SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A

(Mark One)
(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarter ended January 31, 1999

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 0-22846

CMGI, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	04-2921333
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
100 Brickstone Square, First Floor Andover, Massachusetts	01810
(Address of principal executive offices)	(Zip Code)

(978) 684-3600
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days

Yes X No __________

Number of shares outstanding of the issuer's common stock, as of March 12, 1999

Class	Number of shares outstanding
Common Stock, par value $.01 per share	46,679,750

CMGI, INC.
FORM 10-Q/A

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This Quarterly Report on Form 10-Q/A ("Report") Amends and supersedes, to the extent set forth herein, the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 1999 previously filed on March 17, 1999. as more particularly set forth below, the following financial and related information has been updated in connection with the filing of the restated financial statements included herein. Additionally, all share amounts of the Registrant's common stock contained in this Report have been retroactively adjusted to reflect a 2-FOR-1 stock split effected by the Registrant in the form of a stock dividend on January 11, 1999.

CMGI, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	January 31, 1999 1999 (Unaudited and Restated)	July 31, 1998 (Restated)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 106,318	$ 61,537
Available-for-sale securities	957,480	5,764
Accounts receivable, trade, less allowance for doubtful accounts	23,780	21,431
Inventories	10,324	8,250
Prepaid expenses	2,913	2,991
Net current assets of discontinued operations	1,052	482
Other current assets	--	2,364
Total current assets	1,101,867	102,819
Property and equipment, net	13,076	13,403
Investments in affiliates	55,495	82,616
Cost in excess of net assets of subsidiaries acquired, net of accumulated amortization	52,830	55,770
Net non-current assets of discontinued operations	1,101	1,246
Other assets	26,979	3,964
	$1,251,348	$259,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 22,700	$ 27,656
Current installments of long-term debt	16,631	16,594
Accounts payable	12,183	10,809
Accrued income taxes	5,612	10,085
Accrued expenses	24,067	18,731
Deferred revenues	7,874	4,932
Deferred income taxes	360,133	--
Other current liabilities	899	1,228
Total current liabilities	450,099	90,035
Long-term debt, less current installments	1,000	1,373
Deferred income taxes	7,680	15,536
Other long-term liabilities	4,322	4,428
Minority interest	54,761	15,310
Commitments and contingencies		
Preferred stock, $.01 par value. Authorized 5,000,000 shares; issued 50,000 shares Series B convertible, redeemable preferred stock at January 31, 1999, interest at 4% per annum	50,030	--
Stockholders' equity:		
Common stock, $.01 par value. Authorized 100,000,000 shares; issued 46,661,835 shares at January 31, 1999 and 46,067,886 shares at July 31, 1998	467	461
Additional paid-in capital	110,369	91,029
Net unrealized gain (loss) on available-for-sale securities	478,975	(436)
Unearned compensation	(913)	(1,442)
Retained earnings	94,558	43,524
Total stockholders' equity	683,456	133,136
	$1,251,348	$259,818

The accompanying notes are an integral part of the consolidated financial statements.

CMGI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)
(in thousands, except per share amounts)

	Three months ended January 31, 1999 (Restated)	Three months ended January 31, 1998	Six months ended January 31, 1999 (Restated)	Six months ended January 31, 1998
Net revenues	$ 38,972	$ 15,230	$ 76,377	$ 37,825
Operating expenses:				
Cost of revenues	37,123	14,275	72,748	27,950
Research and development	5,239	4,513	10,592	10,560
In-process research and development	--	875	--	875
Selling	6,932	5,211	15,170	15,748
General and administrative	10,747	3,993	19,064	8,527
Total operating expenses	60,041	28,867	117,574	63,660
Operating loss	(21,069)	(13,637)	(41,197)	(25,835)
Other income (deductions):				
Interest income	748	296	1,307	1,139
Interest expense	(1,165)	(716)	(2,233)	(1,486)
Gain on sale of Lycos, Inc. stock	43,596	10,764	45,475	17,088
Gain on sale of Premiere Technologies, Inc. stock	--	--	--	4,174
Gain on sale of Amazon.com, Inc. stock	7,002	--	7,002	--
Gain (loss) on stock issuance by Lycos, Inc.	(121)	8	20,253	(86)
Gain on stock issuance by GeoCities	4,382	--	28,514	--
Gain on sale of investment in Sage Enterprises, Inc.	--	--	19,057	--
Gain on sale of investment in Reel.com, Inc.	--	--	23,158	--
Equity in losses of affiliates	(6,189)	(2,987)	(9,548)	(4,516)
Minority interest	103	--	204	(28)
	48,356	7,365	133,189	16,285
Income (loss) from continuing operations before income taxes	27,287	(6,272)	91,992	(9,550)
Income tax expense (benefit)	14,138	(336)	40,454	(1,355)
Income (loss) from continuing operations	13,149	(5,936)	51,538	(8,195)
Discontinued operations, net of income taxes:				
Income (loss) from operations of lists and database services segment	(148)	102	(279)	68
Gain on sale of data warehouse product rights	--	--	--	4,978
Net income (loss)	$ 13,001	$ (5,834)	$ 51,259	$ (3,149)
Basic earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.28	$ (0.15)	$ 1.11	$ (0.21)
Income (loss) from discontinued operations of lists and database services segment	--	--	(0.01)	--
Gain on sale of data warehouse product rights	--	--	--	0.13
Net income (loss)	$ 0.28	$ (0.15)	$ 1.10	$ (0.08)
Diluted earnings (loss) per share:				
Income (loss) from continuing operations	$ 0.25	$ (0.15)	$ 1.02	$ (0.21)
Income (loss) from discontinued operations of lists and database services segment	--	--	(0.01)	--
Gain on sale of data warehouse product rights	--	--	--	0.13
Net income (loss)	$ 0.25	$ (0.15)	$ 1.01	$ (0.08)
Shares used in computing earnings (loss) per share:				
Basic	46,260	40,160	46,160	39,312
Diluted	51,257	40,160	50,650	39,312

The accompanying notes are an integral part of the consolidated financial statements.

CMGI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

(in thousands)

	Six months ended January 31, 1999 (Restated)	Six months ended January 31, 1998
Cash flows from operating activities:		
Income (loss) from continuing operations	$ 51,538	$ (8,195)
Adjustments to reconcile income (loss) from continuing operations to net cash used for continuing operations:		
Depreciation and amortization	5,820	2,795
Deferred income taxes	20,261	(1,534)
Non-operating gains, net	(143,460)	(21,176)
Equity in losses of affiliates	9,548	4,516
Minority interest	(204)	28
In-process research and development	--	875
Changes in operating assets and liabilities, excluding effects from divestitures of subsidiaries:		
Trade accounts receivable	(3,905)	(3,251)
Inventories	(2,074)	(3,273)
Prepaid expenses	(209)	(1,999)
Accounts payable and accrued expenses	7,473	1,704
Deferred revenues	5,956	1,922
Refundable and accrued income taxes, net	10,497	3,906
Other assets and liabilities	(227)	(289)
Net cash used for operating activities of continuing operations	(38,986)	(23,971)
Net cash used for operating activities of discontinued operations	(673)	(3,277)
Net cash used for operating activities	(39,659)	(27,248)
Cash flows from investing activities:		
Additions to property and equipment - continuing operations	(3,689)	(2,852)
Additions to property and equipment - discontinued operations	(29)	(76)
Purchase of available-for-sale securities	(31,123)	--
Proceeds from sale of Lycos, Inc. common stock	53,106	18,798
Proceeds from sale of Amazon.com, Inc. common stock	27,177	--
Proceeds from sale of Premiere Technologies, Inc. common stock	--	7,555
Proceeds from sale of data warehouse product rights - discontinued operations	--	9,543
Investments in affiliates	(14,013)	(7,387)
Reduction in cash due to deconsolidation of Lycos, Inc.	--	(41,017)
Other	1,536	(154)
Net cash provided by (used for) investing activities	32,965	(15,590)
Cash flows from financing activities:		
Net proceeds from (repayments of) notes payable	(3,956)	206
Repayments of long-term debt	(335)	(1,531)
Net proceeds from issuance of Series B convertible preferred stock	49,805	--
Net proceeds from issuance of common stock	3,500	12,142
Net proceeds from issuance of stock by subsidiaries	2,805	477
Other	(344)	1,895
Net cash provided by financing activities	51,475	13,189
Net increase (decrease) in cash and cash equivalents	44,781	(29,649)
Cash and cash equivalents at beginning of period	61,537	59,762
Cash and cash equivalents at end of period	$ 106,318	$ 30,113

The accompanying notes are an integral part of the consolidated financial statements.

A. Basis of Presentation

The accompanying consolidated financial statements have been prepared by CMGI, Inc. ("CMGI" or "the Company") in accordance with generally accepted accounting principles. In the opinion of management, the accompanying consolidated financial statements contain all adjustments, consisting only of those of a normal recurring nature, necessary for a fair presentation of the Company's financial position, results of operations and cash flows at the dates and for the periods indicated. While the Company believes that the disclosures presented are adequate to make the information not misleading, these consolidated financial statements should be read in conjunction with the audited financial statements and related notes for the year ended July 31, 1998 which are contained in the Company's Annual Report on Form 10-K/A filed with the Securities and Exchange Commission ("the SEC") on May 26, 1999. The results for the three and six month periods ended January 31, 1999 are not necessarily indicative of the results to be expected for the full fiscal year. Certain prior year amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to conform with current year presentation.

Financial information related to the Company's former lists and database services segment has been presented as discontinued operations (see Note C). Certain prior period amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to reflect the Company's lists and database services segment as discontinued operations.

B. Restatement Related to In-Process Research and Development Expense

The accompanying consolidated financial statements have been restated to reflect the impact of adjustments made by Lycos, Inc. (Lycos) to its previously reported in-process research and development charges associated with Lycos' acquisitions of Tripod, Inc., WiseWire Corporation, GuestWorld, Inc. and WhoWhere? Inc. during CMGI's third and fourth quarters of fiscal 1998 and first quarter of fiscal 1999. The accompanying consolidated financial statements have also been restated to reflect a change in the original accounting for the purchase price allocation related to CMGI's acquisition of Accipiter, Inc. (Accipiter) in the third fiscal quarter of 1998.

