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 October 31, 1998

(_) 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 December 11, 1998

Class	Number of shares outstandinG
Common Stock, par value $.01 per share	46,166,050

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 October 31, 1998 previously filed on December 15, 1998. 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
(unaudited)
(in thousands, except share and per share amounts)

ASSETS	October 31, 1998 (Unaudited and Restated)	July 31, 1998 (Restated)
Current assets:		
Cash and cash equivalents	$ 6,639	$ 61,537
Available-for-sale securities	92,287	5,764
Accounts receivable, trade, less allowance for doubtful accounts	26,302	21,431
Inventories	9,547	8,250
Prepaid expenses	2,923	2,991
Net current assets of discontinued operations	1,084	482
Other current assets	1,991	2,364
Total current assets	140,773	102,819
Property and equipment, net	12,725	13,403
Investments in affiliates	131,574	82,616
Cost in excess of net assets of subsidiaries acquired, net of accumulated amortization	54,361	55,770
Net non-current assets of discontinued operations	1,135	1,246
Other assets	7,978	3,964
	$ 348,546	$ 259,818
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 24,800	$ 27,656
Current installments of long-term debt	16,966	16,594
Accounts payable	16,946	10,809
Accrued income taxes	--	10,085
Accrued expenses	20,528	18,731
Deferred revenues	10,292	4,932
Deferred income taxes	14,056	--
Other current liabilities	890	1,228
Total current liabilities	104,478	90,035
Long-term debt, less current installments	1,001	1,373
Deferred income taxes	28,312	15,536
Other long-term liabilities	4,482	4,428
Minority interest	37,472	15,310
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, $.01 par value. Authorized 5,000,000 shares; none issued	--	--
Common stock, $.01 par value. Authorized 100,000,000 shares; issued 46,146,872 shares at October 31, 1998 and 46,067,886 shares at July 31, 1998	462	461
Additional paid-in capital	92,191	91,029
Net unrealized loss on available-for-sale securities	(525)	(436)
Deferred compensation	(1,109)	(1,442)
Retained earnings	81,782	43,524
Total stockholders' equity	172,801	133,136
	$ 348,546	$ 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 October 31, 1998 (Restated)	Three months ended October 31, 1997
Net revenues	$ 37,405	$ 22,595
Operating expenses:		
Cost of revenues	35,625	13,675
Research and development	5,353	6,047
Selling	8,238	10,537
General and administrative	8,317	4,534
Total operating expenses	57,533	34,793
Operating loss	(20,128)	(12,198)
Other income (deductions):		
Interest income	559	843
Interest expense	(1,068)	(770)
Gain on sale of Lycos, Inc. common stock	1,879	6,324
Gain on sale of available-for-sale securities	--	4,174
Gain (loss) on stock issuance by Lycos, Inc.	20,374	(94)
Gain on stock issuance by GeoCities	24,132	--
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	(3,359)	(1,529)
Minority interest	101	(28)
	84,833	8,920
Income (loss) from continuing operations before income taxes	64,705	(3,278)
Income tax expense (benefit)	26,316	(1,019)
Income (loss) from continuing operations	38,389	(2,259)
Discontinued operations, net of income taxes:		
Loss from operations of lists and database services segment	(131)	(34)
Gain on sale of data warehouse product rights	--	4,978
Net income	$ 38,258	$ 2,685

CMGI, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS -- (CONTINUED)
(unaudited)

(in thousands, except per share amounts)

	Three months ended October 31, 1998 (Restated)	Three months ended October 31, 1997
Basic earnings per share:		
Income (loss) from continuing operations	$ 0.83	$ (0.06)
Loss from discontinued operations of lists and database services segment	--	--
Gain on sale of data warehouse product rights	--	0.13
Net income	$ 0.83	$ 0.07
Diluted earnings per share:		
Income (loss) from continuing operations	$ 0.77	$ (0.06)
Loss from discontinued operations of lists and database services segment	--	--
Gain on sale of data warehouse product rights	--	0.13
Net income	$ 0.77	$ 0.07
Weighted average shares outstanding:		
Basic	46,082	38,716
Diluted	49,932	38,716

