SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(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, 2000

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

Commission File Number 000-23262

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 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, 2000

Class	Number of shares outstanding
Common Stock, par value $.01 per share	319,311,017

CMGI, INC.
FORM 10-Q

INDEX

CMGI, Inc. and Subsidiaries
Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	October 31, 2000 (Unaudited)	July 31, 2000
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,163,718	$ 639,666
Available-for-sale securities	513,396	1,595,011
Accounts receivable, trade, net of allowance for doubtful accounts	219,138	232,104
Prepaid expenses and other current assets	108,112	105,094
Total current assets	2,004,364	2,571,875
Property and equipment, net	283,767	259,270
Investments in affiliates	586,123	583,648
Goodwill and other intangible assets, net of accumulated amortization	4,790,166	4,955,076
Other assets	209,082	187,238
	$ 7,873,502	$ 8,557,107
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 136,004	$ 523,022
Current installments of long-term debt	6,218	6,649
Accounts payable	125,355	128,627
Accrued income taxes	115,318	36,318
Accrued expenses	231,566	246,289
Deferred income taxes	8,302	392,340
Deferred revenues	33,943	27,898
Other current liabilities	92,166	100,627
Total current liabilities	748,872	1,461,770
Long-term debt, less current installments	226,523	228,023
Deferred income taxes	312,732	61,365
Other long-term liabilities	47,767	50,945
Minority interest	650,057	586,062
Commitments and contingencies		
Preferred stock, $0.01 par value. Authorized 5,000,000 shares; issued 375,000 Series C convertible, redeemable preferred stock at October 31, 2000 and July 31, 2000, dividend at 2% per annum; carried at liquidation value	385,030	383,140
Stockholders' equity:		
Common stock, $0.01 par value per share. Authorized 1,400,000,000 shares; issued and outstanding 318,875,119 shares at October 31, 2000 and 296,487,502 shares at July 31, 2000	3,189	2,965
Additional paid-in capital	6,990,741	6,190,182
Deferred compensation	(30,122)	(45,202)
Accumulated deficit	(1,496,268)	(857,814)
	5,464,351	5,290,131
Accumulated other comprehensive income (loss)	34,981	495,671
Total stockholders' equity	5,502,521	5,785,802
	$ 7,873,502	$ 8,557,107

see accompanying notes to interim unaudited consolidated financial statements

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

	Three months ended October 31, 2000	Three months ended October 31, 1999
Net revenue	$ 366,143	$ 129,118
Operating expenses:		
Cost of revenue	329,878	113,560
Research and development	53,271	20,188
In-process research and development	1,462	--
Selling	141,066	72,501
General and administrative	85,047	30,053
Amortization of intangible assets and stock-based compensation	652,139	170,039
Total operating expenses	1,262,863	406,341
Operating loss	(896,720)	(277,223)
Other income (expenses):		
Interest income	12,119	5,871
Interest expense	(22,588)	(5,700)
Other gains, net	197,338	48,349
Gains on issuance of stock by subsidiaries and affiliates	126,589	46,368
Equity in losses of affiliates	(15,872)	(1,796)
Minority interest	88,852	23,288
	386,438	116,380
Loss before income taxes	(510,282)	(160,843)
Income tax expense (benefit)	126,282	(43,431)
Net loss	(636,564)	(117,412)
Preferred stock accretion and amortization of discount	(1,890)	(4,935)
Net loss available to common stockholders	$ (638,454)	$(122,347)
Basic and diluted loss per share	$ (2.07)	$ (0.54)
Shares used in computing basic and diluted loss per share	307,873	226,372

see accompanying notes to interim unaudited consolidated financial statements

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

	Three months ended October 31, 2000	Three months ended October 31, 1999
Cash flows from operating activities:		
Net loss	$ (636,564)	$ (117,412)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation and amortization	680,893	175,430
Deferred income taxes	42,541	(118,918)
Non-operating gains, net	(323,927)	(94,717)
Equity in losses of affiliates	15,872	1,796
Minority interest	(88,852)	(23,288)
In-process research and development	1,462	--
Changes in operating assets and liabilities, excluding effects from acquired companies:		
Trade accounts receivable	19,548	(18,821)
Prepaid expenses and other current assets	(3,549)	(13,407)
Accounts payable and accrued expenses	543	16,254
Deferred revenues	1,428	7,316
Refundable and accrued income taxes, net	80,382	25,280
Tax benefit from exercise of stock options	--	48,802
Other assets and liabilities	(640)	(5,218)
Net cash used for operating activities	(210,863)	(116,903)
Cash flows from investing activities:		
Additions to property and equipment	(42,202)	(23,185)
Net proceeds from maturities of (purchases of) available-for-sale securities	19,923	(6,500)
Proceeds from sale of stock investments	844,016	291,069
Investments in affiliates	(46,173)	(11,129)
Cash paid for acquisitions of subsidiaries, net of cash acquired	(12,460)	23,425
Other	(8)	--
Net cash provided by investing activities	763,096	273,680
Cash flows from financing activities:		
Net repayments of notes payable	(33,570)	--
Net proceeds from issuance of common stock	6,795	5,569
Net proceeds from issuance of stock by subsidiaries	4,382	69,567
Other	(5,788)	4,176
Net cash provided by (used for) financing activities	(28,181)	79,312
Net increase in cash and cash equivalents	524,052	236,089
Cash and cash equivalents at beginning of period	639,666	468,912
Cash and cash equivalents at end of period	$1,163,718	$ 705,001

see accompanying notes to interim unaudited 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, 2000 which are contained in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (SEC) on October 30, 2000 (as amended on December 8, 2000). The results for the three-month period ended October 31, 2000 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. New Accounting Pronouncements

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 133 (SFAS No. 133), Accounting for Derivative Instruments and Hedging Activities, which was later amended by SFAS No. 137, Accounting for Derivative Instruments and Hedging Activities - Deferral of the Effective Date of FASB Statement No. 133 and by SFAS No. 138, Accounting for Certain Derivative Instruments and Certain Hedging Activities -an Amendment of FASB Statement No. 133 (as amended, SFAS No. 133). SFAS No. 133 establishes new standards of accounting and reporting for derivative instruments and hedging activities. SFAS No. 133 requires that all derivatives be recognized at fair value in the statement of financial position, and that the corresponding gains or losses be reported either in the statements of operations or as a component of comprehensive income, depending on the type of hedging relationship that exists. If the derivative is determined to be a hedge, depending on the nature of the hedge, changes in the fair value of derivatives are offset against the change in fair value of the hedged assets, liabilities, or firm commitments through the statements of operations or recognized in other comprehensive income until the hedged item is recognized in the statements of operations. The ineffective portion of a derivative's change in fair value is immediately recognized in earnings. The Company currently holds derivative instruments and engages in certain hedging activities, which have been accounted for as described in Note L. The Company adopted SFAS No. 133 on August 1, 2000 and recorded a transition gain, net of tax, of approximately $6.0 million during the first quarter of fiscal year 2001.

In December 1999, the SEC issued Staff Accounting Bulletin No. 101 "Revenue Recognition in Financial Statements" ("SAB 101"). SAB 101 expresses the views of the SEC staff in applying generally accepted accounting principles to certain revenue recognition issues. The Company adopted SAB 101 on August 1, 2000 and had no material impact on its financial position or its results of operations.

C. Other Gains, Net

The following schedule reflects the components of "Other gains, net":

	Three Months Ended October 31, 2000	1999
(in thousands)		
Gain on sale of Lycos common stock	$ 357,356	$ --
Gain on sale of Kana common stock	135,289	--
Gain on sale of Yahoo! common stock	--	48,349
Gain on forward contract on Yahoo! common stock	87,832	--
Gain on sale of Critical Path common stock	70,900	--
Gain on sale of investment in eGroups	8,114	--
Loss on sale of PCCW common stock	(358,855)	--
Loss on impairment of MSGI common stock	(38,730)	--
Loss on impairment of Hollywood Entertainment common stock	(45,402)	--
Other	(19,166)	--
	$ 197,338	$48,349

During the three months ended October 31, 2000, the Company sold marketable securities for total proceeds of approximately $844.0 million and recorded a net pre-tax gain of approximately $202.3 million on these sales. These sales primarily consisted of approximately 8.4 million shares of Lycos, Inc. (Lycos) common stock for proceeds of approximately $394.7 million, approximately 241.0 million shares of Pacific Century CyberWorks, Limited (PCCW) for proceeds of approximately $190.2 million, approximately 3.7 million shares of Kana Communications, Inc. (Kana) common stock for proceeds of approximately $137.6 million, approximately 1.3 million shares of Critical Path, Inc. (Critical Path) common stock for proceeds of approximately $72.8 million.

In August 2000, Yahoo! acquired eGroups, Inc. (eGroups) and in connection therein, the shares of eGroups held by the Company's subsidiary, CMG@Ventures III, LLC (CMG@Ventures III) were converted into shares of Yahoo! common stock. The Company recorded a pre-tax gain of $8.1 million on the conversion of its investment in eGroups during the fiscal quarter ended October 31, 2000. Such gain was recorded net of the 18% interest attributable to CMG@Ventures III's outside profit members.