Lycos reduced the amount of its charges for in-process research and development in connection with the above noted acquisitions and, correspondingly, increased the amounts allocated to intangible assets by $89.4 million. During the periods effected, CMGI's ownership in Lycos ranged from approximately 46% to approximately 22%, and CMGI accounted for its investment in Lycos under the equity method of accounting, whereby CMGI's portion of the net operating performance of Lycos was reflected in equity in losses of affiliates. Additionally, during such periods CMGI recorded gains on sales of portions of its Lycos stock holdings, and recorded gains on issuances of stock by Lycos. As a result of the Lycos restatements, CMGI has accordingly restated previously reported equity in losses of Lycos, gains on sales of Lycos stock and gains on issuance of stock by Lycos for CMGI's fiscal quarters ended April 30, 1998, July 31, 1998, October 31, 1998 and January 31, 1999. Lycos' reduction of previously recorded in-process research and development charges resulted in higher gains on Lycos stock issuances recorded by the Company, thereby increasing CMGI's book basis in its Lycos investment and resulting in lower gains on sales of Lycos stock and reduced gains on Lycos stock issuances in subsequent quarters. Related higher amortization charges recorded by Lycos in subsequent quarters resulted in higher equity in loss of affiliates amounts recorded by CMGI.

Upon consummation of the Accipiter acquisition in the third fiscal quarter of 1998, CMGI, in its consolidated financial statements, reported an expense of approximately $18.0 million representing acquired in-process research and development that had not yet reached technological feasibility and had no alternative future use. On May 7, 1999, CMGI announced a voluntary restatement of the in-process research and development charge related to the Accipiter acquisition to address valuation methodologies suggested by the SEC in a letter dated September 9, 1998 to the American Institute of Certified Public Accountants SEC Regulations Committee and as clarified through subsequent practice. Upon consideration of this guidance and additional practice that has developed since the SEC letter was first made public, the $18.0 million charge as previously reported has been reduced to $9.2 million and amounts allocated to goodwill and other intangible assets have been increased from $11.5 million to $20.3 million.

B. Restatement Related to In-Process Research and Development Expense (continued)

The effect of the restatement on previously reported consolidated financial statements as of and for the three and six months ended January 31, 1999 and as of July 31, 1998 is as follows (in thousands, except per share amounts):

Statements of Operations:

	Three Months Ended January 31, 1999		Six Months Ended January 31, 1999	
	As Reported	Restated	As Reported	Restated
Cost of revenues	$ 37,043	$ 37,123	$ 72,588	$ 72,748
General and administrative expenses	10,366	10,747	18,302	19,064
Operating loss	(20,608)	(21,069)	(40,275)	(41,197)
Gain on sale of Lycos, Inc. common stock	44,503	43,596	46,521	45,475
Gain (loss) on stock issuance by Lycos, Inc.	(21)	(121)	19,161	20,253
Equity in losses of affiliates	(6,071)	(6,189)	(8,660)	(9,548)
Income from continuing operations before income taxes	28,873	27,287	93,756	91,992
Income tax expense	14,601	14,138	40,800	40,454
Income from continuing operations	14,272	13,149	52,956	51,538
Net income	14,124	13,001	52,677	51,259
Basic income from continuing operations per share	0.30	0.28	1.14	1.11
Basic net income per share	0.30	0.28	1.13	1.10
Diluted income from continuing operations per share	0.28	0.25	1.05	1.02
Diluted net income per share	0.28	0.25	1.04	1.01

Balance Sheets:

	January 31, 1999		July 31, 1998	
	As Reported	Restated	As Reported	Restated
Investments in affiliates	$ 55,495	$ 55,495	$ 66,187	$ 82,616
Cost in excess of net assets of subsidiaries acquired, net of accumulated amortization	47,053	52,830	49,301	55,770
Other assets	21,290	26,979	2,238	3,964
Total assets	1,239,882	1,251,348	235,194	259,818
Current deferred income tax liabilities	359,639	360,133	--	--
Total current liabilities	449,605	450,099	90,035	90,035
Non-current deferred income tax liabilities	7,680	7,680	10,528	15,536
Minority interest	51,767	54,761	11,045	15,310
Net unrealized holding gain (loss) on available-for-sale securities	484,930	478,975	(436)	(436)
Retained earnings	80,625	94,558	28,173	43,524
Total stockholders' equity	675,478	683,456	117,785	133,136

C. Discontinued Operations

On March 11, 1999, the Company announced the signing of a binding agreement to sell its wholly-owned subsidiary, CMG Direct Corporation (CMG Direct) to Marketing Services Group, Inc. (MSGI). At the time, CMG Direct comprised the Company's entire lists and database services segment. As a result, the operations of the Company's lists and database services segment have been reflected as income (loss) from discontinued operations. The gain on sale of certain data warehouse product rights by the Company's subsidiary, Engage Technologies, Inc. (Engage) in the first quarter of fiscal 1998 has also been reflected as discontinued operations. These data warehouse products were developed by Engage during fiscal 1996 and 1997, when Engage was included in the Company's lists and database services segment. CMG Direct's net assets, which included accounts receivable, prepaid expenses, net property and equipment, net goodwill, other assets, accounts payable, accrued expenses and other liabilities are reported as net current and non-current assets of discontinued operations at January 31, 1999.

D. Deconsolidation of Vicinity

Beginning in November, 1998, CMGI's ownership interest in Vicinity was reduced to below 50% as a result of employee stock option exercises. As such, beginning in November, 1998, the Company began to account for its remaining investment in Vicinity under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Vicinity were consolidated within the operating results of the Company's investment and development segment, and the assets and liabilities of Vicinity were consolidated with those of CMGI's other majority-owned subsidiaries in the Company's consolidated balance sheets. The Company's historical quarterly consolidated operating results for the fiscal quarter ended October 31, 1998 included Vicinity sales of $1,454,000 and operating losses of $621,000.

E. Deconsolidation of Lycos, Inc.

During the first quarter of fiscal year 1998, the Company owned in excess of 50% of Lycos and accounted for its investment under the consolidation method. Through the subsequent sale and distribution of Lycos shares, the Company's ownership percentage in Lycos was reduced to below 50% beginning in November, 1997. As such, beginning in November, 1997, the Company began accounting for its remaining investment in Lycos under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Lycos were consolidated within the operating results of the Company's investment and development segment, and the assets and liabilities of Lycos were consolidated with those of CMGI's other majority-owned subsidiaries in the Company's consolidated balance sheets. The Company's historical quarterly consolidated operating results for the fiscal quarter ended October 31, 1997 included Lycos sales of $9,303,000 and operating losses of $433,000. As a result of additional Lycos stock sales, beginning in January, 1999, CMGI's ownership in Lycos was further reduced below 20%. Accordingly, CMGI began accounting for its investment in Lycos (net of shares attributable to CMG@Ventures I, LLC's profit members and shares which may be required to be sold to Lycos pursuant to employee stock option exercises) as available-for-sale securities, carried at fair value (see Note K.)

The following table contains summarized financial information for Lycos for the quarters ended October 31, 1998 and January 31, 1999, as restated to reflect Lycos' adjustments to in-process research and development charges and amortization of acquisition related intangible assets (See Note B):

(in thousands)
Condensed Statement of Operations:

	Quarter Ended October 31, 1998	Quaarter Ended January 31, 1999
Net revenues	$ 24,784	$ 30,552
Operating loss	$(15,612)	$(15,368)
Net loss	$ (3,596)	$(13,753)

Condensed Balance Sheet:

	October 31, 1998	January 31, 1999
Current assets	$203,041	$198,209
Noncurrent assets	272,991	266,706
Total assets	$476,032	$464,915
Current liabilities	$ 53,694	$ 50,612
Noncurrent liabilities	29,873	29,087
Stockholders' equity	392,465	385,216
Total liabilities and stockholders' equity	$476,032	$464,915

F. Two-for-one Common Stock Split

On January 11, 1999, the Company effected a two-for-one common stock split in the form of a stock dividend. Accordingly, the consolidated financial statements have been retroactively adjusted for all periods presented to reflect this event.

G. Sale of CMG@Ventures Investments and Investment in Hollywood Entertainment

In August, 1998, the Company's subsidiary, CMG@Ventures II, LLC (CMG@Ventures II) converted its holdings in Sage Enterprises, Inc. (Sage Enterprises) into 225,558 shares of Amazon.com, Inc. (Amazon.com) common stock as part of a merger wherein Amazon.com acquired Sage Enterprises. CMG@Ventures II invested $4.5 million in Sage Enterprises beginning in June, 1997. The Company recorded a pre-tax gain of $19,057,000 on the conversion of its investment in Sage Enterprises during the fiscal quarter ended October 31, 1998. Such gain was recorded net of the 20% interest attributable to CMG@Ventures II's profit members.

In October, 1998, CMG@Ventures II's holdings in Reel.com, Inc. (Reel.com) were converted into 1,943,783 restricted common and 485,946 restricted, convertible preferred shares of Hollywood Entertainment Corporation (Hollywood Entertainment) as part of a merger wherein Hollywood Entertainment acquired Reel.com. The preferred shares were convertible into common shares on a 1-for-1 basis, subject to approval by Hollywood Entertainment shareholders. CMG@Ventures II invested $6.9 million in Reel.com beginning in July, 1997. The Company recorded a pre-tax gain of $23,158,000 on the conversion of its investment in Reel.com during the fiscal quarter ended October 31, 1998. The gain was reported net of the 20% interest attributable to CMG@Ventures II's profit members.

Also in October, 1998, in a separate transaction, the Company purchased 1,524,644 restricted common and 803,290 restricted, convertible preferred shares of Hollywood Entertainment for a total cash purchase price of $31.1 million. The preferred shares were convertible into common shares on a 1-for-1 basis, subject to approval by Hollywood Entertainment shareholders. In December, 1998, CMGI's and CMG@Ventures II's entire holdings in Hollywood Entertainment preferred stock were converted into common shares.

H. Gain on Stock Issuances by Lycos, Inc. and GeoCities

In August, 1998, the Company's affiliate, GeoCities, completed its initial public offering of common stock, issuing approximately 5.5 million shares at a price of $17.00 per share, which raised $84.5 million in net proceeds for GeoCities. As a result of the initial public offering, the Company's ownership interest in GeoCities was reduced from approximately 34% to approximately 28%. The Company, through its subsidiaries, CMG@Ventures I, LLC (CMG@Ventures I) and CMG@Ventures II, has invested a total of $5.9 million in GeoCities beginning in January, 1996. In December, 1998, GeoCities issued additional stock in conjunction with its acquisition of Starseed, Inc. (known as WebRing). CMGI recorded a pre-tax gain of $24,132,000 on the issuance of stock by GeoCities during the fiscal quarter ended October 31, 1998 and a pre-tax gain of $4,382,000 on the issuance of stock by GeoCities during the second fiscal quarter ended January 31, 1999. These pre-tax gains represent the increase in the book value of the Company's net equity in GeoCities, primarily as a result of the initial public offering and acquisition of Starseed, Inc. The gains were recorded net of the interests attributable to CMG@Ventures I's and II's profit members.

