	2958	2959	2960	2961	2962	2963	2964	2965	2966	2967	2968	2969	2970	2971	2972	2973	2974	2975	2976	2977	2978	2979	2980	2981	2982	2983	2984	2985	2986	2987	2988	2989	2990	2991	2992	2993	2994	2995	2996	2997	2998	2999	3000	3001	3002	3003	3004	3005	3006	3007	3008	3009	3010	3011	3012	3013	3014	3015	3016	3017	3018	3019	3020	3021	3022	3023	3024	3025	3026	3027	3028	3029	3030	3031	3032	3033	3034	3035	3036	3037	3038	3039	3040	3041	3042	3043	3044	3045	3046	3047	3048	3049	3050	3051	3052	3053	3054	3055	3056	3057	3058	3059	3060	3061	3062	3063	3064	3065	3066	3067	3068	3069	3070	3071	3072	3073	3074	3075	3076	3077	3078	3079	3080	3081	3082	3083	3084	3085	3086	3087	3088	3089	3090	3091	3092	3093	3094	3095	3096	3097	3098	3099	3100	3101	3102	3103	3104	3105	3106	3107	3108	3109	3110	3111	3112	3113	3114	3115	3116	3117	3118	3119	3120	3121	3122	3123	3124	3125	3126	3127	3128	3129	3130	3131	3132	3133	3134	3135	3136	3137	3138	3139	3140	3141	3142	3143	3144	3145	3146	3147	3148	3149	3150	3151	3152	3153	3154	3155	3156	3157	3158	3159	3160	3161	3162	3163	3164	3165	3166	3167	3168	3169	3170	3171	3172	3173	3174	3175	3176	3177	3178	3179	3180	3181	3182	3183	3184	3185	3186	3187	3188	3189	3190	3191	3192	3193	3194	3195	3196	3197	3198	3199	3200	3201	3202	3203	3204	3205	3206	3207	3208	3209	3210	3211	3212	3213	3214	3215	3216	3217	3218	3219	3220	3221	3222	3223	3224	3225	3226	3227	3228	3229	3230	3231	3232	3233	3234	3235	3236	3237	3238	3239	3240	3241	3242	3243	3244	3245	3246	3247	3248	3249	3250	3251	3252	3253	3254	3255	3256	3257	3258	3259	3260	3261	3262	3263	3264	3265	3266	3267	3268	3269	3270	3271	3272	3273	3274	3275	3276	3277	3278	3279	3280	3281	3282	3283	3284	3285	3286	3287	3288	3289	3290	3291	3292	3293	3294	3295	3296	3297	3298	3299	3300	3301	3302	3303	3304	3305	3306	3307	3308	3309	3310	3311	3312	3313	3314	3315	3316	3317	3318	3319	3320	3321	3322	3323	3324	3325	3326	3327	3328	3329	3330	3331	3332	3333	3334	3335	3336	3337	3338	3339	3340	3341	3342	3343	3344	3345	3346	3347	3348	3349	3350	3351	3352	3353	3354	335
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Other Information

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Other Information

Differences between Spanish and United States Generally Accepted Accounting Principles

As described in Note (21) of the Company's Annual report on Form 20-F, the generally accepted accounting principles in Spain ("Spanish GAAP") differ in some respects from generally accepted accounting principles in the United States ("U.S. GAAP"). Some of the most significant differences are:¹

- | | |
|---|--|
| 1. Research and development | 15. Translation of goodwill |
| 2. Accruals and deferrals | 16. Shares In Deposit at Finance Entities acting as Agents in Stock Option Plans |
| 3. Corporate income tax | 17. Change in the accounting estimate |
| 4. Consolidated method | 18. Comprehensive income |
| 5. Goodwill from acquisitions from related parties and others | 19. Statement of cash flows |
| 6. Capital contribution to parent company | 20. Advertising |
| 7. Acquisition of Lycos Virginia, Inc | 21. Disclosure of fair value of financial instruments |
| 8. Stock options granted to employees of Lycos | 22. Stock option plan |
| 9. Acquisition of minority interests in Terra Networks USA | 23. Earnings Per Share |
| 10. Acquisition of Uno-e Bank, S.A. | 24. Business segment data |
| 11. Allocation of Purchase Price and Goodwill Impairment | 25. Pro Forma Effect of Acquisitions |
| 12. Investments under FASB 115 | 26. Classification Differences |
| 13. Treasury stock | 27. Significant accounting policies |
| 14. Tax deduction benefit of stock options | 28. New Accounting Standards |
| | 29. Related Party Transactions |
| | 30. Use of estimates |

The most relevant differences in 2001 financial statements are:

Corporate income tax

¹ For further detail please consult Form 20-F filed with the US SEC.