Also, included in "Other gains, net" were impairment charges of $4.5 million, $3.9 million and $1.5 million related to the Company's available-for-sale securities holdings of Global Media, Virage and MotherNature.com, respectively, under the provisions of Financial Accounting Standards Board Statement No. 115, Accounting for Certain Investments in Debt and Equity Securities.

During the three months ended October 31, 1999, the Company sold approximately 1.6 million shares of Yahoo! common stock for proceeds of $291.1 million.

D. Gains on Issuance of Stock by Subsidiaries and Affiliates

During the three months ended October 31, 2000, the Company recognized gains on issuance of stock by subsidiaries and affiliates primarily related to the issuance of approximately 14.9 million shares by Engage, Inc. (Engage), a majority-owned subsidiary of the Company, valued at approximately $257.2 million in its acquisitions of Space Media Holdings Limited (Space) and MediaBridge Technologies, Inc. (MediaBridge). With these transactions, the Company's ownership interest in Engage decreased from approximately 86% to approximately 78%. The Company provided for deferred income taxes resulting from the gain on issuance of stock by Engage.

During the three months ended October 31, 1999, the Company recognized a $46.4 million pre-tax gain on issuance of stock by a subsidiary related to NaviSite's issuance of approximately 11.0 million shares of its common stock at a price of $7 per share in connection with its initial public offering. The Company's ownership interest in NaviSite decreased from approximately 90% to approximately 69%. The Company provided for deferred income taxes resulting from the gain on issuance of stock by NaviSite.

E. Business Combinations

On August 31, 2000, Engage completed its acquisition of Space, a leading independent Internet marketing network in Asia. The total purchase price for Space was valued at approximately $35.9 million consisting of approximately 3.2 million shares of Engage common stock valued at approximately $35.5 million, and direct acquisition costs of approximately $425,000. Engage also recorded approximately $18.9 million in deferred compensation related to approximately 1.5 million shares of Engage common stock issuable to certain employee shareholders of Space contingent upon continued employment for a one year period following the date of acquisition. Lastly, contingent consideration, comprised of approximately 1.4 million shares of Engage common stock has been placed in escrow to satisfy certain performance objectives by Space. The value of the escrow shares will be recorded as additional purchase price at the then-fair value upon the attainment of certain performance goals measured through December 31, 2000.

On September 11, 2000, Engage completed its acquisition of MediaBridge, a leading provider of cross-media closed loop targeted marketing systems. The total purchase price for MediaBridge was valued at approximately $221.7 million consisting of approximately 11.7 million shares of Engage common stock valued at approximately $190.2 million, options to purchase Engage common stock valued at approximately $31.1 million, and direct acquisition costs of approximately $482,000. Of the purchase price, $700,000 was allocated to in-process research and development, which was charged to operations during the first quarter of fiscal 2001. Engage also recorded approximately $7.0 million in deferred compensation related to stock options issued to certain MediaBridge employees. Approximately twelve percent of the shares issued are subject to an escrow period of one year to secure certain indemnification obligations of the former stockholders of MediaBridge.

The acquisitions completed during the first quarter of fiscal 2001 have been accounted for using the purchase method, and, accordingly, the purchase prices have been allocated to the assets purchased and liabilities assumed based upon their fair values at the dates of acquisition. Goodwill and other identifiable intangible assets totaling approximately $478.2 million were recorded related to the acquisitions during the first quarter of fiscal 2001, and are being amortized on a straight-line basis over three years. The acquired companies are included in the Company's consolidated financial statements from the dates of acquisition.

The purchase prices for these acquisitions were allocated as follows:

(in thousands)	Space	MediaBridge	Total
Working capital, including cash (cash overdraft) acquired	$ (972)	$ (4,621)	$ (5,593)
Property and equipment	434	2,034	2,468
Other assets (liabilities), net	--	(404)	(404)
Deferred tax liability	--	(217,764)	(217,764)
Goodwill	36,416	417,456	453,872
Developed technology	--	17,500	17,500
Other identifiable intangible assets	--	6,800	6,800
In-process research and development	--	700	700
Purchase price	$35,878	$ 221,701	$ 257,579

Amortization of intangible assets and stock-based compensation consists of:

	Three months ended October 31,	
(in thousands)	2000	1999
Amortization of intangible assets	$562,709	$168,497
Amortization of stock-based compensation	19,824	1,542
Impairment of intangible assets	69,606	--
Total	$652,139	$170,039

The amortization of stock-based compensation for the three months ended October 31, 2000 and 1999 would have been primarily allocated to general and administrative expense had the Company recorded the expense within the functional department of the employee or director.

The Company has recorded impairment charges totaling approximately $69.6 million during the first quarter of fiscal 2001 as a result of management's ongoing business review and impairment analysis performed under its existing policy regarding impairment of long-lived assets. Subsequent to October 31, 2000, CMGI determined to exit the business conducted by its subsidiaries iCAST Corporation (iCAST) and 1stUp.com Corporation (1stUp). In connection with this decision, management determined that the carrying value of certain intangible assets, principally goodwill, were permanently impaired, and recorded impairment charges in the quarter ended October 31, 2000 of approximately $3.6 million and $23.3 million related to iCAST and 1stUp, respectively. The Company will record exit costs associated with the iCAST and 1stUp businesses in the second quarter of fiscal 2001 (see Note M). The Company also recorded other impairment charges during the quarter totaling approximately $42.7 million, consisting primarily of $15.2 million related to intangible assets of Engage, Inc.'s subsidiary, Flycast Communications Corporation, $8.9 million related to intangible assets of MyWay.com Corporation, and $10.1 million related to intangible assets of CMGion, Inc.'s subsidiary, Tribal Voice, Inc. It is reasonably possible that the impairment factors evaluated by management will change in subsequent periods, given that the Company operates in a volatile business environment. This could result in material impairment charges in future periods.

F. Segment Information

Based on the information provided to the Company's chief operating decision maker for purposes of making decisions about allocating resources and assessing performance, the Company's operations have been classified in five operating segments that are strategic business units offering distinctive products and services that are marketed through different channels.

The five operating segments are: (i) Interactive Marketing, (ii) eBusiness and Fulfillment, (iii) Search and Portals, (iv) Infrastructure and Enabling Technologies and (v) Internet Professional Services. Management evaluates segment performance based on segment operating income or loss excluding in-process research and development expenses and amortization of intangible assets and stock-based compensation.

On October 11, 2000 CMGion acquired AdForce from the Company. On November 13, 2000, the Company announced its decision to cease funding the operations of iCAST in the second quarter of fiscal 2001, but to continue to operate Signatures Network, a business previously included in the operations of iCAST, as an independent CMGI majority-owned subsidiary. As a result of these transactions, the results of AdForce, which were previously included in the Interactive Marketing segment, are included in the Infrastructure and Enabling Technologies segment and the results of Signatures Network, which were previously included in the Search and Portals segment, are included in the eBusiness and Fulfillment segment. For comparative purposes, all prior period segment results and certain other amounts for prior periods have been reclassified to reflect these transactions and conform to current period presentation.

Summarized financial information of the Company's operations by business segment is as follows:

	Three Months Ended October 31,	
(in thousands)	2000	1999
Net revenue:		
Interactive Marketing	$ 48,685	$ 18,628
eBusiness and Fulfillment	188,625	56,228
Search and Portals	60,439	49,431
Infrastructure and Enabling Technologies	35,053	4,617
Internet Professional Services	33,341	214
	$ 366,143	$ 129,118
Operating loss:		
Interactive Marketing	$(240,919)	$ (18,533)
eBusiness and Fulfillment	(40,594)	(1,505)
Search and Portals	(353,656)	(220,024)
Infrastructure and Enabling Technologies	(193,725)	(24,698)
Internet Professional Services	(45,731)	(4,738)
Other	(22,095)	(7,725)
	$(896,720)	$(277,223)
Operating income (loss), excluding in-process research and development expenses and amortization of intangible assets and stock-based compensation:		
Interactive Marketing	$ (62,581)	$ (14,411)
eBusiness and Fulfillment	(3,539)	1,364
Search and Portals	(64,980)	(58,704)
Infrastructure and Enabling Technologies	(92,294)	(24,116)
Internet Professional Services	1,552	(3,648)

Other	(21,277)	(7,669)
	$(243,119)	$(107,184)

G. Borrowing Arrangements

As consideration for its acquisition of Tallan, the Company issued three short-term promissory notes totaling approximately $376.9 million. Interest on each note is payable at a rate of 6.5% per annum. Principal and interest payments due on the notes are payable in September 2000 and December 2000, at the option of CMGI, in cash, marketable securities or any combination thereof. The value of the promissory notes included in the purchase price was recorded net of a discount of $8.2 million to reflect the difference between the actual interest rates of the promissory notes and the Company's current incremental borrowing rates for similar types of borrowing transactions. On September 30, 2000, the Company issued approximately 7.3 million shares of its common stock as payment of approximately $241.8 million in principal (see Note J). As a result of this payment, the principal balance of the two remaining notes was approximately $135.1 million on October 31, 2000.

In June 2000, NaviSite sold certain of its equipment and leasehold improvements in its two new data centers in a sale-leaseback transaction to a bank for approximately $30.0 million. NaviSite entered into a capital lease (the "Capital Lease") upon the leaseback of those assets. The Capital Lease bears interest at a nominal rate of 9.15% and an effective interest rate of 12.49%, is payable in monthly installments ending June 2004 and contains certain financial covenants as defined. As of October 31, 2000, NaviSite was not in compliance with the market capitalization covenant. Effective December 11, 2000, NaviSite obtained a waiver from the lessor for noncompliance with the market capitalization covenant as of October 31, 2000. Additionally, in connection with the waiver, NaviSite renegotiated the capital lease covenants to eliminate the market capitalization requirement.