The Company recorded a pre-tax gain of $20,374,000 in the first quarter of fiscal 1999 resulting from the issuance of stock by Lycos. The gain for the quarter was primarily related to the issuance of 4.1 million shares by Lycos during August, 1998 in its acquisition of WhoWhere? Inc. As a result of the issuance of stock by Lycos for the acquisition of WhoWhere? Inc., the Company's ownership interest in Lycos was reduced from approximately 24% to approximately 22%. The gain was recorded net of the interest attributable to CMG@Ventures I's profit members.

I. Commitment to Fund CMG@Ventures III, LLC

In December, 1998, CMGI announced the close of the @Ventures III venture capital fund. This fund has secured $212 million in capital commitments from outside investors, which will be invested in emerging Internet service and technology companies through two newly formed entities, @Ventures III L.P. and @Ventures III Foreign Fund, L.P. CMGI does not have a direct ownership interest in either of these newly created entities, but is entitled to 2% of the net capital gains realized by both entities. Management of these entities, including investment and sale decisions, is the responsibility of @Ventures Partners III, LLC, whose members include David S. Wetherell, CMGI's President and Chief Executive Officer, and Andrew J. Hajducky III, CMGI's Chief Financial Officer. The Company has committed to contribute $54 million to its newly formed limited liability company subsidiary, CMG@Ventures III, LLC. CMG@Ventures III, LLC will take strategic positions side by side with @Ventures III L.P. CMGI owns 100% of the capital and is entitled to 80% of the net capital gains realized by CMG@Ventures III, LLC. @Ventures Partners III, LLC is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III, LLC.

J. Investments in Affiliates

During the first quarter of fiscal year 1999, the Company, through its limited liability company subsidiary, CMG@Ventures III, LLC, invested a total of $1,142,000 to acquire initial minority ownership interests in three Internet companies, including Raging Bull, Asimba and Virtual Ink. Raging Bull is a financial Web message board service that offers the ability to filter content and tailor personally relevant financial information to meet users' needs. Asimba is creating a content rich, personalized, online community for the competitive and recreational sports market. Virtual Ink is a newly launched company focused on the development of Digital Meeting Assistant TM (DMA) technologies. During the second quarter of fiscal year 1999, through CMG@Ventures III, LLC, CMGI acquired initial minority ownership interests in six additional Internet companies, including Ancestry.com, Furniture.com, ONElist, and three others, for an aggregate total of $5,825,000. Ancestry.com is a provider of community, content and commerce resources for families via the Internet, including the Web's largest repository of searchable genealogy data. Furniture.com is an e-commerce provider of a broad selection of furniture and home furnishing accessories. ONElist provides free e-mail communities via the Internet, allowing users to search for or subscribe to tens of thousands of communities on different topics or create their own community. Also during the second half of fiscal year 1999, CMG@Ventures II, LLC invested $1.9 million to participate in follow - on equity rounds raised by Critical Path and KOZ. The Company anticipates synergies between these strategic positions and CMGI's core businesses, including speeding technological innovation and access to markets. Each of the new investments made by CMG@Ventures II, LLC and CMG@Ventures III, LLC during the first six months of fiscal 1999 are carried at cost in CMGI's consolidated financial statements.

Also during the first fiscal quarter of 1999, the Company invested an additional $2 million in Magnitude Network, LLC (Magnitude Network), increasing CMGI's ownership percentage in Magnitude Network to 23% at October 31, 1998 from 5% at July 31, 1998. Accordingly, beginning October 22, 1998, the Company began accounting for its investment in Magnitude Network under the equity method of accounting, rather than the cost method (also see Note T.)

K. Sales of Lycos and Amazon.com Stock

During the first quarter of fiscal year 1999, CMG@Ventures I distributed 3,585,207 of its shares of Lycos common stock to the Company, and 558,317 shares to CMG@Ventures I's profit members. During the first quarter of fiscal 1999 the Company sold 70,000 of its Lycos shares on the open market. As a result of the sale, the Company received proceeds of $2.5 million, and recognized a pre-tax gain of $1,879,000, reported net of the associated interest attributed to CMG@Ventures I's profit members. During the second quarter of fiscal 1999 the Company sold 748,000 of its Lycos shares on the open market. As a result of second quarter Lycos sales, the Company received proceeds of $50.6 million, and recognized a pre-tax gain of $43,596,000, reported net of the associated interest attributed to CMG@Ventures I's profit members. As a result of the Company's sale of Lycos shares, during January, 1999, the Company's ownership interest in Lycos fell below 20% of Lycos' outstanding shares. With this decline in ownership below 20%, CMGI began accounting for its investment in Lycos (net of shares attributable to CMG@Ventures I's profit members and shares which may be required to be sold to Lycos pursuant to employee stock option exercises) as available-for-sale securities, carried at fair value, rather than under the equity method.

In November, 1998, CMGI received a distribution of 169,538 shares of Amazon.com stock from CMG@Ventures II LLC. The Company sold these shares for total proceeds of $27.2 million in November, 1998, and recognized a pre-tax gain of $7,002,000, reported net of the associated interest attributed to CMG@Ventures II's profit members.

L. Segment Information

The Company's continuing operations are classified in two primary business segments: (i) investment and development and (ii) fulfillment services. The Company's lists and database services segment is reported as discontinued operations (see Note C.) During the quarter ended January 31, 1999, non-consolidated related parties accounted for approximately 16% of net revenues in the investment and development segment. Summarized financial information by business segment for continuing operations is as follows:

	Three months ended January 31,		Six months ended January 31,	
	1999	1998	1999	1998
Net revenues:				
Investment and development	$ 4,902,000	$ 1,760,000	$ 9,814,000	$ 12,331,000
Fulfillment services	34,070,000	13,470,000	66,563,000	25,494,000
	$ 38,972,000	$ 15,230,000	$ 76,377,000	$ 37,825,000
Operating income (loss):				
Investment and development	$(21,974,000)	$(14,786,000)	$(42,359,000)	$(28,045,000)
Fulfillment services	905,000	1,149,000	1,162,000	2,210,000
	$(21,069,000)	$(13,637,000)	$(41,197,000)	$(25,835,000)

L. Segment Information (Continued)

Operating income in the fulfillment services segment was adjusted during the fourth quarter of fiscal year 1998 to correct prior quarters' understatements of cost of sales by SalesLink's subsidiary company, Pacific Link. The cost of sales understatement was caused by estimates used in determining the material content in cost of sales. As a result, previous quarterly results had understated cost of sales and overstated inventory. Had such adjustments been recorded in the period in which they occurred, quarterly fulfillment services segment operating income (loss) would have been as follows:

	Three Months Ended				
	October 31, 1997	January 31, 1998 1998	April 30, 1998	July 31, 1998	Total
As Reported	$1,061,000	$1,149,000	$1,547,000	$(2,313,000)	$1,444,000
As Restated	$ 279,000	$ 335,000	$ 656,000	$ 174,000	$1,444,000

M. Borrowing Arrangements

The Company's $20 million collateralized corporate borrowing facility became payable in full on January 20, 1999. Upon its maturity, CMGI renewed this $20 million note for another one-year period, with similar terms as the expiring note. This borrowing is now secured by 762,465 of CMGI's shares of Lycos common stock. Under this agreement, CMGI could become subject to additional collateral requirements under certain circumstances. The Company expects to again seek the renewal of this note upon its next maturity on January 20, 2000. SalesLink had an outstanding line of credit balance of $2.7 million as of January 31, 1999 and an additional $1.2 million reserved in support of outstanding letters of credit for operating leases. SalesLink also has a $15.5 million bank term note outstanding at January 31, 1999, which provides for repayment in quarterly installments beginning January, 1999 through November, 2002. The obligations of Saleslink under the bank line of credit and bank term loans have been guaranteed by CMGI. As of July 31, 1998 and January 31, 1999, SalesLink did not comply with certain covenants of their borrowing arrangements. SalesLink is working with the bank to cure the non-compliance as of January 31, 1999, and prospectively, through waivers or amendments to the covenant terms. SalesLink has not yet received such waivers or amendments, nor is there any assurance that such waivers or amendments will be obtained. Accordingly, all of SalesLink's bank borrowings have been classified as current liabilities in the January 31, 1999 balance sheet.

N. Issuance of Series B Convertible Redeemable Preferred Stock

On December 22, 1998, CMGI completed a $50 million private placement of 50,000 shares of newly issued Series B convertible preferred stock. Each preferred share has a stated value of $1,000 per share, and accretes an incremental conversion premium at a rate of 4% per year. Subject to certain limitations, the Series B convertible preferred stock plus accreted conversion premium may be converted into shares of the Company's common stock at a fixed price of $52 per common share for one year or until the earlier occurrence of certain specified events. Under certain circumstances, the Company has the option to redeem the Series B convertible preferred stock; and under certain circumstances the Company may be required to redeem the Series B convertible preferred stock. After one year or the earlier occurrence of certain specified events, if the Series B convertible preferred stock has not been redeemed, the conversion price is based upon a formula which is tied to the undiscounted market price of the Company's common stock. Subject to waiver by the Company, the maximum number of shares of the Company's common stock into which the Series B convertible preferred stock may convert is 2,083,334. The Series B convertible preferred stock automatically converts into common stock on December 22, 2000. Preferred shareholders have preference over common stockholders in dividends and liquidation rights. Proceeds of the private placement were raised to be used for acquisitions of controlling positions in companies and working capital purposes.

O. Earnings Per Share

The Company calculates earnings per share in accordance with Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share". Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. The dilutive effect of common stock equivalents are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive.

If a subsidiary has dilutive stock options or warrants outstanding, diluted earnings per share is computed by first deducting from income (loss) from continuing operations, the income attributable to the potential exercise of the dilutive stock options or warrants of the subsidiary. The effect of income attributable to dilutive subsidiary stock equivalents was immaterial for the three and six months ended January 31, 1999.