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

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

(in thousands)

	Three months ended October 31,	
	1998	1997
	(Restated)	
Cash flows from operating activities:		
Income (loss) from continuing operations	$ 38,389	$ (2,259)
Adjustments to reconcile income (loss) from continuing operations to net cash used for continuing operations:		
Depreciation and amortization	2,809	1,522
Deferred income taxes	29,196	(1,183)
Non-operating gains, net	(88,600)	(10,404)
Equity in losses of affiliates	3,359	1,529
Minority interest	(101)	28
Changes in operating assets and liabilities, excluding effects of acquired companies:		
Trade accounts receivable	(4,871)	(1,495)
Inventories	(1,297)	(1,607)
Prepaid expenses	68	(1,387)
Accounts payable and accrued expenses	7,764	1,486
Deferred revenues	5,360	1,308
Refundable and accrued income taxes, net	(11,517)	3,672
Other assets and liabilities	(167)	(6)
Net cash used for operating activities of continuing operations	(19,608)	(8,796)
Net cash used for operating activities of discontinued operations	(617)	(3,574)
Net cash used for operating activities	(20,225)	(12,370)
Cash flows from investing activities:		
Additions to property and equipment- continuing operations	(2,177)	(1,979)
Additions to property and equipment- discontinued operations	(5)	(38)
Purchase of available-for-sale securities	(31,123)	--
Proceeds from sale of available-for-sale securities	--	7,555
Proceeds from sale of data warehouse product rights	--	9,543
Proceeds from sale of Lycos, Inc. common stock	2,520	7,149
Investments in affiliates	(4,827)	(3,516)
Other	1,793	(126)
Net cash provided by (used for) investing activities	(33,819)	18,588
Cash flows from financing activities:		
Net repayments of notes payable	(2,856)	(10,000)
Repayments of long-term debt	--	(697)
Net proceeds from issuance of common stock	261	425
Net proceeds from issuance of stock by subsidiaries	1,945	477
Other	(204)	1,061
Net cash used for financing activities	(854)	(8,734)
Net decrease in cash and cash equivalents	(54,898)	(2,516)
Cash and cash equivalents at beginning of period	61,537	59,762
Cash and cash equivalents at end of period	$ 6,639	$ 57,246

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", formerly CMG Information Services Inc.) 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 month period ended October 31, 1998 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.

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 and October 31, 1998. 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 months ended October 31, 1998 and as of July 31, 1998 is as follows (in thousands, except per share amounts):

Statements of Operations:

	Three Months Ended October 31, 1998	
	As Reported	Restated
Cost of revenues	$ 35,545	$ 35,625
General and administrative expenses	7,936	8,317
Operating loss	(19,667)	(20,128)
Gain on sale of Lycos, Inc. common stock	2,018	1,879
Gain on stock issuance by Lycos, Inc.	19,182	20,374
Equity in losses of affiliates	(2,589)	(3,359)
Income from continuing operations before income taxes	64,883	64,705
Income tax expense	26,199	26,316
Income from continuing operations	38,684	38,389
Net income	38,553	38,258
Basic income from continuing operations per share	0.84	0.83
Basic net income per share	0.84	0.83

Balance Sheets:

	October 31, 1998		July 31, 1998	
	As Reported	Restated	As Reported	Restated
Investments in affiliates	$115,057	$131,574	$ 66,187	$ 82,616
Cost in excess of net assets of subsidiaries acquired, net of accumulated amortization	48,238	54,361	49,301	55,770
Other assets	6,367	7,978	2,238	3,964
Total assets	324,295	348,546	235,194	259,818
Non-current deferred income tax liabilities	23,187	28,312	10,528	15,536
Minority interest	33,402	37,472	11,045	15,310
Retained earnings	66,726	81,782	28,173	43,524
Total stockholders' equity	157,745	172,801	117,785	133,136

NOTE: All "As Reported" and "As Restated" amounts in the above table have been retroactively adjusted to reflect the presentation of the Company's lists and database services segment as discontinued operations and to reflect a two-for-one stock split effected in the form of a stock dividend by the Company on January 11, 1999.