H. 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 and convertible preferred stock are included in the calculation of diluted earnings per share only when the effect of their inclusion would be dilutive. Approximately 10.3 million and 11.1 million weighted average common stock equivalents and approximately 9.6 million and 9.4 million shares representing the weighted average effect of assumed conversion of convertible preferred stock were excluded from the denominator in the diluted loss per share calculation for the three months ended October 31, 2000 and 1999, respectively.

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, 2000 and 1999.

I. Comprehensive Income

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

(in thousands)	Three months ended October 31,	
	2000	1999
Net loss	$ (636,564)	$(117,412)
Net unrealized holding gain (loss) arising during period	(453,118)	282,313
Less: reclassification adjustment for gain realized in		

net loss	(7,572)	(28,441)
Comprehensive income (loss)	$(1,097,254)	$ 136,460

J. Consolidated Statements of Cash Flows Supplemental Information

(in thousands)	Three months ended October 31, 2000	1999
Cash paid during the period for:		
Interest	$1,942	$ 947
Income taxes	$4,738	$2,962

During the three months ended October 31, 2000, significant non-cash investing activities included the following transactions:

On August 1, 2000, the Company settled the first tranche of the forward sale agreement (see Note L) that hedges a portion of the Company's investment in common stock of Yahoo! through the delivery of 581,499 shares of Yahoo! common stock to an investment bank.

On August 18, 2000, the Company issued approximately 313,000 shares of its common stock to Compaq Computer Corporation as a semi-annual interest payment valued at approximately $11.5 million related to notes payable issued in the acquisition of AltaVista.

On August 25, 2000, the Company and Cable and Wireless plc, completed their previously agreed to exchange of stock. CMGI received approximately 241.0 million shares of PCCW stock in exchange for approximately 13.4 million shares of the Company's common stock. The PCCW stock received was valued at $546.6 million, which represents the value of the CMGI shares issued in the exchange on the date the agreement was executed.

On August 31, 2000, Yahoo! acquired eGroups, a CMGI@Ventures investee company. In connection with the merger, CMG@Ventures III, LLC received approximately 91,000 shares of Yahoo! common stock.

On August 31, 2000 and September 12, 2000, respectively, Engage completed the acquisitions of Space and MediaBridge in exchange for its own common stock (see Note E).

On September 30, 2000, the Company issued approximately 7.3 million shares of its common stock as payment of principal and interest totaling approximately $249.8 million related to a note payable that had been issued in the Company's acquisition of Tallan.

K. Available-for-Sale Securities

At October 31, 2000, available-for-sale securities primarily consist of common stock investments. Available-for-sale securities are carried at fair value based on quoted market prices, net of a market value discount to reflect any remaining restrictions on transferability. Available-for-sale securities at October 31, 2000 included approximately 9.4 million shares of Terra-Lycos Inc. valued at approximately $226.4 million, approximately 8.0 million shares of Primedia, Inc. valued at approximately $85.0 million, approximately 700,000 shares of Yahoo! Inc. valued at approximately $41.9 million, approximately 4.6 million shares of Vicinity Corporation valued at approximately $48.7 million and approximately 3.2 million shares of Ventro Corporation (Ventro) valued at approximately $15.4 million. Shares of publicly traded companies held by CMG@Ventures I and II which have been allocated to CMG@Ventures I's and II's profit members have been classified in other non-current assets in the accompanying Consolidated Balance Sheets and valued at carrying value as of the date of allocation. Certain shares included in available-for-sale securities at October 31, 2000 may be required to be allocated to CMG@Ventures I's and II's profit members in the future. A net unrealized holding gain of approximately $35.0 million, net of deferred income taxes of approximately $58.4 million, has been reflected in other comprehensive income in the equity section of the consolidated balance sheets based on the change in market value of the available-for-sale securities from dates of acquisition to October 31, 2000. Also included in available-for-sale securities at October 31, 2000 were approximately 2.6 million shares of Terra Lycos common stock which the Company may be required to sell to Terra Lycos, at prices ranging from $.0012 to $1.12 per share, pursuant to employee stock option exercises.

L. Derivative Financial Instruments

In April 2000, the Company entered into a forward sale agreement with equity collars that hedges a portion of the Company's investment in common stock of Yahoo! Inc. Under the terms of the contract, the Company agreed to deliver, at its discretion, either cash or Yahoo! Inc. common stock in three separate tranches, with maturity dates ranging from August 2000 to February 2001. The Company executed the first tranche in April 2000 and received approximately $106.4 million in cash. The Company subsequently settled this tranche through the delivery of 581,499 shares of Yahoo! common stock in August 2000. In May 2000, the Company received approximately $68.5 million and $5.7 million upon the execution of the second and third tranches, respectively. The Company subsequently settled the second tranche for cash totaling approximately $33.6 million in October 2000. In November 2000, the Company entered into a new forward sale agreement to hedge the Company's investment in 581,499 shares of Yahoo! common stock. The Company received approximately $31.5 million of cash in connection with this new agreement. Under the terms of the new contract, the Company agreed to deliver, at its discretion, either cash or shares of Yahoo! Inc. common stock on August 1, 2001.

The forward sale contracts include equity collars and are considered derivative financial instruments that have been designated as fair value hedging instruments under the guidance outlined in SFAS No. 133. The Company's objective relative to the use of these hedging instruments is to limit the Company's exposure to and benefits from price fluctuations in the underlying equity securities, which are classified as available-for-sale securities in the consolidated balance sheets. The Company accounts for the forward sale contracts as hedges and has determined that the hedges are highly effective. Changes in the value of the hedge are substantially offset by changes in the value of the underlying investment securities. The hedging of the Yahoo! common stock is part of the Company's overall risk management strategy, which includes the preservation of cash and available-for-sale securities used to fund ongoing operations and future investment opportunities. The Company does not hold or issue any derivative financial instruments for trading purposes.

Including the effects of the transition accounting proscribed by SFAS No. 133 and settlement of the first and second tranches under the Yahoo! forward sale agreement, the net gain recognized in the consolidated statement of operations during the quarter ended October 31, 2000 was approximately $87.8 million. The net gain is included in "Other gains, net", in the consolidated statements of operations.

M. Subsequent Events

On November 13, 2000, the Company announced its decision to cease funding the operations of iCAST in the second quarter of fiscal 2001, but to continue to operate Signatures Network, a business previously included in the operations of iCAST, as an independent CMGI majority-owned subsidiary.

The Company also announced on November 13, 2000 that it will divest its ad-supported Internet access business represented by 1stUp.com Corporation by the end of the second fiscal quarter.

On December 12, 2000, the Company entered into a Note and Warrant Purchase Agreement (the Agreement) with its subsidiary, NaviSite. The Agreement provides for the sale of a subordinated, unsecured, convertible note in the principal amount of $50.0 million (Initial Note), and a subordinated, unsecured, convertible note in the principal amount of $30.0 million (Second Note). Also on December 12, 2000, NaviSite issued the Initial Note to CMGI in the amount of $50.0 million. The annual interest rate on the Initial Note is 7.5% payable quarterly in, at NaviSite's discretion, either cash or NaviSite common stock. The principal amount is due in full by December 12, 2003. The Agreement provides that the use of proceeds from the Second Note are restricted to satisfying certain of NaviSite's lease obligations.

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, and Section 27A of the Securities Act of 1933, as amended, that involve risks and uncertainties. All statements other than statements of historical information provided herein may be deemed to be forward-looking statements. Without limiting the foregoing, the words "believes", "anticipates", "plans", "expects" and similar expressions are intended to identify forward-looking statements. Factors that could cause actual results to differ materially from those reflected in the forward-looking statements include, but are not limited to, those discussed in this section under the heading "Factors That May Affect Future Results" and elsewhere in this report, the risks discussed in the "Factors That May Affect Future Results" section included in the Company's Annual Report on Form 10-K filed with the SEC on October 30, 2000 (as amended on December 8, 2000), and the risks discussed in the Company's other filings with the SEC. 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.

Basis of Presentation

The Company reports five operating segments: i) Interactive Marketing, ii) eBusiness and Fulfillment, iii) Search and Portals, iv) Infrastructure and Enabling Technologies, and v) Internet Professional Services. CMGI also invests in companies involved in various aspects of the Internet through its affiliated venture capital arm, CMGI@Ventures. In accordance with generally accepted accounting principals, all significant intercompany transactions and balances have been eliminated in consolidation. Accordingly, segment results reported by CMGI exclude the effect of transactions between CMGI's subsidiaries.

On October 11, 2000 CMGion acquired AdForce. On November 13, 2000, the Company announced its decision to cease funding the operations of its wholly-owned subsidiary, iCAST, in the second quarter of fiscal 2001 and to continue to operate Signatures Network, a business previously included in the operations of iCAST, as an independent CMGI majority-owned subsidiary. As a result of these transactions, the results of AdForce, which were previously included in the Interactive Marketing segment, are included in the Infrastructure and Enabling Technologies segment and the results of Signatures Network, which were previously included in the Search and Portals segment, are included in the eBusiness and Fulfillment segment. For comparative purposes, all prior period segment results and certain other amounts for prior periods have been reclassified to reflect these transactions and conform to current period presentations.