The following table sets forth the reconciliation of the numerators and denominators for the earnings per share calculations per SFAS No. 128:

(in thousands)	Three months ended January 31,		Six months ended January 31,	
	1999	1998	1999	1998
Basic earnings per share:				
Income (loss) from continuing operations	$13,149	$(5,936)	$51,538	$(8,195)
Less: Convertible preferred stock interest	(225)	--	(225)	--
Income (loss) from continuing operations available to common stockholders	12,924	(5,936)	51,313	(8,195)
Income (loss) from discontinued operations of lists and database services segment	(148)	102	(279)	68
Gain on sale of data warehouse product rights	--	--	--	4,978
Net income (loss) available to common stockholders	$12,776	$(5,834)	$51,034	$(3,149)
Weighted average common shares outstanding	46,260	40,160	46,160	39,312
Diluted earnings per share:				
Income (loss) from continuing operations available to common stockholders	$12,924	$(5,936)	$51,313	$(8,195)
Add: Convertible preferred stock interest	225	--	225	--
Less: Net effect of income attributable to dilutive subsidiary stock equivalents	--	(19)	--	(102)
Income (loss) from continuing operations used in computing diluted earnings per share	13,149	(5,955)	51,538	(8,297)
Income (loss) from discontinued operations of lists and database services segment	(148)	102	(279)	68
Gain on sale of data warehouse product rights	--	--	--	4,978
Net income (loss) used in computing diluted earnings per share	$13,001	$(5,853)	$51,259	$(3,251)
Weighted average common shares outstanding	46,260	40,160	46,160	39,312
Effect of dilutive securities	4,997	--	4,490	--
Shares used in computing diluted earnings per share	51,257	40,160	50,650	39,312

P. Comprehensive Income

As of August 1, 1998, the Company adopted Statement of Financial Accounting Standard ("SFAS") No. 130, "Reporting Comprehensive Income". SFAS No. 130 establishes new rules for the reporting and display of comprehensive income and its components; however, it has no impact on the Company's net income or stockholders' equity. SFAS No. 130 requires all changes in equity from non-owner sources to be included in the determination of comprehensive income.

The components of comprehensive income (loss), net of income taxes, are as follows:

(in thousands)	Three months ended January 31,		Six months ended January 31,	
	1999	1998	1999	1998
Net income (loss)	$ 13,001	$(5,834)	$ 51,259	$(3,149)
Net unrealized holding gain arising during period	483,619	--	483,530	1,603
Less: reclassification adjustment for gain realized in net income (loss)	(4,119)	--	(4,119)	(2,455)
Comprehensive income (loss)	$492,501	$(5,834)	$530,670	$(4,001)

Q. Consolidated Statements of Cash Flows Supplemental Information

(in thousands)	Six months ended January 31,	
	1999	1998
Cash paid during the period for:		
Interest	$ 1,833	$ 1,334
Income taxes	$ 9,476	$ 383

During the six months ended January 31, 1999, significant non-cash investing activities included the sale of the Company's equity interest in Reel.com in exchange for Hollywood Entertainment available-for-sale securities valued at $32,801,000, as well as the sale of the Company's minority investment in Sage Enterprises in exchange for Amazon.com available-for-sale securities valued at $26,519,000 (See Note G).

R. Available-for-sale Securities

At January 31, 1999, available-for-sale securities include 234,393 shares of Lycos common stock and 143,330 shares of USWeb Corporation common stock held by CMG@Ventures I. Available-for-sale securities at January 31, 1999 also include the following securities held by CMG@Ventures II: 67,668 shares of Amazon.com common stock (as adjusted for Amazon.com's 3-for-1 stock split in December 1998) and 2,429,729 shares of Hollywood Entertainment common stock. Subject to the terms of CMG@Ventures I and II's operating agreements, certain of the shares held by these entities may be allocated to CMG@Ventures I and II's profit members in the future.

Additionally, available-for-sale securities at January 31, 1999 include the following securities held by CMGI, Inc. directly or through its other subsidiaries: 5,523,845 shares of Lycos, Inc. common stock; 142,896 shares of Informix Corporation (formerly Red Brick Systems) common stock; 386,473 shares of Open Market, Inc. common stock; and 2,327,934 shares of Hollywood Entertainment common stock.

R. Available-for-sale Securities (Continued)

Available-for-sale securities are carried at fair value as of January 31, 1999, based on quoted market prices, net of a market value discount to reflect the remaining restrictions on transferability on certain of these securities. A net unrealized holding gain of $478,975,000, net of deferred income taxes of $334,011,000, has been reflected in the equity section of the consolidated balance sheet based on the change in market value of the available-for-sale securities from dates of acquisition to January 31, 1999.

CMG@Ventures II also holds 45,177 shares of Amazon.com stock at January 31, 1999 which have been allocated to its profit members and, therefore, have not been classified as available-for-sale securities in the accompanying consolidated balance sheet. At January 31, 1999, CMG@Ventures I also holds approximately 1.4 million shares of Lycos common stock which have been allocated to its profit members and approximately 750,000 Lycos shares which CMG@Ventures I may be obligated to sell to Lycos in the future, as necessary, to provide for shares issuable upon the exercise of certain stock options granted by Lycos under its 1995 stock option plan. These shares of Lycos common stock have not been classified as available-for-sale securities in the accompanying consolidated balance sheet.

CMG@Ventures II's shares of Amazon.com stock are being held in escrow by an outside trustee until August 27, 1999 as indemnification related to Amazon.com's acquisition of Sage Enterprises.

The Hollywood Entertainment common shares held by CMGI and CMG@Ventures II are subject to restrictions on transferability until September 1, 1999.

S. New Accounting Pronouncements

In March, 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants, issued SOP 98-1, "Accounting for the Cost of Computer Software Developed or Obtained for Internal Use," which requires the capitalization of certain internal costs related to the implementation of computer software obtained for internal use. The Company is required to adopt this standard in the first quarter of fiscal year 2000. The Company expects that the adoption of SOP 98-1 will not have a material impact on the Company's financial position or its results of operations.

In June, 1998, the Financial Accounting Standards Board issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities." SFAS No. 133 establishes accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts (collectively referred to as derivatives) and for hedging activities. SFAS No. 133 requires the recognition of all derivatives as either assets or liabilities in the statement of financial position and the measurement of those instruments at fair value. The Company is required to adopt this standard in the first quarter of fiscal year 2000. The Company expects that the adoption of SFAS No. 133 will not have a material impact on the Company's financial position or its results of operations.

T. Subsequent Events

During February, 1999, CMGI exercised its right to invest an additional $22 million to increase its ownership in Magnitude Network from 23% to 92%. CMGI had previously invested a total of $2.5 million in Magnitude Network in July and October, 1998. Accordingly, beginning February, 1999, CMGI began accounting for our investment in Magnitude Network under the consolidation method of accounting, rather than the equity method. The acquisition accounting and valuation for CMGI's investment in Magnitude Network may result in a significant portion of the investment being identified as in-process research and development, in accordance with valuation methodologies provided by the Securities and Exchange Commission, which is expected to be charged to operating results in the fourth quarter when the amount is determined.

On February 1, 1999, the Company announced that it had signed a definitive agreement to acquire 2CAN Media, Inc., a site -focused online advertising representation firm. 2CAN Media will be combined with the Company's subsidiary, ADSmart. The transaction includes the 5 sales divisions of 2CAN Media - Pinnacle Interactive, WebRep, ECG, MediaPlus and Grupo NetFuerza.

On March 1, 1999, CMGI announced a binding letter of intent to purchase Internet Profiles Corporation (I/PRO), a leader in World Wide Web traffic verification, analysis and research. I/PRO analyzes, correlates and validates Web site activity, which enables marketers to understand their online business and improve the effectiveness of their site. The Company plans to merge I/PRO with its subsidiary, Engage Technologies.

On March 4, 1999, the Company announced a binding letter of intent to acquire Activerse, Inc., a provider of open standard Internet messaging technologies. With this acquisition, CMGI will invest in the rapidly expanding market for tools and technologies that enable live communication via the Internet. Activerse's products address the complex dynamics of Web communication by providing instant access to Internet-connected communities, workgroups, social groups and individuals. The Ding! suite of products from Activerse utilizes current and emerging open Internet standards, including Java and HTML, and allows both consumer and corporate audiences to enhance online communities through the convenience of instant messaging.

Subsequent to January 31, 1999, CMG@Ventures III, LLC made a follow-on investment in Virtual Ink and acquired minority ownership interests in Boston Financial Network and one other investment. Boston Financial Network offers an integrated set of Web-based financial applications targeted at small businesses. Subsequent to January 31, 1999, CMG@Ventures II, LLC made follow-on investments in Silknet and ThingWorld.com.

The matters discussed in this report contain forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended, that involve risks and uncertainties. All statements other than statements of historical information provided herein are forward-looking statements and may contain information about financial results, economic conditions, trends and known uncertainties. The Company's actual results could differ materially from those discussed herein. Factors that could cause or contribute to such differences include, but are not limited to, those discussed in this section and elsewhere in this report, the risks discussed in the "Risk Factors" section included in the Company's registration statement on Form S-3 filed with the SEC on February 5, 1999, as amended and the risks discussed in the Company's other filings with the SEC. These risks and uncertainties could cause actual results to differ materially from those reflected in the forward-looking statements. Readers are cautioned not to place undue reliance on these forward-looking statements, which reflect management's analysis, judgment, belief or expectation only as of the date hereof. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof.

Restatement Related to In-process Research and Development Expense

The accompanying consolidated financial statements have been restated to reflect the impact of adjustments made by Lycos, Inc. (Lycos) to its previously reported in-process research and development charges associated with Lycos' acquisitions of Tripod, Inc., WiseWire Corporation, GuestWorld, Inc. and WhoWhere? Inc. during CMGI's third and fourth quarters of fiscal 1998 and first quarter of fiscal 1999. The accompanying consolidated financial statements have also been restated to reflect a change in the original accounting for the purchase price allocation related to CMGI's acquisition of Accipiter, Inc. (Accipiter) in the third fiscal quarter of 1998.

Lycos reduced the amount of its charges for in-process research and development in connection with the above noted acquisitions and, correspondingly, increased the amounts allocated to intangible assets by $89.4 million. During the periods effected, CMGI's ownership in Lycos ranged from approximately 46% to approximately 22%, and CMGI accounted for its investment in Lycos under the equity method of accounting, whereby CMGI's portion of the net operating performance of Lycos was reflected in equity in losses of affiliates. Additionally, during such periods CMGI recorded gains on sales of portions of its Lycos stock holdings, and recorded gains on issuances of stock by Lycos. As a result of the Lycos restatements, CMGI has accordingly restated previously reported equity in losses of Lycos, gains on sales of Lycos stock and gains on issuance of stock by Lycos for CMGI's fiscal quarters ended April 30, 1998, July 31, 1998, October 31, 1998 and January 31, 1999. Lycos' reduction of previously recorded in-process research and development charges resulted in higher gains on Lycos stock issuances recorded by the Company, thereby increasing CMGI's book basis in its Lycos investment and resulting in lower gains on sales of Lycos stock and reduced gains on Lycos stock issuances in subsequent quarters. Related higher amortization charges recorded by Lycos in subsequent quarters resulted in higher equity in loss of affiliates amounts recorded by CMGI.