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 October 31, 1998.

D. 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.

E. Deconsolidation of Lycos, Inc.

During the first quarter of fiscal year 1998, the Company owned in excess of 50% of Lycos, Inc. (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.

The following table contains summarized financial information for Lycos for the quarter ended October 31, 1998, 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
Net revenues	$ 24,784
Operating loss	$ (15,612)
Net loss	$ (3,596)

Condensed Balance Sheet:

	October 31, 1998
Current assets	$ 203,041
Non-current assets	272,991
Total assets	$ 476,032
Current liabilities	$ 53,694
Non-current liabilities	29,873
Stockholders' equity	392,465
Total liabilities and stockholders' equity	$ 476,032

F. 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.

F. Sale of CMG@Ventures Investments and Investment in Hollywood Entertainment (Continued)

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 are 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 are convertible into common shares on a 1-for-1 basis, subject to approval by Hollywood Entertainment shareholders.

G. 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. The Company recorded a pre-tax gain of $24,132,000 on the issuance of stock by GeoCities during the fiscal quarter ended October 31, 1998, representing the increase in the book value of the Company's net equity in GeoCities, primarily as a result of the initial public offering. The gain was 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., net of the impact of an in-process research and development charge recorded by Lycos related to the acquisition. 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.

H. 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. All of the above investments are carried at cost in CMGI's consolidated financial statements. See the Company's Report on Form 10-K/A for the year ended July 31, 1998 for a description of the structure of CMG@Ventures III, LLC and @Ventures III, L.P.

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. The acquisition accounting and valuation for the 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 will be charged to operating results when the amount is determined.

I. Sales of Lycos 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 $2,520,000, and recognized a pre-tax gain of $1,879,000, reported net of the associated interest attributed to CMG@Ventures I's profit members, reflected as "Gain on sale of Lycos, Inc. common stock."

J. 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). Summarized financial information by business segment for continuing operations is as follows:

	Three months ended October 31,	
	1998	1997
Net revenues:		
Investment and development	$ 4,912,000	$ 10,571,000
Fulfillment services	32,493,000	12,024,000
	$ 37,405,000	$ 22,595,000
Operating income (loss):		
Investment and development	$(20,385,000)	$(13,259,000)
Fulfillment services	257,000	1,061,000
	$(20,128,000)	$(12,198,000)

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

L. Borrowing Arrangements

The Company is obligated under a collateralized corporate borrowing facility in the amount of $20 million. This borrowing is secured by 2,511,578 of the Company's shares of Lycos common stock and is payable in full on January 20, 1999. Under this agreement, the Company could become subject to additional collateral requirements under certain circumstances. The Company expects to seek the renewal of this note. SalesLink had an outstanding line of credit balance of $3.8 million as of October 31, 1998 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 October 31, 1998, which provides for repayment in quarterly installments beginning January, 1999 through November, 2002. As of July 31, 1998 and October 31, 1998, SalesLink did not comply with certain covenants of their borrowing arrangements. SalesLink is working with the bank to cure the non-compliance as of October 31, 1998, 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 October 31, 1998 balance sheet.

M. Earnings Per Share

During the quarter ended January 31, 1998, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 128, "Earnings per Share". SFAS No. 128 required the Company to change the method formerly used to compute earnings per share and to restate all prior periods presented. Basic earnings per share is computed based on the weighted average number of common shares outstanding during the period. Weighted average common equivalent shares outstanding during the period, using the "treasury stock method", are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive. Since the Company reported a loss from continuing operations for the three months ended October 31, 1997, weighted average common equivalent shares have been excluded from the calculation of diluted earnings per share.