Three months ended October 31, 2000 compared to three months ended October 31, 1999

NET REVENUE:

	Three Months Ended October 31, 2000	As a % of Total Net Revenue	Three Months Ended October 31, 1999	As a % of Total Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$ 48,685	13%	$ 18,628	14%	$ 30,057	161%
eBusiness and Fulfillment	188,625	52%	56,228	44%	132,397	236%
Search and Portals	60,439	16%	49,431	38%	11,008	22%
Infrastructure and Enabling Technologies	35,053	10%	4,617	4%	30,436	659%
Internet Professional Services	33,341	9%	214	-	33,127	15,480%
Total	$366,143	100%	$129,118	100%	$237,025	184%

Net revenue increased $237.0 million, or 184%, to $366.1 million for the three months ended October 31, 2000 from $129.1 million for the same period ended in fiscal year 2000. The increase was largely a result of the effects of fiscal 2000 acquisitions and increased net revenue growth at existing companies during the first quarter of fiscal year 2001. The fiscal year 2000 acquisitions accounted for approximately 73% of the net revenue increase. The increase in net revenue within the Interactive Marketing segment was primarily the result of the effects of the fiscal year 2000 acquisitions of AdKnowledge, Inc., Flycast Communications Corporation (Flycast) and yesmail.com, inc. The increase in net revenue within the eBusiness and Fulfillment segment was primarily the result of the acquisition of uBid during fiscal year 2000, the impact of a full quarter's net revenue from Signatures Network in fiscal 2001, which was acquired on September 27, 1999, and increased volume of turn-key business from Cisco Systems, Inc. (Cisco) at SalesLink. The increase in net revenue within the Search and Portals segment was primarily the result of a full quarter's net revenue from AltaVista, which was acquired on August 18, 1999, and increased net revenue from MyWay.com. The increase in net revenue within the Infrastructure and Enabling Technologies segment was primarily the result of increased net revenue at NaviSite and NaviPath and the acquisitions of Activate, AdForce and 1stUp during fiscal year 2000. The increase in net revenue for NaviSite was primarily due to the growth in its customer base facilitated by the build-out of its data center facilities. The increase in net revenue for NaviPath primarily related to the growth in users due to the expansion of its network coverage across North America. The increase in net revenue within the Internet Professional Services segment was primarily the result of the acquisition of Tallan during fiscal year 2000. The Company expects to report future revenue growth as a result of increased net revenue from existing companies.

COST OF REVENUE:

	Three Months Ended October 31, 2000	As a % of Segment Net Revenue	Three Months Ended October 31, 1999	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$ 35,478	73%	$ 14,747	79%	$ 20,731	141%
eBusiness and Fulfillment	166,855	88%	45,597	81%	121,258	266%
Search and Portals	31,490	52%	35,709	72%	(4,219)	(12%)
Infrastructure and Enabling Technologies	73,498	210%	16,506	358%	56,992	345%
Internet Professional Services	22,557	68%	1,001	468%	21,556	2,153%
Total	$329,878	90%	$113,560	88%	$216,318	190%

Cost of revenue increased $216.3 million, or 190%, to $329.9 million for the three months ended October 31, 2000 from $113.6 million for same period ended in fiscal year 2000. Cost of revenue consisted primarily of expenses related to the content, connectivity and production associated with delivering the Company's products and services. The increase was largely attributable to the increased net revenue due to fiscal year 2000 acquisitions and increased net revenue growth at existing companies. The fiscal year 2000 acquisitions accounted for approximately 73% of the increase in cost of revenue. Cost of revenue as a percentage of net revenue increased for the first quarter of fiscal 2001 primarily due to the Company's acquisition of uBid at the end of the third quarter of fiscal 2000.

RESEARCH AND DEVELOPMENT EXPENSES:

	Three Months Ended October 31, 2000	As a % of Segment Net Revenue	Three Months Ended October 31, 1999	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$15,744	32%	$ 3,293	18%	$12,451	378%
eBusiness and Fulfillment	523	-	694	1%	(171)	(25%)
Search and Portals	24,929	41%	12,583	25%	12,346	98%
Infrastructure and Enabling Technologies	12,075	34%	2,722	59%	9,353	344%
Internet Professional Services	-	-	896	419%	(896)	(100%)
Total	$53,271	15%	$20,188	16%	$33,083	164%

Research and development expenses increased $33.1 million, or 164%, to $53.3 million for the three months ended October 31, 2000 from $20.2 million for the same period in fiscal year 2000. Research and development expenses consisted primarily of personnel and related costs to design, develop, enhance, test and deploy the Company's product and service efforts either prior to the development effort reaching technological feasibility or once the product had reached the maintenance phase of its life cycle. Research and development expenses as a percentage of net revenue decreased primarily due to the impact of acquisitions and increased net revenues at existing companies. The fiscal year 2000 acquisitions accounted for approximately 46% of the increase in research and development expenses. The increase within the Interactive Marketing segment was primarily the result of the effects of the fiscal year 2000 acquisitions of AdKnowledge, Flycast and yesmail.com and increased development efforts at Engage. The increase within the Search and Portals segment was primarily the result of a full quarter's research and development expenses from AltaVista. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the acquisitions of Activate, AdForce, Equilibrium, 1stUp and Tribal Voice during fiscal year 2000 and increased development efforts at NaviSite. The Company believes that significant investments in research and development are required to remain competitive. Consequently, the Company anticipates it will continue to devote substantial resources to research and development efforts and that these costs may substantially increase in absolute dollars in future periods.

IN-PROCESS RESEARCH AND DEVELOPMENT EXPENSES:

(in thousands)	Three Months Ended October 31, 2000	As a % of Segment Net Revenue	Three Months Ended October 31, 1999	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 700	1%	-	-	$ 700	N/A
eBusiness and Fulfillment	-	-	-	-	-	N/A
Search and Portals	-	-	-	-	-	N/A
Infrastructure and Enabling Technologies	-	-	-	-	-	N/A
Internet Professional Services	-	-	-	-	-	N/A
Other	762	-	-	-	762	N/A
Total	$1,462	-	-	-	$1,462	N/A

In-process research and development expenses increased to $1.5 million for the three months ended October 31, 2000. There were no in-process research and development expenses in the corresponding period of fiscal 2000. The increase in the Interactive Marketing segment in-process research and development expenses was primarily the result of the acquisitions of MediaBridge Technologies, Inc. by Engage on September 11, 2000.

SELLING EXPENSES:

	Three Months Ended October 31, 2000	As a % of Segment Net Revenue	Three Months Ended October 31, 1999	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 40,173	83%	$11,942	64%	$28,231	236%
eBusiness and Fulfillment	14,660	8%	3,250	6%	11,410	351%
Search and Portals	57,294	95%	49,672	100%	7,622	15%
Infrastructure and Enabling Technologies	23,720	68%	6,120	133%	17,600	288%
Internet Professional Services	1,934	6%	1,015	474%	919	91%
Other	3,285	-	502	-	2,783	554%
Total	$141,066	39%	$72,501	56%	$68,565	95%

Selling expenses increased $68.6 million, or 95%, to $141.1 million for the three months ended October 31, 2000 from $72.5 million for the same period in fiscal year 2000. Selling expenses consisted primarily of advertising and other general marketing related expenses, compensation and employee-related expenses, sales commissions, facilities costs, trade show expenses and travel costs. Selling expenses increased during the first three months of fiscal year 2001 primarily due to the effects of fiscal year 2000 acquisitions and the continued growth of the sales and marketing efforts related to product launches and infrastructure at existing companies. The fiscal year 2000 acquisitions accounted for approximately 49% of the increase in selling expenses. Selling expenses as a percentage of net revenue decreased for the first quarter of fiscal 2001 primarily due to increased net revenue. The increase within the Interactive Marketing segment was primarily the result of the acquisitions of AdKnowledge, Flycast and yesmail.com during fiscal year 2000 and increased sales and marketing efforts at Engage. Additionally, during the first quarter of fiscal 2001, Engage recorded approximately $2.6 million of selling expenses for charges related to costs associated with exiting certain leases and terminating personnel as part of the restructuring of its business. The increase in the eBusiness and Fulfillment segment was primarily the result of the acquisitions of uBid and Signatures Network during fiscal year 2000. The increase within the Search and Portals segment was primarily the result of a full quarter's selling expenses from AltaVista, the impact of an approximate $3.3 million charge recorded by AltaVista in fiscal 2001 related to the termination of certain contracts and personnel in conjunction with a change in its business focus and increased costs at iCAST.. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp and Tribal Voice during fiscal year 2000 and increased sales and marketing efforts at NaviSite. The increase within the Internet Professional Services segment was primarily the result of the acquisition of Tallan during fiscal year 2000. The Company anticipates that its selling and marketing expenses will increase in future periods as the Company continues to create brand awareness for each of the companies' products and services and as the Company continues to expand its international operations.