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In accordance with Spanish GAAP and with Corporate Income Tax Law 43/1995, tax losses may be carried forward for ten years from the commencement of the tax period following that in which the tax losses were incurred. However, under Article 23.3 of said law, newly formed entities may calculate the period for the offset from the first tax period when their taxable base is positive. Under Spanish GAAP tax credits are only recorded when there is true and total certainty that these tax credits will be realized. Under U.S. GAAP, valuation allowances are not provided on deferred tax assets, including tax credits and carry forwards, to the extent that the assets are more likely than not to be realized.

Specifically, Spanish GAAP permit the recognition of deferred tax assets, including those arising from net operating loss carry forwards, if the deferred tax assets can be reasonably realized within a ten-year period from the date on which the assets were generated. For the 2001, 2000 and 1999 financial statements, the Group has recognized such tax assets under Spanish GAAP, since the business plan prepared by management indicates that these assets will be realized within a ten-year period.

Under U.S. GAAP, deferred tax assets should be recognized if it is "more likely than not" that these assets will be realized. In making a determination of whether it is more likely than not that a deferred tax asset is realizable, all available evidence, both positive and negative, should be considered. Companies should look to both objective evidence, such as a company's operating history, as well as subjective evidence, such as a company's budgets and business plans, to determine whether a valuation allowance is needed. The weight given to the potential effect of negative and positive evidence should be commensurate with the extent to which it can be objectively verified.

Under U.S. GAAP, reaching a conclusion that a valuation allowance is not needed is difficult when there is significant objective negative evidence, such as cumulative losses, in recent years. Each of the companies in the Group have incurred such losses in each tax-reporting period since its inception. Moreover, the Group does not have other objective, positive evidence such as existing contracts or a firm sales backlog, that will produce more than enough taxable income to realize the deferred tax asset based on existing sales prices and cost structures. Based on this evidence, a valuation allowance would be provided in full against the deferred tax assets related to the Group's net operating losses under U.S. GAAP.

Allocation of Purchase Price and Goodwill Impairment

The Group, under Spanish GAAP, has recorded the difference between the purchase price of acquired companies such as Lycos Virginia, Inc. (subsequently renamed Lycos, Inc.), Terra Networks México, S.A. de C.V., Terra Networks Brasil, S.A. (formerly Nutec Informatica, S.A.) and Ordenamiento de Links Especializados, S.L. (OLÉ) and the fair value of the net assets acquired in these entities as goodwill. This goodwill is being amortized over a period of ten years beginning from the date of each acquisition.

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The table below summarizes the allocation of the purchase price for Lycos, Inc. according to U.S. GAAP.

	<u>Fair value</u> (thousands of Euros)	<u>Estimated useful life</u> (years)
Net assets (excluding intangible assets).....	1,085,686	
Web visitors and customer base.....	389,568	3 to 5
Developed technology.....	376,302	3 to 5
Other intangible.....	196,593	5
Goodwill.....	12,429,998	10
Total.....	<u>14,478,147</u>	

Spanish GAAP requires that amounts paid to acquire companies in excess of the fair value of the assets acquired (including identified intangible assets) at their purchase date be accounted for as goodwill and amortized over a period not exceeding 20 years. The Group amortizes its goodwill over its estimated useful life of ten years for Spanish GAAP and for U.S. GAAP purposes.

Subsequent to acquisition (for U.S. GAAP purposes), according to APB 17, the carrying value is reviewed if the facts and circumstances, such as significant declines in sales, earnings or cash flows, suggest that it may be impaired. If this review indicates that goodwill will not be recoverable, impairment is measured by comparing the carrying value of goodwill to fair value. Fair value is determined based on discounted cash flows.

In 2001 the Controlling Company has carried out a study of the evolution of the acquired companies' business plans in order to ascertain whether or not it was necessary to write down the goodwill arising from the acquisitions of companies in prior years. As a result of the study, the balance of the "Goodwill in Consolidation" caption was written down by €35,083,000 for Spanish and U.S. GAAP purposes. The primary facts and circumstances leading to the impairment are described in Note 4 a.