If a subsidiary has dilutive stock options or warrants outstanding, diluted earnings per share is computed by first deducting from net income (loss), 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 months ended October 31, 1998.

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

(in thousands, except per share amounts)

	Three months ended October 31,	
	1998	1997
Basic net income per share:		
Income (loss) from continuing operations	$38,389	$(2,259)
Loss from discontinued operations of lists and database services segment	(131)	(34)
Gain on sale of data warehouse product rights	--	4,978
Net income	$38,258	$ 2,685
Weighted average shares outstanding	46,082	38,716

M. Earnings Per Share (Continued)

(in thousands, except per share amounts)

	Three months ended October 31, 1998	1997
Diluted net income per share:		
Income (loss) from continuing operations	$38,389	$(2,259)
Net effect of income attributable to dilutive subsidiary stock equivalents	--	(237)
Income (loss) from continuing operations available to common stockholders	38,389	(2,496)
Loss from discontinued operations of lists and database services segment	(131)	(34)
Gain on sale of data warehouse product rights	--	4,978
Net income available to common stockholders	$38,258	$ 2,448
Weighted average shares outstanding	46,082	38,716
Weighted average number of dilutive common stock equivalents outstanding	3,850	--
Shares used in computing diluted earnings per share	49,932	38,716

N. 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 shareholders' 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, net of tax, are as follows:

(in thousands)	Three months ended October 31, 1998	1997
Net income	$38,258	$2,685
Net unrealized holding loss arising during period	(89)	--
Comprehensive income	$38,169	$2,685

O. Consolidated Statements of Cash Flows Supplemental Information

(in thousands)	Three months ended October 31, 1998	1997
Cash paid during the period for:		
Interest	$ 868	$ 717
Income taxes	$ 8,567	$ 83

During the first quarter of fiscal year 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 F).

P. Available-for-Sale Securities

At October 31, 1998, available-for-sale securities consist of the following securities held by CMGI directly: 238,160 shares of Red Brick Systems, Inc. common stock; 386,473 shares of Open Market, Inc. common stock; and 1,524,644 common and 803,290 convertible preferred shares of Hollywood Entertainment stock. Also at October 31, 1998, available-for-sale securities consist of the following securities held by CMG@Ventures II: 192,094 shares of Amazon.com common stock, as well as 1,943,783 common and 485,946 convertible preferred shares of Hollywood Entertainment stock. Subject to the terms of CMG@Ventures II's operating agreement, certain of the shares held by CMG@Ventures II may be allocated to CMG@Ventures II's profit members in the future.

Available-for-sale securities are carried at fair value as of October 31, 1998, 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 loss of $525,000 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 October 31, 1998.

CMG@Ventures II's shares of Amazon.com stock include 22,556 shares which are being held in escrow by Amazon.com until August 27, 1999 as indemnification related to Amazon.com's acquisition of Sage Enterprises. CMG@Ventures II also holds 33,463 shares of Amazon.com stock at October 31, 1998 which were allocated to its profit members in October, 1998 and, therefore, have not been classified as available-for-sale securities in the accompanying consolidated balance sheet.

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

Q. 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.

R. Subsequent Events

In November, 1998, CMGI received a distribution of 169,538 shares of Amazon.com stock from CMG@Ventures II. CMGI sold these shares for total proceeds of $27,177,169 in November, 1998.

In October, 1998, Lycos announced it had entered into a definitive agreement to acquire Wired Digital, Inc. in exchange for consideration including newly issued Lycos stock. Upon completion of this transaction and issuance of additional Lycos shares, the Company's ownership interest in Lycos will fall below 20% of Lycos' outstanding shares. Accordingly, CMGI will begin accounting for its investment in Lycos as available-for-sale securities, carried at fair value, rather than under the equity method.

R. Subsequent Events (Continued)

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 will begin 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.

In December, 1998, CMG@Ventures III, LLC acquired a minority interest in Ancestry.com, with a total committed investment of up to $2.9 million. Ancestry.com features the Web's largest and fastest-growing collection of searchable genealogy data.