Upon consummation of the Accipiter acquisition in the third fiscal quarter of 1998, CMGI, in its consolidated financial statements, reported an expense of approximately $18.0 million representing acquired in-process research and development that had not yet reached technological feasibility and had no alternative future use. On May 7, 1999, CMGI announced a voluntary restatement of the in-process research and development charge related to the Accipiter acquisition to address valuation methodologies suggested by the SEC in a letter dated September 9, 1998 to the American Institute of Certified Public Accountants SEC Regulations Committee and as clarified through subsequent practice. Upon consideration of this guidance and additional practice that has developed since the SEC letter was first made public, the $18.0 million charge as previously reported has been reduced to $9.2 million and amounts allocated to goodwill and other intangible assets have been increased from $11.5 million to $20.3 million.

The effect of this restatement on previously reported consolidated financial statements as of and for the three and six months ended January 31, 1999 and as of July 31, 1998 is as follows (in thousands, except per share amounts):

Statements of Operations:

	Three Months Ended January 31, 1999		Six Months Ended January 31, 1999	
	As Reported	Restated	As Reported	Restated
Cost of revenues	$ 37,043	$ 37,123	$ 72,588	$ 72,748
General and administrative expenses	10,366	10,747	18,302	19,064
Operating loss	(20,608)	(21,069)	(40,275)	(41,197)
Gain on sale of Lycos, Inc. common stock	44,503	43,596	46,521	45,475
Gain (loss) on stock issuance by Lycos, Inc.	(21)	(121)	19,161	20,253
Equity in losses of affiliates	(6,071)	(6,189)	(8,660)	(9,548)
Income from continuing operations before income taxes	28,873	27,287	93,756	91,992
Income tax expense	14,601	14,138	40,800	40,454
Income from continuing operations	14,272	13,149	52,956	51,538
Net income	14,124	13,001	52,677	51,259
Basic income from continuing operations per share	0.30	0.28	1.14	1.11
Basic net income per share	0.30	0.28	1.13	1.10
Diluted income from continuing operations per share	0.28	0.25	1.05	1.02
Diluted net income per share	0.28	0.25	1.04	1.01

Balance Sheets:

	January 31, 1999		July 31, 1998	
	As Reported	Restated	As Reported	Restated
Investments in affiliates	$ 55,495	$ 55,495	$ 66,187	$ 82,616
Cost in excess of net assets of subsidiaries acquired, net of accumulated amortization	47,053	52,830	49,301	55,770
Other assets	21,290	26,979	2,238	3,964
Total assets	1,239,882	1,251,348	235,194	259,818
Current deferred income tax liabilities	359,639	360,133	--	--
Total current liabilities	449,605	450,099	90,035	90,035
Non-current deferred income tax liabilities	7,680	7,680	10,528	15,536
Minority interest	51,767	54,761	11,045	15,310
Net unrealized holding gain (loss) on available-for-sale securities	484,930	478,975	(436)	(436)
Retained earnings	80,625	94,558	28,173	43,524
Total stockholders' equity	675,478	683,456	117,785	133,136

Deconsolidation of Lycos beginning in the second quarter of fiscal year 1998

During the first quarter of fiscal year 1998, the Company owned in excess of 50% of Lycos and accounted for its investment under the consolidation method. Through the subsequent sale and distribution of Lycos shares, the Company's ownership percentage in Lycos was reduced to below 50% beginning in November, 1997. As such, beginning in November, 1997, the Company began accounting for its remaining investment in Lycos under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Lycos were consolidated within the operating results of the Company's investment and development segment, and the assets and liabilities of Lycos were consolidated with those of CMGI's other majority-owned subsidiaries in the Company's consolidated balance sheets. The Company's historical quarterly consolidated operating results for the fiscal quarter ended October 31, 1997 included Lycos sales of $9,303,000 and operating losses of $433,000.

Deconsolidation of Vicinity beginning in the second quarter of fiscal year 1999

Beginning in November, 1998, CMGI's ownership interest in Vicinity was reduced to below 50% as a result of employee stock option exercises. As such, beginning in November, 1998, the Company began to account for its remaining investment in Vicinity under the equity method of accounting, rather than the consolidation method. Prior to these events, the operating results of Vicinity were consolidated within the operating results of the Company's investment and development segment, and the assets and liabilities of Vicinity were consolidated with those of CMGI's other majority-owned subsidiaries in the Company's consolidated balance sheets. The Company's historical quarterly consolidated operating results for the fiscal quarter ended October 31, 1998 included Vicinity sales of $1,454,000 and operating losses of $621,000.

Fiscal 1998 Fulfillment Segment Results

Operating income in the fulfillment services segment was adjusted during the fourth quarter of fiscal year 1998 to correct prior quarters' understatements of cost of sales by SalesLink's subsidiary company, Pacific Link. The cost of sales understatement was caused by estimates used in determining the material content in cost of sales. As a result, previous quarterly results had understated cost of sales and overstated inventory. Had such adjustments been recorded in the period in which they occurred, quarterly fulfillment services segment operating income (loss) would have been as follows:

	Three Months Ended				
	October 31, 1997	January 31, 1998	April 30, 1998	July 31, 1998	Total
As Reported	$1,061,000	$1,149,000	$1,547,000	$(2,313,000)	$1,444,000
As Restated	$ 279,000	$ 335,000	$ 656,000	$ 174,000	$1,444,000

Discontinued Operations

On March 11, 1999, the Company announced the signing of a binding agreement to sell its wholly-owned subsidiary, CMG Direct to Marketing Services Group, Inc. (MSGI). At the time, CMG Direct comprised the Company's entire lists and database services segment. As a result, the operations of the Company's lists and database services segment have been reflected as income (loss) from discontinued operations. The gain on sale of certain data warehouse product rights by the Company's subsidiary, Engage Technologies, Inc. (Engage) in the first quarter of fiscal 1998 has also been reflected as discontinued operations. These data warehouse products were developed by Engage during fiscal 1996 and 1997, when Engage was included in the Company's lists and database services segment. CMG Direct's net assets, which included accounts receivable, prepaid expenses, net property and equipment, net goodwill, other assets, accounts payable, accrued expenses and other liabilities are reported as net current and non-current assets of discontinued operations at January 31, 1999. Certain prior period amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to reflect the Company's lists and database services segment as discontinued operations.

Three months ended January 31, 1999 compared to three months ended January 31, 1998

Net revenues for the quarter ended January 31, 1999 increased $23,742,000, or 156%, to $38,972,000 from $15,230,000 for the quarter ended January 31, 1998. The increase was largely attributable to an increase of $20,600,000 in net revenues for the Company's fulfillment services segment, reflecting increased volume of turnkey business from Cisco Systems and the acquisitions of On-Demand Solutions and InSolutions during the fourth quarter of fiscal 1998. Additionally, net revenues in the Company's investment and development segment increased $3,142,000. Vicinity net revenues for last year's second quarter ended January 31, 1998 were $1,233,000. Absent the impact of Vicinity, net revenues in the investment and development segment increased by $4,375,000, or 830%, reflecting improved sales by Engage, Navisite, Planet Direct and ADSmart, and the acquisitions of Accipiter and Servercast during the second half of fiscal 1998. During the quarter ended January 31, 1999, non-consolidated related parties accounted for approximately 16% of net revenues in the investment and development segment. The Company believes that its subsidiary companies will continue to develop and introduce their products commercially, actively pursue increased revenues from new and existing customers, and look to expand into new market opportunities during fiscal 1999. Additionally, subsequent to January 31, 1999 the Company signed agreements to acquire three additional Internet companies, 2CAN Media, Internet Profiles Corporation and Activerse, and in early February, CMGI exercised its right to increase its ownership in Magnitude Network from 23% to 92%. Therefore, as a result of both increased sales by existing companies, and incremental revenues from new acquisitions, the Company expects to report future revenue growth.

Cost of revenues increased $22,848,000, or 160%, to $37,123,000 in the second quarter of fiscal 1999 from $14,275,000 for the corresponding period in fiscal 1998, reflecting increases of $18,805,000 and $4,043,000 in the fulfillment services and investment and development segments, respectively. Adjusted for the $814,000 impact of prior year understatements, cost of sales increased $17,991,000 in the fulfillment services segment resulting from higher revenues, the acquisitions of On-Demand Solutions and InSolutions, and incremental costs incurred in fiscal 1999 associated with relocating SalesLink's Boston and Chicago operations to more efficient facilities. Investment and development segment cost of sales increases were primarily attributable to higher revenues and the acceleration of operations in the segment, partially offset by $872,000 lower cost of sales resulting from the deconsolidation of Vicinity beginning in the second quarter of fiscal 1999. Revenue increases as start up of Internet operations has begun to ramp during early stages, offset in part by the impact of deconsolidating Vicinity, is the primary reason cost of revenues as a percentage of revenues in the investment and development segment decreased to 161% in the second quarter of fiscal 1999 from 218% in the prior year. After adjusting for prior year understatements, fulfillment services segment cost of revenues as a percentage of net revenues increased to 86% in the second quarter of fiscal 1999 from 84% in the second quarter of fiscal 1998, primarily reflecting the impact of facilities relocation costs incurred.

Research and development expenses increased $726,000, or 16%, to $5,239,000 in the quarter ended January 31, 1999 from $4,513,000 in the prior year's second quarter. All research and development expenses in both periods were incurred within the Company's investment and development segment. The $726,000 increase over prior year was primarily due to increased development efforts at Engage and incremental costs associated with the development of NaviNet's technology platform, partially offset by a reduction due to the deconsolidation of Vicinity. The Company anticipates it will continue to devote substantial resources to product development and that these costs may substantially increase in future periods.

Selling expenses increased $1,721,000 or 33% to $6,932,000 in the second quarter ended January 31, 1999 from $5,211,000 for the corresponding period in fiscal 1998, primarily reflecting a $1,641,000 increase in the Company's investment and development segment. The increased costs in the investment and development segment reflects sales and marketing efforts related to several product launches and continued growth of sales and marketing infrastructures, partially offset by reduced selling expenses due to the deconsolidation of Vicinity. Selling expenses in the fulfillment services segment increased by $80,000 in comparison with last year's second quarter due to the acquisitions of On-Demand Solutions and InSolutions, offset by headcount reductions by PacificLink. Selling expenses decreased as a percentage of net revenues to 18% in the second quarter of fiscal 1999 from 34% for the corresponding period in fiscal 1998, primarily reflecting the impact of increased revenues. As the Company completes the acquisitions of 2CAN Media, Internet Profiles Corporation and Activerse, and as existing subsidiaries continue to introduce new products and expand sales, the Company expects to incur significant promotional expenses, as well as expenses related to the hiring of additional sales and marketing personnel and increased advertising expenses, and anticipates that these costs will substantially increase in future periods.