As described in Notes 21.5, 21.7 and 21.9 of the Form 20-F, there are significant differences between Spanish and U.S. GAAP in the value of goodwill associated with the acquisitions of OLÉ, Lycos, Inc. and the minority interests in Terra Networks USA. Under Spanish GAAP, the value of the shares issued to consummate the acquisition of Lycos, Inc. was €11 per share, while for U.S. GAAP purposes the shares were valued at €50.20 per share, which was the average market price of the Terra Networks, S.A. common stock around the time the merger was agreed and announced, in accordance with EITF 99-12 (see Note 21.7). Due to this difference in the purchase price, there is a goodwill of €1,766 million arising from the acquisition of Lycos, Inc. for Spanish GAAP purposes and a goodwill amounting to €13,441 million arising from this transaction for U.S. GAAP purposes. In the fourth quarter of 2001, the Controlling Company determined which amount of the goodwill (for U.S. GAAP purposes) associated with Lycos, Inc., Terra Networks USA and OLÉ was impaired. The write-off of the goodwill was based on an analysis of projected discounted cash flows, which were no longer deemed adequate to support the value of goodwill associated with OLÉ, Terra Networks USA and Lycos, Inc. under U.S. GAAP.

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Other Information

The following is a summary of the impairment charges in the consolidated statement of operations for the year ended December 31, 2001:

	<u>Thousands of Euros</u>
Impairment of goodwill arising from OLE acquisition	17,093
Impairment of goodwill arising from acquisition of Lycos, Inc.	8,628,163
Impairment of goodwill arising from acquisition of minority Interests in Terra Networks USA	144,303
Total goodwill impairment charge	8,789,559

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Other Information

Reconciliation of shareholders' equity from Spanish GAAP to U.S. GAAP

# Ref		Thousand of Euros		
		12/31/01	12/31/00	12/31/99
	Shareholders' equity per Spanish GAAP	5,556,792	6,126,833	1,233,527
	Adjustments for U.S. GAAP purposes:			
1	Research and development expenses	5,079	-8,474	-247
2	Start-up costs			
	Advertising	-85,163	-49,608	-18,102
	Offering costs	-573	-64,374	-33,028
3	Valuation allowances on deferred tax assets (a)	-637,488	-279,350	-42,625
4	Investments carried by the equity method	76,996	12,531	-
5	Goodwill arising from OLE acquisition	17,093	21,594	28,236
5	Adjustment arising from Chile acquisition (net)	-27,737	-33,933	-38,345
6	Adjustment resulting from Perú acquisition (net)	-19,178	-23,974	-
7	Goodwill arising from Lycos acquisition	8,628,163	11,220,787	-
8	Stock options granted to employees of Lycos	-493,148	-509,534	-
9	Goodwill arising from acquisition of minority interests in T.N. USA	144,303	171,409	-
10	Amortization of goodwill relating to Uno-e Bahk, S.A. acquisition	4,342	-	-
11	Impairment of goodwill of previous acquisitions	-8,789,559	-	-
12	Investments under FASB 115	-53,658	-47,720	-
13	Treasury stock	-2,188	-2,078	-
15	Translation of goodwill	-63,168	-124,186	-
16	Capital increase subscribed to by finance entities acting as agents in ESOP	-30,197	-	-
	Tax effects of above adjustments (b)	-	-	-
	Other	-	-	55
	Total differences	-1,336,339	10,283,090	-101,056
	Shareholders' equity per U.S. GAAP	4,220,453	16,409,923	1,129,471

(a) At 12/31/99 includes €6,677 thousand of tax carried forward relating mainly to Terra Networks México, S.A.

(b) The adjustments above do not include the tax effect, if any, of reconciling the shareholders' equity from Spanish GAAP to U.S. GAAP, since a valuation allowance would be provided in full against the deferred tax assets related to the Group's net operating losses under U.S. GAAP.