GENERAL AND ADMINISTRATIVE EXPENSES:

	Three Months Ended October 31, 2000	As a % of Segment Net Revenue	Three Months Ended October 31, 1999	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$19,871	41%	$ 3,057	16%	$16,814	550%
eBusiness and Fulfillment	10,126	5%	5,323	9%	4,803	90%
Search and Portals	11,706	19%	10,171	21%	1,535	15%
Infrastructure and Enabling Technologies	18,054	52%	3,385	73%	14,669	433%
Internet Professional Services	7,298	22%	950	444%	6,348	668%
Other	17,992	-	7,167	-	10,825	151%
Total	$85,047	23%	$30,053	23%	$54,994	183%

General and administrative expenses increased $55.0 million, or 183%, to $85.1 million for the three months ended October 31, 2000 from $30.1 million for the same period in fiscal year 2000. General and administrative expenses consist primarily of compensation, facilities costs and fees for professional services. General and administrative expenses increased during the first three months of fiscal year 2001 primarily due to the effect of the fiscal year 2000 acquisitions and the building of management infrastructure at the corporate level and at several of the Company's existing subsidiaries. The fiscal year 2000 acquisitions accounted for approximately 40% of the increase in general and administrative expenses. General and administrative expenses as a percentage of net revenue remained essentially equal for the first quarter of fiscal 2001 as compared to the same period in the prior fiscal year due to the Company's acquisition of Tallan which offset an increase in "Other" expenses. The increase in the Interactive Marketing segment was primarily the result of additional bad debt expense recorded by Engage and the acquisitions of AdKnowledge, Flycast and yesmail.com during fiscal year 2000. The increase in the eBusiness and Fulfillment segment was primarily the result of the acquisitions of uBid and Signatures Network during fiscal year 2000. The increase in the Search and Portals segment was primarily the result of a full quarter's expenses from AltaVista. The increase in the Infrastructure and Enabling Technologies segment was primarily due to the acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp and Tribal Voice during fiscal year 2000 and the building of management infrastructure at NaviSite and NaviPath. The increase in the Internet Professional Services segment was primarily the result of the acquisition of Tallan. The increase in the Other expenses, which includes certain administrative functions such as legal, finance and business development which are not fully allocated to CMGI's subsidiary companies, was primarily the result of the growth of CMGI's corporate infrastructure including higher personnel costs due to increased headcount, increased professional fees and facilities costs. The Company anticipates that its general and administrative expenses will increase in absolute dollars in future periods as it continues to expand its international operations.

AMORTIZATION OF INTANGIBLE ASSETS AND STOCK-BASED COMPENSATION:

	Three Months Ended October 31, 2000	As a % of Segment Net Revenue	Three Months Ended October 31, 1999	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$177,638	365%	$ 4,122	22%	$173,516	4,210%
eBusiness and Fulfillment	37,055	20%	2,869	5%	34,186	1,192%
Search and Portals	288,676	478%	161,320	326%	127,356	79%
Infrastructure and Enabling Technologies	101,431	289%	582	13%	100,849	17,328%
Internet Professional Services	47,283	142%	1,090	509%	46,193	4,238%
Other	56	-	56	-	-	N/A
Total	$652,139	178%	$170,039	132%	$482,100	284%

Amortization of intangible assets and stock-based compensation increased $482.1 million, or 284%, to $652.1 million for the three months ended October 31, 2000 from $170.0 million for same period in fiscal year 2000. Amortization of intangible assets and stock-based compensation consisted primarily of goodwill amortization expense related to acquisitions during fiscal year 2000. The impact of acquisitions made during or after the first fiscal quarter of 2000 accounted for approximately 67% of the increase in amortization of intangible assets and stock-based compensation. The intangible assets recorded as a result of the fiscal 2000 acquisitions are being amortized over periods ranging from two to five years. Included within amortization of intangible assets and stock-based compensation expenses was approximately $13.2 million and $1.5 million of stock-based compensation for the three months ended October 31, 2000 and 1999, respectively. Also included within the amortization of intangible assets and stock-based compensation during the first quarter of fiscal 2001 were impairment charges totaling approximately $69.6 million as a result of management's ongoing business review and impairment analysis performed under its existing policy regarding impairment of long-lived assets. During the first quarter of fiscal 2001, CMGI announced its decision to exit the operations of iCAST and 1stUp. In connection with this decision, management determined that the carrying value of certain intangible assets, principally goodwill, was permanently impaired, and recorded impairment charges of approximately $3.6 million and $23.3 million for iCAST and 1stUp, respectively. The Company also recorded other impairment charges during the quarter totaling approximately $42.7 million, consisting primarily of $15.2 million related to intangible assets of Engage, Inc.'s subsidiary, Flycast Communications Corporation, $8.9 million related to intangible assets of MyWay.com Corporation, and $10.1 million related to intangible assets of CMGion, Inc.'s subsidiary, Tribal Voice, Inc. It is reasonably possible that the impairment factors evaluated by management will change in subsequent periods, given that the Company operates in a volatile business environment. This could result in material impairment charges in future periods. The increase amortization in the Interactive Marketing segment was primarily the result of the acquisitions of AdKnowledge, Flycast and yesmail.com during fiscal year 2000. The increase in the eBusiness and Fulfillment segment was primarily the result of the acquisitions of uBid and Signatures Network during fiscal year 2000. The increase in the Search and Portals segment amortization was primarily the result of a full quarter of amortization on the acquisition of AltaVista. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp and Tribal Voice during fiscal year 2000. The increase in the Internet Professional Services segment was primarily the result of the acquisition of Tallan during fiscal year 2000.

OTHER INCOME/EXPENSE:

Gains on issuance of stock by subsidiaries and affiliates increased $80.2 million, or 173%, to $126.6 million for the first three months of fiscal year 2001 from $46.4 million for the same period in fiscal year 2000. Gains on the issuance of stock in the first quarter of fiscal year 2001 primarily related to a pre-tax gain of approximately $125.9 million on the issuance of stock by Engage in its acquisitions of MediaBridge Technologies and Space Media Holdings Limited. Gains on issuance of stock in the first quarter of fiscal year 2000 reflects the pre-tax gain of $46.4 million on the issuance of common stock by NaviSite in its initial public offering.

Other gains, net increased $149.0 million, or 308%, to $197.3 million for the quarter ended October 31, 2000 from $48.3 million for the same period in fiscal 2000. Other gains, net for the quarter ended October 31, 2000 primarily consisted of a pre-tax gain of approximately $357.4 million on the sale of Lycos, Inc. (Lycos) common stock, a pre-tax gain of approximately $135.3 million on the sale of Kana Communication Inc. (Kana) common stock, a pre-tax gain of approximately $87.8 million on the forward sale agreement that hedges the Company's investment in Yahoo!, Inc. (Yahoo!) common stock and a pre-tax gain of approximately $70.9 million on the sale of Critical Path, Inc. (Critical Path) common stock, partially offset by a pre-tax loss of $358.9 million on the sale of Pacific Century CyberWorks Limited (PCCW) common stock and write-downs of $45.4 million and $38.7 million on the Company's Hollywood Entertainment, Inc. and Marketing Services Group, Inc. common stock, respectively. Other gains, net for the quarter ended October 31, 1999 consisted of pre-tax gains of approximately $48.3 million on the sale of Yahoo! common stock.

Interest income increased $6.2 million to $12.1 million for the three months ended October 31, 2000 from $5.9 million for the same period in fiscal 2000, reflecting increased interest income associated with higher average corporate cash and cash equivalent balances and due to increased interest income earned by NaviSite as a result of their initial public offerings and by CMGion as a result of a private placement of CMGion stock. Interest expense increased $16.9 million to $22.6 million for the first quarter of fiscal 2001 from $5.7 million for the first quarter of fiscal 2000, primarily due to approximately $596.9 million in notes issued as part of the AltaVista and Tallan acquisitions.

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 increased $14.1 million to $15.9 million for three months ended October 31, 2000, from $1.8 million for the same period in fiscal 2000, primarily reflecting an increased number of investments accounted for under the equity method compared to last year's first fiscal quarter. Equity in losses of affiliates for the first quarter of fiscal 2001 included the results from the Company's minority ownership in AnswerLogic, Inc., BizBuyer.com, Inc., CarParts.com, Inc., Corrigo, Inc., Domania.com, Inc., eCircles Corporation, Ensera, Inc., FindLaw, Inc., FoodBuy.com, Inc., GXMedia, Inc., HotLinks Network, Inc., Idapta, Inc., Industria Solutions, Inc. KnowledgeFirst, Inc., MyFamily.com, Inc., NameTree, Inc., NextMonet.com, Inc., NextOffice.com, Inc., OneCore Financial Network, Inc., Radiate, Inc., Undoo.com, Virtual Ink Corporation, and WebCT, Inc. Equity in losses of affiliates for the first quarter of fiscal 2000 include the results from the Company's minority ownership in Engage Technologies Japan, Inc., ThingWorld.com LLC and WebCT, Inc. 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.

Minority interest increased to $88.9 million for the three months ended October 31, 2000 from $23.3 million for the same period of fiscal 2000, primarily reflecting minority interest in net losses of seven subsidiaries during the first quarter of fiscal 2001, including AltaVista, Engage, MyWay.com, NaviSite, CMGion, NaviPath and Tallan.