The matters discussed in this report contain forward-looking statements that involve risks and 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, and the risks discussed in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section included in the Company's Annual Report on Form 10-K/A for the year ended July 31, 1998.

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

Statements of Operations:

	Three Months Ended October 31, 1998	
	As Reported	Restated
Cost of revenues	$ 35,545	$ 35,625
General and administrative expenses	7,936	8,317
Operating loss	(19,667)	(20,128)
Gain on sale of Lycos, Inc. common stock	2,018	1,879
Gain on stock issuance by Lycos, Inc.	19,182	20,374
Equity in losses of affiliates	(2,589)	(3,359)
Income from continuing operations before income taxes	64,883	64,705
Income tax expense	26,199	26,316
Income from continuing operations	38,684	38,389
Net income	38,553	38,258
Basic income from continuing operations per share	0.84	0.83
Basic net income per share	0.84	0.83

Balance Sheets:

	October 31, 1998		July 31, 1998	
	As Reported	Restated	As Reported	Restated
Investments in affiliates	$ 115,057	$ 131,574	$ 66,187	$ 82,616
Cost in excess of net assets of subsidiaries acquired, net of accumulated amortization	48,238	54,361	49,301	55,770
Other assets	6,367	7,978	2,238	3,964
Total assets	324,295	348,546	235,194	259,818
Non-current deferred income tax liabilities	23,187	28,312	10,528	15,536
Minority interest	33,402	37,472	11,045	15,310
Retained earnings	66,726	81,782	28,173	43,524
Total stockholders' equity	157,745	172,801	117,785	133,136

NOTE: All "As Reported" and "As Restated" amounts in the above table have been retroactively adjusted to reflect the presentation of the Company's lists and database services segment as discontinued operations and to reflect a two-for-one stock split effected in the form of a stock dividend by the Company on January 11, 1999.

Deconsolidation of Lycos

During the first fiscal quarter ended October 31, 1997 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.

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 in the accompanying consolidated financial statements. 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 October 31, 1998. 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 October 31, 1998 compared to three months ended October 31, 1997

Net revenues for the quarter ended October 31, 1998 increased $14,810,000, or 66%, to $37,405,000 from $22,595,000 for the quarter ended October 31, 1997. The increase was largely attributable to an increase of $20,469,000 in net revenues for the Company's fulfillment services segment, reflecting 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 decreased $5,659,000 primarily reflecting the impact of the deconsolidation of Lycos. Lycos net revenues for the quarter ended October 31, 1997 were $9,303,000. Absent the impact of Lycos, net revenues in the investment and development segment increased by $3,644,000 reflecting improved sales by Engage, Navisite, Planet Direct, ADSmart and Vicinity. The Company believes that its portfolio of 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. Therefore, the Company expects to report future revenue growth.

Cost of revenues increased $21,950,000, or 161%, to $35,625,000 in the first quarter of fiscal 1999 from $13,675,000 for the corresponding period in fiscal 1998, primarily reflecting increases of $19,315,000 and $2,635,000 in the fulfillment services and investment and development segments, respectively. Adjusted for the $782,000 impact of prior year understatements, cost of sales increased $18,533,000 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 operations to a more efficient facility. 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. The start-up of Internet operations with minimal revenues during early stages, and the impact of deconsolidating Lycos, are the primary reasons cost of revenues as a percentage of revenues in the investment and development segment increased to 146% in the first quarter of fiscal 1999 from 43% in the prior year. After adjusting for prior year understatements, fulfillment services segment cost of revenues as a percentage of net revenues increased to 88% in the first quarter of fiscal 1999 from 82% in the first quarter of fiscal 1998, reflecting operating inefficiencies during a period of high volume growth and the impact of facilities relocation costs incurred.

