

Internet

Terra-Lycos Group Consolidated Income (millions of Euros)

	December 2001	December 2000	% Var.
Operating revenues	690.0	304.0	127.0
Work on fixed assets (1)	2.5	1.0	157.1
Operating expenses	(901.9)	(649.1)	39.0
Other net revenues (expenses)	(22.5)	(15.2)	47.9
EBITDA	(232.0)	(359.3)	(35.4)
Amortization/Depreciation	(185.5)	(83.5)	122.1
Operating income	(417.4)	(442.9)	(5.7)
Income associated companies	(181.7)	(59.3)	206.7
Financial income	126.3	35.8	252.9
Amortization Goodwill	(383.5)	(203.6)	88.4
Extraordinary income	(74.9)	(134.2)	(44.2)
Pre-tax income	(931.3)	(804.2)	15.8
Tax provision	363.3	248.1	46.4
Income prior to minority shareholders	(567.9)	(555.9)	2.2
Income from minority shareholders	1.6	0.7	133.9
Net profit	(566.3)	(555.2)	2.0

(1) Includes work in progress

Terra-Lycos Group Operating Figures

	2001	% VAR. (2000)
Broadband clients (thousands)	233	471%
Average daily page visits (millions)	500	43%
Unique users (millions)	111	18%

Internet

Terra Lycos

The path to profitability

Terra Lycos has become consolidated in 2001 as one of the most visited Internet networks in the USA, Canada, Europe, Latin America and Asia. The company's main goal was growth with profitability, obtained by a sustained increase in revenue combined with a major cost reduction effort. Despite the unfavourable macroeconomic situation in 2001, Terra Lycos had a revenue during the year of 694 million euros, which is 22% more than the previous year in current euros, 24% in constant euros. This positive change in revenue has been accompanied by a control and efficiency policy which, together with initiatives such as the Seis Sigma process and quality improvement program, has focused on optimizing the company's resources and maximising growth. During 2001, Terra Lycos reduced its fixed costs by 16%, an improvement that has provided a savings of 103 million euros. Thus, EBITDA improved in 2001 by 24 percent over the previous year.

At the beginning of the year Terra Lycos announced a new matrix organization model, based on the different geographical areas and business units, focused on customers and growth accompanied by profitability.

The main goal of Terra Lycos in 2001 was growth with profitability, by achieving a sustained increase in revenue combined with a major cost reduction effort

The company's outstanding advantages include a diversified source of income, a global presence, a commitment to Broadband, and the transition towards payment models, obtained by launching added value products. Likewise, the company's excellent liquidity has permitted strategic acquisitions and alliances, always taking profitability into account. The most outstanding acquisitions were Uno-e, the on-line bank belonging to Terra Lycos and BBVA; Raging Bull, the USA's leading Internet financial community; Maptel, Spain's leading digital mapping company; and the assets of Decompras.com, Mexico's leading e-commerce company.

New business model

During this year, Terra Lycos has pioneered the transition towards collecting for services by developing the "Open, Basic, Premium" model (O.B.P), which aims to generate, in addition to a basic access and services offer, revenues from subscription payments. In other words, to offer, in addition to services and contents open to all users, additional added value services and contents with more features that users are willing to pay for. As part of this strategy, the company placed on the market such innovative products as Terra ADSL Plus, Tripod Plus or Lycos Search Insite, which have helped to gain a total of 1.7 million paying subscribers.



In addition, Terra Lycos became in 2001 a benchmark as a broadband service provider, hitting a total of 233,000 customers in Spain and Latin America. Likewise, the company has launched different models to transform the traditional business into an integrated communications solution provider. The goal of the "CSP" (Communication Service Provider) strategy is to create a complementary source of income to the traditional access, advertising and e-commerce business lines, by providing advanced services that enable our customers to communicate, regardless of where they are and what device they are using. The company has launched its first pay per use communications services, such as the virtual hard disk or the photo album.

During 2001, Terra Lycos used different models to transform the traditional access business into an integrated communications solution

Integrated marketing solutions

Terra Lycos has become one of the best channels to reach a global audience, through a series of portals in 43 countries that are visited by 111 million unique users a month, with an average of 500 million pages visited every day. In addition, the company has focused during 2001 on providing its users with new browsing experiences, and providing its corporate customers with added value online integrated marketing solutions. Terra Lycos beat its competitors once again, by becoming the first Internet company to offer CheckM8 technology, which, among other advantages, permits format transparency and does not affect page content, as well as an advertising sequence that has different sizes, formats and locations, and follows the user as he browses.

Terra Lycos' integrated marketing solution includes other innovative products such as Arcadia, an interactive advertising tool; Opinion Minders, an online polling solution; or the launch in Spain of the most powerful e-mail marketing tool on the market, which uses a database with 2.5 million highly segmented users. Terra's new e-mail marketing service is the only one on the market that offers a user base segmented by content affinity and/or social and demographic criteria, which allows it to maximise the customization of e-mail communications. Terra's new tool makes it possible to find out the hobbies and preferences of the users, their profile, and their Internet browsing habits.



Internet as a channel

Terra Lycos wants to take advantage of the enormous potential of combining its user base with the experience and infrastructure of companies that are leaders in their industries. Therefore, the company has made a decisive commitment to launch added value vertical service channels, which in 2001 have covered areas such as finances, human resources, motor vehicles, or real estate. The outstanding launches, jointly with BBVA, were Azeler and Atrea. The former, a motor vehicle portal whose objective is to develop and manage platforms that improve and assist operations for all the participants in the industry, from manufacturers to end purchasers. Atrea, on the other hand, is a real estate portal whose main goal is to create platforms that make the work of both Real Estate Agents and Developers easier and more efficient, and at the same time will congregate in a single website all the services the consumer requires when purchasing or renting a home.

During 2001, Invertia, which has more than 225,000 registered users and has 45 million page hits a month, has become the greatest financial community in Spain, and is present in Argentina, Brazil, Chile, Mexico, Peru, Venezuela and the Spanish-speaking market in the USA. Likewise, Uno-e, www.uno-e.com, the online bank owned by Terra Lycos and BBVA, ended 2001 with over 700 million euros in managed customer resources, that is, 350% higher than the previous year.

Terra Lycos is also a leading player in the online travel industry, through Rumbo and Onetravel. Rumbo, a joint venture between Terra Lycos and Amadeus, offers a wide range of travel products and services focused on both the end user and businesses in Spain, Brazil, Chile, Argentina and Mexico. On the other hand, One Travel is the fourth-ranked travel website in the USA.

We therefore have one of the most complete offers on the market, a unique offer that is completed with Lycos channels and services that are highly successful in the USA, such as Quote.com, the leading investment subscription service in the country; Angelfire.com and Tripod.com, that permit easy construction of websites; Matchmaker, one of the USA's leading online dating services, and Gamesville, a game platform with content for all ages.