Income tax expense recorded in the first quarter of fiscal 2001 was $126.3 million. 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 2001, gains on stock issuances by subsidiaries and affiliates, other gains, net and impairment charges taken on intangible assets were excluded. Income tax expense in the first quarter of fiscal 2001 differs from the amount computed by applying the U.S. federal income tax rate of 35 percent to pre-tax loss primarily as a result of non-deductible goodwill and impairment charges, valuation allowances recognized for operating losses of certain majority-owned subsidiaries not included in the Company's consolidated federal tax return group, and state income taxes.

Liquidity and Capital Resources

Working capital at October 31, 2000 increased to $1.26 billion compared to $1.11 billion at July 31, 2000. The net increase in working capital is primarily attributable to a $524.1 million increase in cash and cash equivalents approximately $387.0 million decrease in notes payable and a $384.0 million decrease in current deferred tax liabilities, partially offset by a $1.08 billion decrease in available-for-sale securities. The Company's principal sources of capital during the first three months of fiscal 2001 were from the sales of approximately 8.4 million shares of Lycos common stock for proceeds of $394.7 million, approximately 241.0 million shares of Pacific Century CyberWorks Limited for proceeds of $190.2 million, approximately 3.7 million shares of Kana common stock for proceeds of $137.6 million and approximately 1.3 million shares of Critical Path common stock for proceeds of $72.8 million. The Company's principal uses of capital during the first three months of fiscal 2001 were $210.8 million for funding operations and $46.2 million for investments in affiliates, primarily through the Company's CMGI@Ventures venture capital funds, $42.2 million for purchases of property and equipment and $33.6 million for repayment of short-term notes payable related to a forward sale agreement of the Company's shares of Yahoo!, Inc. common stock.

Under the terms of a forward sale agreement entered into during fiscal 2000, the Company agreed to deliver, at its discretion, either cash or Yahoo! Inc. common stock in three separate tranches, with maturity dates ranging from August 2000 to February 2001. The Company executed the first tranche in April 2000 and received approximately $106.4 million. The Company subsequently settled this tranche through the delivery of 581,499 shares of Yahoo! common stock in August of 2000. In May 2000, the Company received approximately $68.5 million and $5.7 million upon the execution of the second and third tranches, respectively. The Company subsequently settled the second tranche for cash totaling approximately $33.6 million in October of 2000. In November 2000, the Company entered into a new forward sale agreement to hedge the Company's investment in 581,499 shares of Yahoo! common stock. The Company received approximately $31.5 million in connection with this agreement. Under the terms of the new contract, the Company agreed to deliver, at its discretion, either cash or shares of Yahoo! Inc. common stock on August 1, 2001.

During the first three months of fiscal year 2001, the Company, through its limited liability company subsidiaries CMG@Ventures II, LLC, CMG@Ventures III, LLC, CMGI@Ventures IV, LLC, CMGI@Ventures B2B, LLC, CMGI@Ventures Technology Fund, LLC and CMG@Ventures Expansion, LLC acquired initial or follow-on minority ownership interests in thirteen Internet and technology companies for an aggregate total of approximately $42.2 million.

On August 18, 2000, the Company issued approximately 313,000 shares of its common stock to Compaq Computer Corporation as a semi-annual interest payment of approximately $11.5 million related to notes payable issued in the acquisition of AltaVista. On September 30, 2000, the Company issued approximately 7.3 million shares of its common stock as payment of principal and interest totaling approximately $249.8 million related to a note payable that had been issued in the Company's acquisition of Tallan.

On August 23, 2000, the Company announced it has acquired the exclusive naming and sponsorship rights to the New England Patriots' new stadium, to be known as "CMGI Field," for a period of fifteen years. In return for the naming and sponsorship rights, CMGI will pay $7.6 million per year for the first ten years, with consumer price index adjustments for years eleven through fifteen. CMGI will not make its first semi-annual payment under this agreement until January 2002.

On August 25, 2000, the Company and Cable and Wireless plc, completed their previously agreed to exchange of stock. CMGI received approximately 241.0 million shares of PCCW stock in exchange for approximately 13.4 million shares of the Company's common stock. The PCCW stock received was valued at $546.6 million, which represents the value of the CMGI shares issued in the exchange on the date the agreement was executed.

During the first three months of fiscal 2001, the Company's subsidiary, Engage, completed two acquisitions for combined consideration of approximately $257.6 million consisting of approximately 14.9 million shares of Engage common stock valued at approximately $225.7 million, options to purchase Engage common stock at approximately $31.1 million and direct acquisition costs of approximately $907,000.

On December 12, 2000, the Company funded $50.0 million to its subsidiary, NaviSite, under a note and warrant purchase agreement. The annual interest rate on the Initial Note is 7.5% payable quarterly in, at NaviSite's discretion, either cash or NaviSite common stock. The principal amount is due in full by December 12, 2003. The Company has also committed to provide an additional $30.0 million which is restricted to satisfying certain of NaviSite's lease obligations.

The Company intends to continue to fund existing and future Internet efforts, acquire additional companies for cash, stock, or other consideration and to actively seek new CMGI@Ventures investment opportunities. Similar to CMGI's current subsidiaries, future Internet company acquisitions will likely be in early stages of business development and therefore are expected to require additional cash funding by the Company to fund their operations. 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. 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. There can be no assurance, however, that the Company will be able to raise additional capital on terms that are favorable to the Company.

Year 2000 Compliance

The Company and its subsidiaries have not experienced any material problems with network infrastructure, software, hardware and computer systems relating to the inability to recognize appropriate dates related to the year 2000. The Company and its subsidiaries are also not aware of any material Year 2000 problems with customers, suppliers or vendors. Accordingly, the Company and its subsidiaries do not anticipate incurring material expenses or experiencing any material operational disruptions as a result of any Year 2000 issues.

Factors That May Affect Future Results

The Company operates in a rapidly changing environment that involves a number of risks, some of which are beyond the Company's control. Forward-looking statements in this document and those made from time to time by the Company through its senior management are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements concerning the expected future revenues or earnings or concerning projected plans, performance, product development, product release or product shipment, as well as other estimates related to future operations are necessarily only estimates of future results and there can be no assurance that actual results will not materially differ from expectations.

Factors that could cause actual results to differ materially from results anticipated in forward-looking statements include, but are not limited to, the following:

CMGI may not have operating income or net income in the future.

During the fiscal year ended July 31, 2000 and for the three months ended October 31, 2000, CMGI had operating losses of approximately $2.19 billion and $896.7 million, respectively, and net losses of approximately $1.38 billion and $636.6 million, respectively. CMGI anticipates continuing to incur significant operating expenses in the future, including significant costs of revenue and selling, general and administrative and amortization expenses. As a result, CMGI expects to continue to incur operating losses and may not have enough money to grow its business in the future. CMGI can give no assurance that it will achieve profitability or be capable of sustaining profitable operations.

CMGI may have problems raising money it needs in the future.

In recent years, CMGI has financed its operating losses in part with profits from selling some of the stock of companies in which CMGI had invested through the @Ventures funds. This funding source may not be sufficient in the future, and CMGI may need to obtain funding from outside sources. However, CMGI may not be able to obtain funding from outside sources. In addition, even if CMGI finds outside funding sources, CMGI may be required to issue to such outside sources securities with greater rights than those currently possessed by holders of CMGI's currently outstanding securities. CMGI may also be required to take other actions, which may lessen the value of its common stock, including borrowing money on terms that are not favorable to CMGI.

CMGI may incur significant costs to avoid investment company status and may suffer adverse consequences if deemed to be an investment company.

CMGI may incur significant costs to avoid investment company status and may suffer other adverse consequences if deemed to be an investment company under the Investment Company Act of 1940. Some of CMGI's equity investments in other businesses and its venture subsidiaries may constitute investment securities under the Investment Company Act. A company may be deemed to be an investment company if it owns investment securities with a value exceeding 40% of its total assets, subject to certain exclusions. Investment companies are subject to registration under, and compliance with, the Investment Company Act unless a particular exclusion or safe harbor provision applies. If CMGI were to be deemed an investment company, CMGI would become subject to the requirements of the Investment Company Act. As a consequence, CMGI would be prohibited from engaging in business or issuing securities as it has in the past and might be subject to civil and criminal penalties for noncompliance. In addition, certain of CMGI contracts might be voidable, and a court-appointed receiver could take control of CMGI and liquidate its business.

Although CMGI's investment securities currently comprise less than 40% of its total assets, fluctuations in the value of these securities or of CMGI's other assets may cause this limit to be exceeded. Unless an exclusion or safe harbor was available to CMGI, CMGI would have to attempt to reduce its investment securities as a percentage of its total assets. This reduction can be attempted in a number of ways, including the disposition of investment securities and the acquisition of non-investment security assets. If CMGI were required to sell investment securities, CMGI may sell them sooner than it otherwise would. These sales may be at depressed prices and CMGI may never realize anticipated benefits from, or may incur losses on, these investments. CMGI may be unable to sell some investments due to contractual or legal restrictions or the inability to locate a suitable buyer. Moreover, CMGI may incur tax liabilities when selling assets. CMGI may also be unable to purchase additional investment securities that may be important to its operating strategy. If CMGI decides to acquire non-investment security assets, CMGI may not be able to identify and acquire suitable assets and businesses or the terms on which CMGI is able to acquire such assets may be unfavorable.

If CMGI fails to successfully execute on its segmentation strategy, its revenue, earnings prospects and business may be materially and adversely affected.