General and administrative expenses increased $6,754,000, or 169%, to $10,747,000 in the second quarter of fiscal 1999 from $3,993,000 for the corresponding period in fiscal 1998. The investment and development segment experienced an increase of $4,795,000, primarily due to the building of management infrastructures in several of the Company's Internet investments. General and administrative expenses in the fulfillment services segment increased by $1,959,000 in comparison with last year's second quarter, largely due to the acquisitions of On-Demand Solutions and InSolutions, including approximately $650,000 higher goodwill charges. General and administrative expenses as a percentage of net sales remained virtually level at 26%. The Company anticipates that its general and administrative expenses will continue to increase significantly as the Company adds newly acquired subsidiaries and as existing subsidiaries continue to grow and expand their administrative staffs and infrastructures.

Gain on sale of Lycos, Inc. common stock reflects the Company's net gain realized on the sale of 748,000 shares in the second quarter of fiscal 1999 and 340,000 shares in the second quarter of fiscal 1998. Gain on sale of Amazon.com, Inc. stock reflects the Company's net gain realized on the sale of 169,538 Amazon.com shares in the second quarter of fiscal 1999. Gain on stock issuance by GeoCities in fiscal 1999 arose primarily as a result of the sale of stock by GeoCities in its acquisition of Starseed, Inc. (known as WebRing) in December, 1998.

Interest income increased $452,000 to $748,000 in the second fiscal quarter of 1999 from $296,000 in fiscal 1998, reflecting increased income associated with higher average corporate cash equivalent balances compared with prior year. Interest expense increased $449,000 compared with the second quarter of fiscal 1998, primarily due to higher corporate collateralized borrowings and borrowings incurred in conjunction with the Company's acquisition of InSolutions.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments that are accounted for under the equity method. Under the equity method of accounting, the Company's proportionate share of each affiliate's operating losses and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in equity in losses of affiliates. Equity in losses of affiliates for the quarter ended January 31, 1999 include the results from the Company's minority ownership in Lycos (until January 1999 when the Company's ownership in Lycos was reduced below 20%), GeoCities, ThingWorld.com (formerly Parable), Silknet, Speech Machines, Mother Nature, Vicinity, Engage Japan JV, and Magnitude Network. Equity in losses of affiliates for the quarter ended January 31, 1998 included the results from the Company's minority ownership in Ikonic Interactive, Inc., ThingWorld.com, Silknet, GeoCities, Reel.com, Lycos, Chemdex, Planet All and Speech Machines. The Company expects its affiliate companies to continue to invest in development of their products and services, and to recognize operating losses, which will result in future charges recorded by the Company to reflect its proportionate share of such losses.

Income tax expense in the second quarter of fiscal 1999 was $14,138,000. Exclusive of taxes provided for significant, unusual or extraordinary items that will be reported separately, the Company provides for income taxes on a year to date basis at an effective rate based upon its estimate of full year earnings. In determining the Company's effective rate for the second quarter of fiscal 1999, gains on sales of Lycos, Inc. and Amazon.com, Inc. common stock and gain on stock issuance by GeoCities were excluded.

Six months ended January 31, 1999 compared to six months ended January 31, 1998

Net revenues for the six months ended January 31, 1999 increased $38,552,000, or 102%, to $76,377,000 from $37,825,000 for the six months ended January 31, 1998. The increase was largely attributable to an increase of $41,069,000 in net revenues for the Company's fulfillment services segment, reflecting increased volume of turnkey business from Cisco Systems and the acquisitions of On-Demand Solutions and InSolutions during the fourth quarter of fiscal 1998. Net revenues in the Company's investment and development segment decreased $2,517,000 primarily reflecting the impact of the deconsolidation of Lycos and Vicinity. Lycos and Vicinity net revenues for the six months ended January 31, 1998 were $9,303,000 and $2,143,000 respectively, while Vicinity net revenues for the quarter ended October 31, 1999 were $1,454,000. Absent the impact of Lycos and Vicinity, net revenues in the investment and development segment increased by $7,475,000 reflecting improved sales by Engage, Navisite, Planet Direct and ADSmart, and the acquisitions of Accipiter and Servercast during the second half of fiscal 1998. The Company believes that its subsidiary companies will continue to develop and introduce their products commercially, actively pursue increased revenues from new and existing customers, and look to expand into new market opportunities during fiscal 1999. Additionally, subsequent to January 31, 1999, the Company signed agreements to acquire three additional Internet companies, 2CAN Media, Internet Profiles Corporation and Activerse, and in early February, 1999, CMGI exercised its right to increase its ownership in Magnitude Network from 23% to 92%. Therefore, as a result of both increased sales by existing companies and incremental revenues from new acquisitions, the Company expects to report future revenue growth.

Cost of revenues increased $44,798,000, or 160%, to $72,748,000 for the six months ended January 31, 1999 from $27,950,000 for the corresponding period in fiscal 1998, reflecting increases of $38,120,000 and $6,678,000 in the fulfillment services and investment and development segments, respectively. Adjusted for the $1,596,000 impact of prior year understatements, cost of sales increased $36,524,000 in the fulfillment services segment, primarily resulting from higher revenues, the acquisitions of On-Demand Solutions and InSolutions, and incremental costs incurred in fiscal 1999 associated with relocating SalesLink's Boston and Chicago operations to more efficient facilities. Investment and development segment cost of sales increases were primarily attributable to higher revenues and the acceleration of operations in the segment, partially offset by $1,878,000 lower cost of sales resulting from the deconsolidation of Lycos beginning in the second quarter of fiscal 1998, as well as lower cost of sales resulting from the deconsolidation of Vicinity beginning in the second quarter of fiscal 1999. The start up of Internet operations with minimal revenues during early stages, and the impact of deconsolidating Lycos and Vicinity, are the primary reasons cost of revenues as a percentage of revenues in the investment and development segment increased to 153% in the first six months of fiscal 1999 from 68% in the prior year. After adjusting for prior year understatements, fulfillment services segment cost of revenues as a percentage of net revenues increased to 87% in the first six months of fiscal 1999 from 83% in the first six months of fiscal 1998, reflecting operating inefficiencies during a period of high volume growth and the impact of incremental facilities relocation costs.

Research and development expenses increased $32,000, or less than 1%, to $10,592,000 for the six months ended January 31, 1999 from $10,560,000 for the corresponding period in fiscal 1998. All research and development expenses in both periods were incurred within the Company's investment and development segment. The net increase in research and development expenses primarily reflects a $1,870,000 reduction due to the deconsolidation of Lycos and Vicinity, offset by increased development efforts at Engage and incremental costs associated with the development of NaviNet's technology platform. The Company anticipates it will continue to devote substantial resources to product development and that these costs may substantially increase in future periods.

Selling expenses decreased $578,000 or 4% to $15,170,000 for the six months ended January 31, 1999 from $15,748,000 for the corresponding period in fiscal 1998, primarily reflecting a $915,000 decrease in the Company's investment and development segment. Investment and development results include a $5,479,000 decrease due to the deconsolidation of Lycos, offset by sales and marketing efforts related to several product launches and continued growth of sales and marketing infrastructures. Selling expenses in the fulfillment services segment increased by $337,000 in comparison with the corresponding period in fiscal 1998 due to the acquisitions of On-Demand Solutions and InSolutions, partially offset by headcount reductions by PacificLink. Selling expenses decreased as a percentage of net revenues to 20% for the first six months of fiscal 1999 from 42% for the corresponding period in fiscal 1998, primarily reflecting the deconsolidations of Lycos and Vicinity as well as the impact of increased revenues. As the Company completes the acquisitions of 2CAN Media, Internet Profiles Corporation and Activerse, and as existing subsidiaries continue to introduce new products and expand sales, the Company expects to incur significant promotional expenses, as well as expenses related to the hiring of additional sales and marketing personnel and increased advertising expenses, and anticipates that these costs will substantially increase in future periods.

General and administrative expenses increased $10,537,000, or 124%, to $19,064,000 for the six months ended January 31, 1999 from $8,527,000 for the corresponding period in fiscal 1998. The investment and development segment experienced an increase of $6,877,000, primarily due to the building of management infrastructures in several of the Company's Internet investments. Such increases were somewhat offset by reductions associated with the deconsolidations of Lycos and Vicinity in the amount of $1,119,000. General and administrative expenses in the fulfillment services segment increased by $3,660,000 in comparison with last year's corresponding period, largely due to the acquisitions of On-Demand Solutions and InSolutions, including approximately $800,000 higher goodwill charges. General and administrative expenses increased as a percentage of net sales to 25% for the six months ended January 31, 1999 from 23% for the corresponding period in fiscal 1998. The Company anticipates that its general and administrative expenses will continue to increase significantly as the Company adds newly acquired subsidiaries and as existing subsidiaries continue to grow and expand their administrative staffs and infrastructures.

Gain on sale of Lycos, Inc. common stock reflects the Company's net gain realized on the sale of 818,000 Lycos shares in fiscal 1999 and 560,000 shares in fiscal 1998. Gain on stock issuance by Lycos, Inc. resulted primarily from the issuance of stock by Lycos for the first quarter fiscal 1999 acquisition of WhoWhere? Gain on stock issuance by GeoCities in fiscal 1999 arose as a result of the sale of stock by GeoCities in an initial public offering in August, 1998 and the sale of stock by GeoCities in its acquisition of Starseed, Inc. (known as WebRing) in December, 1998. Gain on sale of investment in Sage Enterprises, Inc. occurred during the first quarter of fiscal year 1999 when CMG@Ventures II's holdings in Sage Enterprises were converted into 225,558 shares of Amazon.com, Inc. common stock as part of a merger wherein Amazon.com, Inc. acquired Sage Enterprises. Gain on sale of investment in Reel.com, Inc. occurred in October, 1998, when CMG@Ventures II's holdings in Reel.com were converted into 1,943,783 restricted common and 485,946 restricted, convertible preferred shares of Hollywood Entertainment Corporation (Hollywood Entertainment) as part of a merger wherein Hollywood Entertainment acquired Reel.com. Gain on sale of Amazon.com, Inc. stock reflects the Company's net gain realized on the sale of 169,538 shares in the second quarter of fiscal 1999. Gain on sale of Premiere Technologies, Inc. stock reflects the Company's net gain on the sale of 224,795 shares of Premiere Technologies, Inc. stock during the first quarter of fiscal 1998.