Research and development expenses decreased $694,000, or 11%, to $5,353,000 in the quarter ended October 31, 1998 from $6,047,000 in the prior year's first quarter. In the investment and development segment, research and development expenses decreased $694,000, primarily reflecting a $1,436,000 reduction due to the deconsolidation of Lycos, offset by an increase in expenditures primarily associated with the development of NaviNet's technology platform. Of the Company's investments made during the first quarter of fiscal year 1999, the acquisition accounting and valuation for the investment of $2.0 million in Magnitude Network may result in a significant portion of the purchase price being identified as in-process research and development, in accordance with valuation methodologies provided by the Securities and Exchange Commission, which will be charged to operating results when the amount is determined. 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 $2,299,000 or 22% to $8,238,000 in the first quarter ended October 31, 1998 from $10,537,000 for the corresponding period in fiscal 1998, primarily reflecting a $2,556,000 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 $257,000 in comparison with last year's first quarter due to the acquisitions of On-Demand Solutions and Insolutions. Selling expenses decreased as a percentage of net revenues to 22% in the first quarter of fiscal 1999 from 47% for the corresponding period in fiscal 1998, primarily reflecting the impact of increased revenues. As the Company's 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 $3,783,000, or 83%, to $8,317,000 in the first quarter of fiscal 1999 from $4,534,000 for the corresponding period in fiscal 1998. The investment and development segment experienced an increase of $2,082,000, 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 deconsolidation of Lycos in the amount of $944,000. General and administrative expenses in the fulfillment services segment increased by $1,701,000 in comparison with last year's first quarter, largely due to the acquisitions of On-Demand Solutions and InSolutions, including $381,000 higher goodwill charges, and general and administrative expenses in the lists and database services segment were essentially level. General and administrative expenses increased as a percentage of net sales to 22% in the first quarter of fiscal 1999 from 20% in the first quarter of fiscal 1998. The Company anticipates that its general and administrative expenses will continue to increase significantly as the Company's subsidiaries, particularly in the investment and development segment, continue to grow and expand their administrative staffs and infrastructures.

Gain on stock issuance by Lycos, Inc. resulted primarily from the issuance of stock by Lycos for the 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. 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 Lycos, Inc. common stock reflects the Company's net gain realized on the sale of 70,000 shares in the first quarter of fiscal 1999 and 219,900 shares in the first quarter of fiscal 1998. Gain on sale of available-for-sale securities reflects the Company's net gain realized on the sale of 224,795 shares of Premiere Technologies, Inc. stock during the first quarter of fiscal year 1998.

Interest income decreased $284,000 to $559,000 in the first fiscal quarter of 1999 from $843,000 in fiscal 1998, reflecting a $540,000 decrease from the deconsolidation of Lycos, partially offset by increased income associated with higher average corporate cash equivalent balances compared with prior year. Interest expense increased $298,000 compared with the first 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 October 31, 1998 include the results from the Company's minority ownership in Lycos, GeoCities, ThingWorld.com (formerly Parable), Silknet, Speech Machines, Mother Nature and Magnitude Network. Equity in losses of affiliates for the quarter ended October 31, 1997 included the results from the Company's minority ownership in Ikonic Interactive, Inc., ThingWorld.com, Silknet, GeoCities, Reel.com, and Speech Machines. The Company expects its portfolio 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 first quarter of fiscal 1999 was $26,316,000. 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 first quarter of fiscal 1999, Gains on stock issuances by Lycos and GeoCities, Gains on sales of investments in Sage Enterprises, Inc. and Reel.com, Inc., and gain on sale of Lycos, Inc. common stock were excluded.

Gain on sale of data warehouse product rights occurred when the Company's subsidiary, Engage, sold certain rights to its Engage.Fusion(TM) and Engage.Discover(TM) data warehouse products to Red Brick Systems, Inc. (Red Brick) for $9.5 million and 238,160 shares of Red Brick common stock.