On September 7, 2000, CMGI announced that it had formally organized its majority-owned operating companies and venture capital affiliates into six segments. These six segments include five operational disciplines - Interactive Marketing; eBusiness and Fulfillment; Search and Portals; Infrastructure and Enabling Technologies; and Internet Professional Services - as well as CMGI's affiliated venture capital arm, CMGI@Ventures. The segmentation strategy includes a focus on:

- market segments in which CMGI can establish a leadership position;
- a planned reduction in the number of operating companies to an optimal number of five to ten in total;
- improved future financial performance including continued revenue growth; and
- a significant reduction in cash flow requirements through improved operating efficiencies in acquisitions, consolidations and divestitures.

To successfully implement its segmentation strategy, CMGI must achieve each of the following:

- overcome the difficulties of integrating its operating companies;
- decrease its cash burn rate;
- improve its cash position and revenue run rate; and
- increase its holdings of marketable securities.

If CMGI fails to address each of these factors, its business prospects for achieving and sustaining profitability, and the market value of its securities may be materially and adversely affected. Even if its implementation of this segmentation strategy is successful, the revised structure and reporting procedures of the new segmentation strategy may not lead to increased market clarity or stockholder value. In addition, the execution of the segmentation strategy, including planned reductions in the number of operating companies, could result in restructuring charges being recorded by CMGI in future periods.

CMGI depends on certain important employees, and the loss of any of those employees may harm CMGI's business.

CMGI's performance is substantially dependent on the performance of its executive officers and other key employees, in particular, David S. Wetherell, CMGI's chairman, president and chief executive officer, Andrew J. Hajducky III, CMGI's executive vice president, chief financial officer and treasurer, and David Andonian, CMGI's president, corporate development. The familiarity of these individuals with the Internet industry makes them especially critical to CMGI's success. In addition, CMGI's success is dependent on its ability to attract, train, retain and motivate high quality personnel, especially for its management team. The loss of the services of any of CMGI's executive officers or key employees may harm its business. CMGI's success also depends on its continuing ability to attract, train, retain and motivate other highly qualified technical and managerial personnel. Competition for such personnel is intense.

There may be conflicts of interest among CMGI's network companies, CMGI's officers, directors and stockholders and CMGI.

Some of CMGI's officers and directors also serve as officers or directors of one or more of CMGI's network companies. As a result CMGI, CMGI's officers and directors, and CMGI's network companies may face potential conflicts of interest with each other and with its stockholders. Specifically, CMGI's officers and directors may be presented with situations in their capacity as officers or directors of one of CMGI's network companies that conflict with their fiduciary obligations as officers or directors of CMGI's company or of another network company.

In fiscal 2000 and the first three months of fiscal 2001, CMGI derived a significant portion of its revenue from a small number of customers and the loss of any of those customers could significantly damage CMGI's business.

During the fiscal year ended July 31, 2000, sales to Cisco accounted for 11% of CMGI's consolidated net revenue and 36% of CMGI's net revenue from its eBusiness and Fulfillment segment. During the three months ended October 31, 2000, sales to Cisco accounted for 8% of CMGI's consolidated net revenue and 15% of CMGI's net revenue from its eBusiness and Fulfillment segment. CMGI currently does not have any agreements with Cisco which obligate this customer to buy a minimum amount of products from CMGI or to designate CMGI as its sole supplier of any particular products or services. During the fiscal year ended July 31, 2000, approximately 12% of CMGI's consolidated net revenue and 35% of net revenue from CMGI's Search and Portals segment was derived from customer advertising contracts serviced by DoubleClick, Inc. During the three months ended October 31, 2000, approximately 4% of CMGI's consolidated net revenue and 27% of net revenue from CMGI's Search and Portals segment was derived from customer advertising contracts serviced by DoubleClick, Inc. CMGI believes that it will continue to derive a significant portion of its operating revenue from sales to a small number of customers.

CMGI's strategy of selling assets of or investments in the companies that it has acquired and developed presents risks.

One element of CMGI's business plan involves raising cash for working capital for its business by selling, in public or private offerings, some of the companies, or portions of the companies, that it has acquired and developed or in which it has invested. Market and other conditions largely beyond CMGI's control affect:

- its ability to engage in such sales;

- the timing of such sales; and

- the amount of proceeds from such sales.

As a result, CMGI may not be able to sell some of these assets. In addition, even if CMGI is able to sell, CMGI may not be able to sell at favorable prices. If CMGI is unable to sell these assets at favorable prices, its business will be harmed.

CMGI's stock price may fluctuate because the value of some of its companies fluctuates.

A portion of CMGI's assets include the equity securities of both publicly traded and non-publicly traded companies. For example, as of December 8, 2000, CMGI directly or through its @Ventures funds owned shares of common stock of Akamai Technologies, Inc., Amazon.com, Inc., divine Interventures, inc., eBay, Inc., Engage, Inc., Hollywood Entertainment, Inc., Kana Communications, Inc., marchFirst, Marketing Services Group, Inc., MotherNature.com, NaviSite, Inc., Netcentives, Inc., Pacific Century CyberWorks, Ltd., Primedia, Inc., Terra Lycos, Inc, Tickets.com, Ventro Corporation, Vicinity Corporation and Yahoo!, Inc., which are publicly traded companies. The market price and valuations of the securities that CMGI holds in these and other companies may fluctuate due to market conditions and other conditions over which CMGI has no control. Fluctuations in the market price and valuations of the securities that CMGI holds in other companies may result in fluctuations of the market price of CMGI's common stock and may reduce the amount of working capital available to CMGI.

CMGI's strategy of expanding its business through acquisitions of other businesses and technologies presents special risks.

CMGI intends to continue to expand through the acquisition of businesses, technologies, products and services from other businesses. Acquisitions involve a number of special problems, including:

- difficulty integrating acquired technologies, operations, and personnel with the existing businesses;

- diversion of management attention in connection with both negotiating the acquisitions and integrating the assets;

- strain on managerial and operational resources as management tries to oversee larger operations;

- exposure to unforeseen liabilities of acquired companies;

- potential issuance of securities in connection with an acquisition with rights that are superior to the rights of holders of CMGI's currently outstanding securities;

- the need to incur additional debt; and

- the requirement to record potentially significant additional future operating costs for the amortization of goodwill and other intangible assets.

CMGI may not be able to successfully address these problems. Moreover, CMGI's future operating results will depend to a significant degree on its ability to successfully manage growth and integrate acquisitions. In addition, many of CMGI's investments are in early-stage companies with limited operating histories and limited or no revenues. CMGI may not be able to successfully develop these young companies.

CMGI faces competition from other acquirors of and investors in Internet-related ventures which may prevent CMGI from realizing strategic opportunities.

Although CMGI creates many of its network companies, it also acquires or invests in existing companies that it believes are complementary to its network and further its vision of the Internet. In pursuing these opportunities, CMGI faces competition from other capital providers and operators of Internet-related companies, including publicly-traded Internet companies, venture capital companies and large corporations. Some of these competitors have greater financial resources than CMGI does. This competition may limit CMGI's opportunity to acquire interests in companies that could advance its vision of the Internet and increase its value.

CMGI's growth places strain on its managerial, operational and financial resources.

CMGI's rapid growth has placed, and is expected to continue to place, a significant strain on its managerial, operational and financial resources. Further, as the number of CMGI's users, advertisers and other business partners grows, CMGI will be required to manage multiple relationships with various customers, strategic partners and other third parties. CMGI's further growth or an increase in the number of its strategic relationships will increase this strain on its managerial, operational and financial resources, inhibiting its ability to achieve the rapid execution necessary to successfully implement its business plan.

CMGI must develop and maintain positive brand name awareness.

CMGI believes that establishing and maintaining its brand names is essential to expanding its business and attracting new customers. CMGI also believes that the importance of brand name recognition will increase in the future because of the growing number of Internet companies that will need to differentiate themselves. Promotion and enhancement of CMGI's brand names will depend largely on its ability to provide consistently high-quality products and services. If CMGI is unable to provide high-quality products and services, the value of its brand names may suffer.

CMGI's quarterly results may fluctuate widely.

CMGI's operating results have fluctuated widely on a quarterly basis during the last several years, and it expects to experience significant fluctuation in future quarterly operating results. Many factors, some of which are beyond CMGI's control, have contributed to these quarterly fluctuations in the past and may continue to do so. Such factors include:

- demand for its products and services;
- payment of costs associated with its acquisitions, sales of assets and investments;
- timing of sales of assets;
- market acceptance of new products and services;
- charges for impairment of long-lived assets in future periods;
- potential restructuring charges in connection with CMGI's segmentation strategy;
- specific economic conditions in the industries in which CMGI competes; and
- general economic conditions.

The emerging nature of the commercial uses of the Internet makes predictions concerning CMGI's future revenues difficult. CMGI believes that period-to-period comparisons of its results of operations will not necessarily be meaningful and should not be relied upon as indicative of its future performance. It is also possible that in some fiscal quarters, CMGI's operating results will be below the expectations of securities analysts and investors. In such circumstances, the price of CMGI's common stock may decline.

The price of CMGI's common stock has been volatile.

The market price of CMGI's common stock has been, and is likely to continue to be, volatile, experiencing wide fluctuations. In recent years, the stock market has experienced significant price and volume fluctuations, which have particularly impacted the market prices of equity securities of many companies providing Internet-related products and services. Some of these fluctuations appear to be unrelated or disproportionate to the operating performance of such companies. Future market movements may adversely affect the market price of CMGI's common stock.