3Q 2002 Results

Other Information

Reconciliation of net loss from Spanish GAAP to U.S. GAAP

# Ref		Thousand of Euros except per share data		
		12/31/01	12/31/00	12/31/99
	Net loss per Spanish GAAP	-566,298	-556,354	-81,404
1	Reversal of amortization of research and development expenses	3,863	920	96
2	Additions to research and development expenses	—	-156	-343
2	Reversal of amortization of start-up costs	30,627	19,569	920
2	Additions to start-up costs (advertising)	-1,629	-51,970	-19,020
3	Corporate income tax	-373,829	-239,630	-85,899
4	Investments carried by the equity method	68,606	4,538	—
5	Amortization of goodwill relating to OLE acquisition	-4,502	-6,641	-4,982
5	Adjustment relating to Chile acquisition	6,196	8,858	1,322
6	Adjustment resulting from Perú acquisition	6,743	6,395	—
7	Amortization of goodwill relating to Lycos acquisition	-1,745,568	-384,606	—
7	Amortization of deferred compensation expense	-53,148	-8,859	—
8	Stock options granted to employees of Lycos	-2,825	—	—
9	Amortization of goodwill minority interests T.N. USA	-27,106	-15,584	—
10	Amortization of goodwill relating to Uno-e Bank acquisition	4,342	—	—
11	Impairment of goodwill from previous acquisitions	-8,789,559	—	—
12	Unrealized gains/losses investments under FASB 115	-91,793	1,112	—
14	Tax reduction on employee stock options	—	-8,576	—
15	Translation of goodwill	124,231	-5,457	—
	Other	-102	—	—
	Tax effects of above adjustments (a)	—	—	—
	Net loss per U.S. GAAP	-11,411,749	-1,236,441	-139,310
	Net loss per share U.S. GAAP	-18.369	-3.586	-0.684
	Weighted average shares outstanding	621,265,845	344,819,216	203,763,953

- (a) The adjustments above do not include the tax effect, if any, of reconciling the net loss from Spanish GAAP to U.S. GAAP, since a valuation allowance would be provided in full against the deferred tax assets related to the Group's net operating losses under U.S. GAAP.

3Q 2002 Results

Other Information

Operating P&L Description

Cost of sales represents the direct cost of supporting the Terra Lycos networks including all direct employee costs, product delivery and content, customer service, Ad servicing costs, and hosting and bandwidth and general office overhead.

Research and development includes the direct cost of developing new and supporting existing products and services, primarily direct employee costs, consulting, content, software and general office overhead.

Sales and marketing includes all direct costs of promoting the brand and selling against that brand including direct employee costs, marketing development and promotion, research, public relations, general office overhead.

General and Administrative includes all those costs which act as a support function to the company.

What is excluded from EBITDA includes interest on our commercial paper, taxes on corporate income, depreciation on fixed assets (including lease expense on fixed assets), and amortization on intangible assets (primarily relating to goodwill).

Other below the line items that are not included in EBITDA represent costs that are either not directly related to our core business or are non-recurring in nature including our share of gains and losses on strategic investments, equity losses on affiliates, and other one time charges we believe to be outside the normal course of business and which may change from period to period.

3Q 2002 Results

Other Information

Main Fully and Equity Consolidated Companies

MAIN FULLY CONSOLIDATED COMPANIES	
ARGENTINA	TERRA NETWORKS ARGENTINA S.A.
BRAZIL	TELEFONICA INTERACTIVA BRASIL LTDA. (GRUPO)
COLOMBIA	TERRA NETWORKS COLOMBIA HOLDING S.A. (GRUPO)
CHILE	TERRA NETWORKS CHILE HOLDING LIMITADO
SPAIN	BUMERAN PARTICIPACIONES S.L. (GRUPO)
SPAIN	IFIGENIA PLUS, S.A.
SPAIN	MAPTEL NETWORKS, S.A.
SPAIN	TERRA NETWORKS ESPAÑA, S.A.
SPAIN	INICIATIVAS RESIDENCIALES EN INTERNET, S.A.
GUATEMALA	TERRA NETWORKS GUATEMALA S.A.
MEXICO	TERRA NETWORKS MEXICO HOLDING S.A. DE C.V. (GRUPO)
PERU	TERRA NETWORKS PERU S.A.I
DOMINICAN REPUBLIC	TERRA NETWORKS CARIBE, S.A.
URUGUAY	TERRA NETWORKS URUGUAY, S.A.
USA	LYCOS VIRGINIA INC.
USA	TERRA NETWORKS USA INC.
VENEZUELA	TERRA NETWORKS VENEZUELA S.A.