Liquidity and Capital Resources

Working capital at October 31, 1998 increased to $36.3 million compared to $12.8 million at July 31, 1998. The Company's principal uses of capital during the first quarter of fiscal 1999 were $20.2 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, $4.8 million for investments in affiliates, $2.9 million for net repayments of notes payable, and $2.2 million for purchases of property and equipment. The Company's principal sources of capital during the first quarter of fiscal 1999 were $2.5 million received from the sale of 70,000 shares of Lycos stock and $1.9 million net proceeds from issuance of stock by subsidiaries.

The Company is obligated under a collateralized corporate borrowing facility in the amount of $20 million. This borrowing is secured by 2,511,578 of the Company's shares of Lycos common stock and is payable in full on January 20, 1999. The Company expects to seek the renewal of this note. SalesLink had an outstanding line of credit balance of $3.8 million as of October 31, 1998 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 October 31, 1998, which provides for repayment in quarterly installments beginning January, 1999 through November, 2002. As of July 31, 1998 and October 31, 1998, SalesLink did not comply with certain covenants of their borrowing arrangements. SalesLink is working with the bank to cure the non-compliance as of October 31, 1998, 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 October 31, 1998 balance sheet.

Subsequent to October 31, 1998, CMG@Ventures III, LLC acquired a minority interest in Ancestry.com with a total committed investment of up to $2.9 million. Ancestry.com features the Web's largest and fastest-growing collection of searchable genealogy data.

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, proceeds from sales of Amazon.com stock subsequent to quarter end, and the availability of additional Lycos, GeoCities and Hollywood Entertainment shares 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 is currently seeking 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 financings.

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' software and computer systems may need to be upgraded or replaced in order to comply with such "Year 2000" requirements. CMGI is in the process of evaluating and correcting the Year 2000 compliance of its proprietary products and services and third party equipment and software that it uses, as well as its non-information technology systems, such as building security, voice mail and other systems. The Company's Year 2000 compliance efforts will consist of the following phases: (i) identification of all software products, information technology systems and non-information technology systems; (ii) assessment of repair or replacement requirements; (iii) repair or replacement; (iv) testing; (v) implementation; and (vi) creation of contingency plans in the event of Year 2000 failures. The Company has substantially completed phases (i) and (ii) and is currently working on phase (iii) of its Year 2000 efforts. The Company expects to complete its Year 2000 compliance efforts by the end of June, 1999.

To date, the Company has not incurred any material expenditures in connection with identifying or evaluating Year 2000 compliance issues. Preliminary estimates regarding expected costs to CMGI for evaluating and correcting Year 2000 issues are in the range of $3 million to $5 million, but there can be no assurance that the costs will not exceed such amounts. The Company's expectations regarding Year 2000 remediation efforts will evolve as it continues to analyze and correct its systems. The Company has not yet developed a formal Year 2000-specific contingency plan. The Company expects that a formal Year 2000 contingency plan will evolve as it completes its Year 2000 compliance efforts. Failure by the Company to resolve Year 2000 issues with respect to its proprietary products and services could have a material adverse effect on the Company's business, results of operations and financial condition. Furthermore, failure of third-party equipment or software to operate properly with regard to the year 2000 and thereafter could require CMGI to incur significant unanticipated expenses to remedy any 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 October 31, 1998 includes investments in companies in the Internet industry sector, including 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 October 31, 1998, would result in an approximate $18.5 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 October 31, 1998, 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.

PART II: OTHER INFORMATION

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) (1)	Amendment to the Restated Certificate of Incorporation	Incorporated by reference to Exhibit 3 (i) (1) to the Registrant's quarterly report on Form 10-Q for the quarter ended April 30, 1996.
3 (i) (2)	Restated Certificate of Incorporation	Incorporated by reference from Registration Statement on Form S-1, as amended, filed on November 10, 1993 (Registration No. 33-71518).
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).
27.1	Restated Financial Data Schedule for the three months ended October 31, 1998.	Filed herewith.

(b) Reports on Form 8-K.

None.

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 OCTOBER 31, 1998 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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3-MOS
JUL-31-1999
AUG-01-1998
OCT-31-1998
6,639
92,287
26,302
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9,547
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