Interest income increased $168,000 to $1,307,000 for the six months ended January 31, 1999 from $1,139,000 in fiscal 1998, reflecting increased income associated with higher average corporate cash equivalent balances compared with prior year, partially offset by a $540,000 decrease from the deconsolidation of Lycos. Interest expense increased $747,000 compared with the corresponding period in fiscal 1998, primarily due to higher corporate collateralized borrowings and borrowings incurred in conjunction with the Company's acquisition of InSolutions.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments that are accounted for under the equity method. Under the equity method of accounting, the Company's proportionate share of each affiliate's operating losses and amortization of the Company's net excess investment over its equity in each affiliate's net assets is included in equity in losses of affiliates. Equity in losses of affiliates for the six months ended January 31, 1999 include the results from the Company's minority ownership in Lycos (until January 1999 when the Company's ownership in Lycos was reduced below 20%), GeoCities, ThingWorld.com, Silknet, Speech Machines, Mother Nature,Vicinity, Engage Japan JV, and Magnitude Network. Equity in losses of affiliates for the six months ended January 31, 1998 included the results from the Company's minority ownership in Ikonic, ThingWorld.com, Silknet, GeoCities, Reel.com, Lycos, Chemdex, Planet All and Speech Machines. The Company expects its affiliate companies to continue to invest in development of their products and services, and to recognize operating losses, which will result in future charges recorded by the Company to reflect its proportionate share of such losses.

Income tax expense for the six months ended January 31, 1999 was $40,454,000. Exclusive of taxes provided for significant, unusual or extraordinary items that will be reported separately, the Company provides for income taxes on a year to date basis at an effective rate based upon its estimate of full year earnings. In determining the Company's effective rate for fiscal 1999, gains on stock issuances by Lycos and GeoCities, gains on sales of investments in Sage Enterprises, Inc. and Reel.com, Inc., and gains on sales of Lycos, Inc. and Amazon.com, Inc. common stock were excluded.

Liquidity and Capital Resources

During January, 1999, CMGI also sold 748,000 shares of Lycos, Inc. stock for total proceeds of $50.6 million. As a result of the Company's sale of Lycos shares, during January, 1999, the Company's ownership interest in Lycos fell below 20% of Lycos' outstanding shares. With this decline in ownership below 20%, CMGI began accounting for its investment in Lycos as available-for-sale securities, carried at fair value, rather than under the equity method. Excluding shares attributable to profit members of CMG@Ventures I, LLC and shares which may be required to be sold to Lycos pursuant to employee stock option exercises, at January 31, 1999, the carrying value of the Lycos shares was approximately $780 million.

Working capital at January 31, 1999 increased to $652 million compared to $13 million at July 31, 1998. Approximately $590 million of the net increase in working capital is attributable to increased amounts of available-for sale securities, net of associated deferred tax liabilities. The largest contributing factor to this increase was the change in the Company's method of accounting for its investment in Lycos to available-for-sale securities, carried at fair value, rather than under the equity method. The Company's principal sources of capital during the first six months of fiscal 1999 were $53.1 million received from the sale of Lycos stock, $49.9 million from issuance of Series B convertible preferred stock, and $27.2 million received from the sale of Amazon.com stock. The Company's principal uses of capital during the first six months of fiscal 1999 were $39 million for funding of operations, primarily those of start-up activities in the Company's investment and development segment, $31.1 million for the purchase of Hollywood Entertainment stock, $14 million for investments in affiliates, $4 million for net repayments of notes payable, and $3.7 million for purchases of property and equipment.

The Company's $20 million collateralized corporate borrowing facility became payable in full on January 20, 1999. Upon its maturity, CMGI renewed this $20 million note for another one-year period, with similar terms as the expiring note. This borrowing is now secured by 762,465 of CMGI's shares of Lycos common stock. Under this agreement, CMGI could become subject to additional collateral requirements under certain circumstances. The Company expects to again seek the renewal of this note upon its next maturity on January 20, 2000. SalesLink had an outstanding line of credit balance of $2.7 million as of January 31, 1999 and an additional $1.2 million reserved in support of outstanding letters of credit for operating leases. SalesLink also has a $15.5 million bank term note outstanding at January 31, 1999, which provides for repayment in quarterly installments beginning January, 1999 through November, 2002. The obligations of Saleslink under the bank line of credit and bank term loans have been guaranteed by CMGI. As of July 31, 1998 and January 31, 1999, SalesLink did not comply with certain covenants of its borrowing arrangements. SalesLink is working with the bank to cure the non-compliance as of January 31, 1999, and prospectively, through waivers or amendments to the covenant terms. SalesLink has not yet received such waivers or amendments, nor is there any assurance that such waivers or amendments will be obtained. Accordingly, all of SalesLink's bank borrowings have been classified as current liabilities in the January 31, 1999 balance sheet.

In December 1998, CMGI announced the close of the @Ventures III venture capital fund. This fund has secured $212 million in capital commitments from outside investors, which will be invested in emerging Internet service and technology companies through two newly formed entities, @Ventures III L.P. and @Ventures III Foreign Fund, L.P. CMGI does not have a direct ownership interest in either of these newly created entities, but CMGI is entitled to 2% of the net capital gains realized by both entities. Management of these entities, including investment and sale decisions, is the responsibility of @Ventures Partners III, LLC, whose members include David S. Wetherell, CMGI's President and Chief Executive Officer, and Andrew J. Hajducky III, CMGI's Chief Financial Officer. The Company has committed to contribute $54 million to its newly formed limited liability company subsidiary, CMG@Ventures III, LLC. CMG@Ventures III, LLC will take strategic positions side by side with @Ventures III L.P. CMGI owns 100% of the capital and is entitled to 80% of the net capital gains realized by CMG@Ventures III, LLC. @Ventures Partners III, LLC is entitled to the remaining 20% of the net capital gains realized by CMG@Ventures III, LLC.

During the second quarter of fiscal year 1999, through CMG@Ventures III, LLC, CMGI acquired initial minority ownership interests in six Internet companies, including Ancestry.com, Furniture.com, ONElist, and three others, for an aggregate total of $5,825,000. Ancestry.com is a provider of community, content and commerce resources for families via the Internet, including the Web's largest repository of searchable genealogy data. Furniture.com is an e-commerce provider of a broad selection of furniture and home furnishing accessories. ONElist provides free e-mail communities via the Internet, allowing users to search for or subscribe to tens of thousands of communities on different topics or create their own community. The Company anticipates synergies between these strategic positions and CMGI's core businesses, including speeding technological innovation and access to markets. Each of the six new investments made by CMG@Ventures III, LLC during the second fiscal quarter are carried at cost in CMGI's consolidated financial statements.

During February, 1999, CMGI exercised its right to invest an additional $22 million to increase its ownership in Magnitude Network from 23% to 92%. CMGI had previously invested a total of $2.5 million in Magnitude Network in July and October, 1998. Accordingly, beginning February, 1999, CMGI began accounting for its investment in Magnitude Network under the consolidation method of accounting, rather than the equity method. The acquisition accounting and valuation for CMGI's investment in Magnitude Network may result in a significant portion of the investment being identified as in-process research and development, in accordance with valuation methodologies provided by the Securities and Exchange Commission, which is expected to be charged to operating results in the fourth quarter when the amount is determined.

On February 1, 1999, the Company announced that it had signed a definitive agreement to acquire 2CAN Media, Inc., a site-focused online advertising representation firm. 2CAN Media will be combined with the Company's subsidiary, ADSmart. The transaction includes the 5 sales divisions of 2CAN Media - Pinnacle Interactive, WebRep, ECG, MediaPlus and Grupo NetFuerza.

On March 1, 1999, CMGI announced a binding letter of intent to purchase Internet Profiles Corporation (I/PRO), a leader in World Wide Web traffic verification, analysis and research. I/PRO analyzes, correlates and validates Web site activity, which enables marketers to understand their online business and improve the effectiveness of their site. The Company plans to merge I/PRO with its subsidiary, Engage Technologies.

On March 4, 1999, the Company announced a binding letter of intent to acquire Activerse, Inc., a provider of open standard Internet messaging technologies. With this acquisition, CMGI will invest in the rapidly expanding market for tools and technologies that enable live communication via the Internet. Activerse's products address the complex dynamics of Web communication by providing instant access to Internet-connected communities, workgroups, social groups and individuals. The Ding! suite of products from Activerse utilizes current and emerging open Internet standards, including Java and HTML, and allows both consumer and corporate audiences to enhance online communities through the convenience of instant messaging.

Subsequent to January 31, 1999, CMG@Ventures III, LLC made a follow-on investment in Virtual Ink and acquired minority ownership interests in Boston Financial Network and one other investment. Boston Financial Network offers an integrated set of Web-based financial applications targeted at small businesses. Subsequent to January 31, 1999, CMG@Ventures II, LLC made a follow-on investments in Silknet and ThingWorld.com.

Along with CMGI's other Internet subsidiaries, Magnitude Network, 2CAN Media, IPRO and Activerse are in early stages of business development and therefore are expected to require additional cash funding by the Company to fund their operations. The Company intends to continue to fund existing and future Internet and interactive media investment and development efforts, and to actively seek new CMG@Ventures investment opportunities. The Company believes that existing working capital and the availability of available-for-sale securities which could be sold or posted as additional collateral for additional loans, will be sufficient to fund its operations, investments and capital expenditures for the foreseeable future. Additionally, the Company may also choose to raise additional capital through private placement. Should additional capital be needed to fund future investment and acquisition activity, the Company may seek to raise additional capital through public or private offerings of the Company's or its subsidiaries' stock, or through debt financing. It is also contemplated that the Company may look to raise a fourth Internet investment fund, which could seek to secure outside investment commitments of up to $1 billion in the near future.

Year 2000 Compliance

Many currently installed computer systems and software products are coded to accept only two digit entries in the date code field. These date code fields will need to accept four digit entries to distinguish 21st century dates from 20th century dates. As a result, many companies will need to update or replace their software and computer systems in order to comply with such "Year 2000" requirements. CMGI is in the process of evaluating the Year 2000 compliance of its products and services. The Company is also evaluating the Year 2000 compliance of third party equipment and software that CMGI uses in both information technology and non-information technology applications in our business. Examples of non-information technology systems include our building security and voice mail systems.

The Company's Year 2000 project plan is coordinated by a committee that reports to senior management, as well as to CMGI's Board of Directors on a periodic basis. The Company's Year 2000 readiness efforts consist of the following four phases:

(1) Identification of all software products, information technology systems and non-information technology systems the Company offers or uses. The Company has substantially completed this phase for its existing systems.