MAIN EQUITY CONSOLIDATED COMPANIES		
SPAIN	AZELER AUTOMOCIÓN, S.A.	50%
SPAIN	A TU HORA, S.A.	50%
SINGAPUR	LYCOS ASIA	50%
SPAIN	RED UNIVERSAL DE MARKETING Y BOOKINGS ON-LINE, S.A.	50%
SPAIN	UNO_ E BANK	49%
USA	ONE TRAVEL.COM, INC.	39,6%
HOLLAND	LYCOS EUROPE	29,5%
JAPAN	LYCOS JAPAN	37%
SPAIN	TERRA MOBILE, S.A.	20%

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Other Information

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Guidance

	Revenue (C m)	EBITDA Mg
November 7th, 2002		
<i>For the period of:</i>		
Q4 2002	160 - 170	-14% -11%
July 24th, 2002		
<i>For the period of:</i>		
Q3 2002	165 - 175	-19% -16%
FY 2002 (at Q2'02 exchange rates)	670 - 730	-19% -15%
May 8th, 2002		
<i>For the period of:</i>		
Q2 2002	170 -180	-24% -21%
FY 2002	720 - 780	-19% -15%
Feb. 26th, 2002		
<i>For the period of:</i>		
Q1 2002	160 -170	-27% -24%
FY 2002	720 - 780	-19% -15%

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Other Information

Press Releases

- ♦ **July 1st 2002:** Terra Lycos launches Lycos Search 6.0, with several new product features and enhancements to Lycos Search. Lycos Search 6.0 dramatically enhances the relevancy of its search results and launches powerful new features and functionality.
- ♦ **July 3rd 2002:** Rumbo launches a new portal in Peru.
- ♦ **July 15th 2002:** Terra.com launches MI Terra, for Terra.com users to personalize their start page by select content like new headlines, sports updates and entertainment news in Spanish = Personalization tool for the Hispanic Internet user.
- ♦ **August 5th 2002:** Terra Lycos and MovieTickets announce the launch of a co-branded movie tickets transaction site on Lycos Entertainment
- ♦ **August 12th 2002:** Terra Lycos launches Lycos InSite AdBuyer, creating an integrated platform of paid inclusion and keyword advertising services, allowing online marketers to promote their sites to million of Terra Lycos Network users.
- ♦ **August 19th 2002:** Lycos Enterprise Services expands its offerings to corporate clients with the addition of television-class content creation from program design through production and distribution.
- ♦ **September 4th 2002:** Lycos implements CheckM8 rich media technology across network for fast, flexible, high-impact advertising. CheckM8 is an end-to-end rich media and integrated marketing solution. With the new technology, Lycos can dramatically compress the time it takes to implement creative online advertising, allowing clients to quickly realize the benefits of high impact messaging and to easily adjust the creative to suit their needs.
- ♦ **September 24th 2002:** Rumbo launches new portals in Colombia and Venezuela. It is already present in the 7 main Latin American countries.
- ♦ **September 26th 2002:** Terra Lycos launches Terra Puerto Rico.

After the Period:

- ♦ **October 7th 2002:** Terra Lycos acquires GetRelevant, an online direct marketing services provider. The acquisition adds a powerful suit of products to Terra Lycos' robust direct marketing services. GetRelevant offers online customer acquisition technology which provides managed co-registration software for content sites and co-registration inventory.

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Other Information

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Other Information

Safe-Harbour

This document contains statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this document and include statements regarding the intent, belief or current expectations of the customer base, estimates regarding future growth in the different business lines and the global business, market share, financial results and other aspects of the activities and situation relating to the Company.

Such forward looking statements are not guarantees of future performance and involve risks and uncertainties, and actual results may differ materially from those in the forward looking statements as a result of various factors.

Analysts and investors are cautioned not to place undue reliance on those forward looking statements, which speak only as of the date of this presentation. Terra Lycos undertakes no obligation to release publicly the results of any revisions to these forward looking statements which may be made to reflect events and circumstances after the date of this presentation, including, without limitation, changes in Terra Lycos' business or acquisition strategy or to reflect the occurrence of unanticipated events. Analysts and investors are encouraged to consult the Company's Annual Report on Form 20-F as well as periodic filings made on Form 6-K, which are on file with the United States Securities and Exchange Commission.