(2) Testing and assessment of these products and systems to determine repair or replacement requirements for each. The Company expects to complete this phase by May 1999 for its existing systems.

(3) Repair or replacement of products and systems, where required, to achieve Year 2000 compliance. The Company expects to complete this phase by July 1999 for its existing business-critical systems.

(4) Creation of contingency plans in the event of Year 2000 failures. The Company expects that its initial contingency plan will be completed by May 1999.

To date the Company has incurred expenditures of approximately $900,000 in connection with Year 2000 readiness efforts. Preliminary cost estimates for the Company to evaluate and address its Year 2000 issues for CMGI's existing business-critical systems are in the range of $4 million to $5 million. The Company also anticipates that CMGI will continue to expand its business and add new systems after July 1999; particularly as the Company's NaviSite subsidiary continues to build-out existing and add new data centers, and as CMGI expands its NaviNet network. The Company anticipates that readiness efforts for such new systems could continue until March 2000 and cost in the range of $600,000 to $1,000,000. There is no assurance though that our Year 2000 costs will not exceed these estimated amounts.

The Company's business model includes expansion through the acquisition of businesses, technologies, products and services from other businesses. As the Company continues to expand in this manner throughout calendar 1999, the scope and cost estimates of CMGI's Year 2000 efforts may increase substantially.

The Company's failure to resolve Year 2000 issues with respect to its products and services could damage CMGI's business and revenues and result in liability on the Company's part for such failure. The Company's business and its prospects may be permanently affected by either the liability the Company incurs to third parties or the negative impact on CMGI's business reputation. The Company also relies upon various vendors, utility companies, telecommunications service companies, delivery service companies and other service providers who are outside of CMGI's control. There is no assurance that such companies will not suffer a Year 2000 business disruption, which could harm CMGI's business and financial condition. Furthermore, if third-party equipment or software CMGI uses in its business fails to operate properly with regard to the year 2000 CMGI may need to incur significant unanticipated expenses to remedy any such problems.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk

The Company is exposed to equity price risks on the marketable portion of its equity securities. The Company's available-for-sale securities at January 31, 1999 includes strategic equity positions in companies in the Internet industry sector, including Lycos, Inc., Amazon.com, Inc. and Open Market, Inc., many of which have experienced significant historical volatility in their stock prices. The Company typically does not attempt to reduce or eliminate its market exposure on these securities. A 20% adverse change in equity prices, based on a sensitivity analysis of the Company's available-for-sale securities portfolio as of January 31, 1999, would result in an approximate $191.5 million decrease in the fair value of the Company's available-for-sale securities.

The carrying values of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and notes payable, approximate fair value because of the short maturity of these instruments. The carrying value of long-term debt approximates its fair value, as estimated by using discounted future cash flows based on the Company's current incremental borrowing rates for similar types of borrowing arrangements.

The Company uses derivative financial instruments primarily to reduce exposure to adverse fluctuations in interest rates on its borrowing arrangements. The Company does not enter into derivative financial instruments for trading purposes. As a matter of policy all derivative positions are used to reduce risk by hedging underlying economic exposure. The derivatives the Company uses are straightforward instruments with liquid markets. At January 31, 1999, the Company was primarily exposed to the London Interbank Offered Rate (LIBOR) interest rate on the outstanding borrowings under its line of credit and other bank borrowing arrangements.

The Company has historically had very low exposure to changes in foreign currency exchange rates, and as such, has not used derivative financial instruments to manage foreign currency fluctuation risk. As the Company expands globally, the risk of foreign currency exchange rate fluctuation may dramatically increase. Therefore, in the future, the Company may consider utilizing derivative instruments to mitigate such risks.

Item 2. CHANGES IN SECURITIES AND USE OF PROCEEDS

(a) and (b) On December 22, 1998, the Registrant issued 50,000 shares of its newly designated Series B Convertible Preferred Stock to RGC International Investors, LDC and RGC Investments II, L.P. (the "Investors"). The rights and preferences of the Series B Convertible Preferred Stock are as set forth in a Certificate of Designations, Preferences and Rights of Series B Convertible Preferred Stock ("Certificate of Designations") which was filed with the Secretary of State of the State of Delaware on December 22, 1998 designating 50,000 shares of the Registrant's blank check preferred stock as Series B Convertible Preferred Stock. The Certificate of Designations was filed as part of Exhibit 99.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on January 7, 1999.

The description of the Series B Convertible Preferred Stock contained herein is qualified in its entirety by reference to the Certificate of Designations. The Series B Convertible Preferred Stock possesses a liquidation preference equal to a stated value of $1,000 per share plus interest accreted on such stated value at an annual rate of 4% from the date of issue of the Series B Convertible Preferred Stock. The approval of the holders of a majority of the then outstanding shares of Series B Convertible Preferred Stock is required for the Registrant to take certain actions.

The Series B Convertible Preferred Stock may be converted into shares of the Registrant's common stock at a fixed price (116% of the average closing price for the Company's common stock for the three trading days preceding December 21, 1998) for one year or until the earlier occurrence of certain specified events. Under certain circumstances, the Registrant has the option to redeem the Series B Convertible Preferred Stock. Upon the occurrence of other specified events the Registrant is obligated to redeem the Series B Convertible Preferred Stock.

After one year, or the earlier occurrence of certain enumerated events, if the Series B Convertible Preferred Stock has not been redeemed, the conversion price is based upon a formula which is tied to the undiscounted market price of the Registrant's common stock. Subject to waiver by the Registrant, there is a maximum number of shares of the Registrant's common stock into which the Series B Convertible Preferred Stock may convert.

(c) On December 22, 1998 the Registrant issued 50,000 shares of Series B Convertible Preferred Stock to the Investors for an aggregate purchase price of $50,000,000. No underwriter was engaged in connection with the foregoing issuance of shares of Series B Convertible Preferred Stock. The shares of Series B Convertible Preferred Stock were issued in a private placement in reliance upon the exemption from registration provided by Rule 506 promulgated under the Securities Act of 1933, as amended (the "Securities Act"). See the description above concerning the conversion of shares of Series B Convertible Preferred Stock into shares of the Registrant's common stock.

Item 4. Submission of Matters to a Vote of Security Holders

On December 17, 1998 the Company held its annual meeting of stockholders. At the annual meeting the following matters were approved:

1. William H. Berkman was elected as a Class II Director with 30,698,048 shares of Common Stock voting for such election and 67,350 shares of Common Stock abstaining.

2. John A. McMullen was elected as a Class II Director with 30,697,524 shares of Common Stock voting for such election and 67,874 shares of Common Stock abstaining.

3. An amendment to the Company's Restated Certificate of Incorporation changing the name of the Company from "CMG Information Services, Inc." to "CMGI, Inc." was approved. 30,668,804 shares of Common Stock were voted for such amendment, 43,064 shares of Common Stock were voted against such amendment and 45,730 shares of Common Stock abstained from the vote. 7,800 shares of common stock were subject to non-votes.

4. An amendment to the Company's Restated Certificate of Incorporation to provide for an increase in the number of authorized shares of Common Stock, $0.01 par value per share, from 40,000,000 to 100,000,000 was approved. 27,423,828 shares of Common Stock were voted for such amendment, 2,409,998 shares of Common Stock were voted against such amendment and 923,772 shares of Common Stock abstained from the vote. 7,800 shares of common stock were subject to non-votes.

5. The appointment of KPMG Peat Marwick LLP as the Company's independent accountants for the current fiscal year was ratified. 30,615,404 shares of Common Stock were voted for such ratification, 92,736 shares of Common Stock were voted against such ratification and 57,258 shares of Common Stock abstained from the vote.

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits
The following exhibits are filed herewith or incorporated by reference pursuant to Rule 12b-32 under the Securities Exchange Act of 1934:

Exhibit No.	Title	Method of Filing
3 (I)	Restated Certificate of Incorporation, as amended	Incorporated by reference from Exhibit 99.3 to the Current Report on Form 8-K filed with the SEC on January 7, 1999.
3 (ii)	Restated By-Laws	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
4	Specimen stock certificate representing the common stock	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).

ITEM 6. Exhibits and Reports on Form 8-K (Continued)

(b) Exhibits (continued)

Exhibit No.	Title	Method of Filing
10.1	ISDA Master Swap Agreement (the "Swap Agreement"), dated January 15, 1999, between BankBoston, N.A. and CMGI, Inc.	Previously filed.
10.2	Schedule to the Swap Agreement, dated January 15, 1999.	Previously filed.
10.3	Confirmation to the Swap Agreement, dated January 15, 1999.	Previously filed.
10.4	ISDA Credit Support Annex, dated January 15, 1999, between BankBoston, N.A. and CMGI, Inc.	Previously filed.
10.5	Agreement for the Assignment of Voting Rights, dated January 15, 1999, between CMGI, Inc. and Long Lane Master Trust.	Previously filed.
10.6	Long Lane Floating Rate Trust Certificates Purchase Agreement, dated January 15, 1999, between CMGI, Inc. and Long Lane Master Trust.	Previously filed.
10.7	Repurchase Agreement, dated January 15, 1999, between CMGI, Inc. and Long Lane Master Trust.	Previously filed.
10.8	Unlimited Guaranty, dated as of October 30, 1998, by CMG Information Services, Inc. in favor of BankBoston, N.A.	Previously filed.
10.9	CMGI and Participating Subsidiaries Deferred Compensation Plan, effective as of December 1, 1998.	Previously filed.
27.1	Restated Financial Data Schedule for the six months ended January 31, 1999.	Filed herewith.

(b) Reports on Form 8-K.

On January 7, 1999, the Company filed a Current Report on Form 8-K in conjunction with the issuance of 50,000 shares of its newly designated Series B Convertible Preferred Stock to RGC International Investors, LDC and RGC Investments II, L.P.

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CMGI, Inc.

By: /s/ Andrew J. Hajducky III

Date: May 26, 1999

Andrew J. Hajducky III, CPA
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE QUARTERLY REPORT ON FORM 10-Q/A OF CMGI, INC. FOR THE QUARTER ENDED JANUARY 31, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

1,000

6-MOS
JUL-31-1999
AUG-01-1998
JAN-31-1999
106,318
957,480
23,780
0
10,324
1,101,867
13,076
0
1,251,348
450,099
0
50,030
0
467
682,989
1,251,348
76,377
76,377
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72,748
44,826
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2,233
91,992
40,454
51,538
(279)
0
0
51,259
1.10
1.01