Ownership of CMGI is concentrated.

David S. Wetherell, CMGI's chairman, president and chief executive officer, beneficially owned approximately 11.2% of CMGI's outstanding common stock as of September 30, 2000. As a result, Mr. Wetherell possesses significant influence over CMGI on matters, including the election of directors. Additionally, Compaq owned approximately 13.2% of CMGI's outstanding common stock as of September 30, 2000. The concentration of CMGI's share ownership may:

- delay or prevent a change in its control;
- impede a merger, consolidation, takeover, or other transaction involving CMGI; or
- discourage a potential acquirer from making a tender offer or otherwise attempting to obtain control of CMGI.

CMGI relies on NaviSite for Web site hosting.

CMGI and many of its operating companies rely on NaviSite for network connectivity and hosting of servers. If NaviSite fails to perform such services, CMGI's internal business operations may be interrupted, and the ability of CMGI's operating companies to provide services to customers may also be interrupted. Such interruptions may have an adverse impact on CMGI's business and revenues and its operating companies.

The success of CMGI's network companies depends greatly on increased use of the Internet by business and individuals.

The success of CMGI's network companies depends greatly on increased use of the Internet for advertising, marketing, providing services and conducting business. Commercial use of the Internet is currently at an early stage of development and the future of the Internet is not clear. In addition, it is not clear how effective advertising on the Internet is in generating business as compared to more traditional types of advertising such as print, television and radio. The businesses of CMGI's network companies will suffer if commercial use of the Internet fails to grow in the future.

CMGI network companies are subject to intense competition.

The market for Internet products and services is highly competitive. Moreover, the market for Internet products and services lacks significant barriers to entry, enabling new businesses to enter this market relatively easily. Competition in the market for Internet products and services may intensify in the future. Numerous well-established companies and smaller entrepreneurial companies are focusing significant resources on developing and marketing products and services that will compete with the products and services of CMGI network companies. In addition, many of the current and potential competitors of CMGI network companies have greater financial, technical, operational and marketing resources than those of CMGI network companies. CMGI network companies may not be able to compete successfully against these competitors. Competitive pressures may also force prices for Internet goods and services down and such price reductions may reduce the revenues of CMGI network companies.

Growing concerns about the use of "cookies" may limit Engage's ability to develop user profiles.

Web sites typically place small files of information commonly known as "cookies" on a user's hard drive, generally without the user's knowledge or consent. Cookie information is passed to the Web site through the Internet user's browser software. Engage's technology currently uses cookies to collect information about an Internet user's movement through the Internet. Most of the currently available Internet browsers allow users to modify their browser settings to prevent cookies from being stored on their hard drive, and a small minority of users currently choose to do so. Users can also delete cookies from their hard drive at any time. Some Internet commentators and privacy advocates have suggested limiting or eliminating the use of cookies, and recently, the Federal Trade Commission initiated an informal inquiry into the data collection practices of DoubleClick, Inc. The effectiveness of Engage's technology could be limited by any reduction or limitation in the use of cookies. If the use or effectiveness of cookies is limited, Engage would likely have to switch to other technology that would allow it to gather demographic and behavioral information. This could require significant reengineering time and resources, might not be completed in time to avoid negative consequences to CMGI's business, financial condition or results of operations, and might not be possible at all.

If the United States or other governments regulate the Internet more closely, the businesses of CMGI network companies may be harmed.

Because of the Internet's popularity and increasing use, new laws and regulations may be adopted. These laws and regulations may cover issues such as privacy, pricing, taxation and content. The enactment of any additional laws or regulations may impede the growth of the Internet and the Internet-related business of CMGI network companies and could place additional financial burdens on their businesses.

To succeed, CMGI network companies must respond to the rapid changes in technology and distribution channels related to the Internet.

The markets for the Internet products and services of our network companies are characterized by:

- rapidly changing technology;
- evolving industry standards;
- frequent new product and service introductions;
- shifting distribution channels; and
- changing customer demands.

The success of CMGI network companies will depend on their ability to adapt to this rapidly evolving marketplace. They may not be able to adequately adapt their products and services or to acquire new products and services that can compete successfully. In addition, CMGI network companies may not be able to establish and maintain effective distribution channels.

CMGI network companies face security risks.

Consumer concerns about the security of transmissions of confidential information over public telecommunications facilities is a significant barrier to electronic commerce and communications on the Internet. Many factors may cause compromises or breaches of the security systems CMGI network companies or other Internet sites use to protect proprietary information, including advances in computer and software functionality or new discoveries in the field of cryptography. A compromise of security on the Internet would have a negative effect on the use of the Internet for commerce and communications and negatively impact CMGI network companies' businesses. Security breaches of their activities or the activities of their customers and sponsors involving the storage and transmission of proprietary information, such as credit card numbers, may expose CMGI network companies to a risk of loss or litigation and possible liability. CMGI cannot assure that the security measures of CMGI network companies will prevent security breaches.

The success of the global operations of CMGI network companies is subject to special risks and costs.

CMGI network companies have begun, and intend to continue, to expand their operations outside of the United States. This international expansion will require significant management attention and financial resources. The ability of CMGI network companies to expand their offerings of CMGI's products and services internationally will be limited by the general acceptance of the Internet and intranets in other countries. In addition, CMGI and its network companies have limited experience in such international activities. Accordingly, CMGI and its network companies expect to commit substantial time and development resources to customizing the products and services of its network companies for selected international markets and to developing international sales and support channels.

CMGI expects that the export sales of its network companies will be denominated predominantly in United States dollars. As a result, an increase in the value of the United States dollar relative to other currencies may make the products and services of its network companies more expensive and, therefore, potentially less competitive in international markets. As CMGI network companies increase their international sales, their total revenues may also be affected to a greater extent by seasonal fluctuations resulting from lower sales that typically occur during the summer months in Europe and other parts of the world.

CMGI network companies could be subject to infringement claims.

From time to time, CMGI network companies have been, and expect to continue to be, subject to third party claims in the ordinary course of business, including claims of alleged infringement of intellectual property rights. Any such claims may damage the businesses of CMGI network companies by:

- subjecting them to significant liability for damages;
- resulting in invalidation of their proprietary rights;
- being time-consuming and expensive to defend even if such claims are not meritorious; and
- resulting in the diversion of management time and attention.

CMGI network companies may have liability for information retrieved from the Internet.

Because materials may be downloaded from the Internet and subsequently distributed to others, CMGI network companies may be subject to claims for defamation, negligence, copyright or trademark infringement, personal injury or other theories based on the nature, content, publication and distribution of such materials.

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, 2000 include strategic equity positions in the Internet industry sector, 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, with the exception of the Yahoo! common stock as discussed below.. A 20% adverse change in equity prices, based on a sensitivity analysis of the equity component of the Company's available-for-sale securities portfolio as of October 31, 2000, would result in an approximate $100.2 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 and during the third and fourth quarters of fiscal 2000 the Company entered into a forward sale arrangement with respect to a portion of its Yahoo! Inc. common stock - See note L to the Interim Unaudited Consolidated Financial Statements . 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, 2000, the Company was primarily exposed to the London Interbank Offered Rate (LIBOR) interest rate on its outstanding 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

On August 2, 2000, the Company acquired additional ownership interests in Freeup LLC ("Freeup"). Pursuant to the terms of the acquisition agreement, on such date the Company, among other things, issued and sold 28,153 shares of its Common Stock to Compaq Computer Corporation (Compaq), for an aggregate purchase price of $2,000,000. The shares of Common Stock were issued and sold to Compaq in reliance on Section 4(2) of the Securities Act of 1933, as amended, as a sale by the Company not involving a public offering. No underwriters were involved with the issuance and sale of the shares of Common Stock.

On August 25, 2000, the Company and Cable and Wireless Far East Limited ("C&W") completed an exchange of stock. The Company received 241,013,597 shares of Pacific Century Cyberworks Limited then held by C&W in exchange for 13,413,816 shares of the Company's Common Stock. The shares of Common Stock were issued and sold to C&W in reliance on Section 4(2) of the Securities Act of 1933, as amended, as a sale by the Company not involving a public offering. No underwriters were involved with the issuance and sale of the shares of Common Stock.

On September 15, 2000, pursuant to the terms of convertible notes issued by the Company on September 15, 1999 to certain of the former stockholders of cha! Technologies Services, Inc. ("cha!") in connection with the Company's acquisition of cha!, the Company issued an aggregate of 297,016 shares of Common Stock to the noteholders upon conversion of such notes. The shares of Common Stock were issued in reliance on Section 3(a)(9) of the Securities Act of 1933, as amended, as a security exchanged by the issuer with its existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. No underwriters were involved with the issuance and sale of the shares of Common Stock.

On September 30, 2000, pursuant to the terms of promissory notes issued by the Company on March 31, 2000 to certain of the former stockholders of Tallan, Inc. ("Tallan") in connection with the Company's acquisition of Tallan, the Company issued an aggregate of 7,250,615 shares of Common Stock to the noteholders upon conversion of such notes. The shares of Common Stock were issued in reliance on Section 3(a)(9) of the Securities Act of 1933, as amended, as a security exchanged by the issuer with its existing security holders exclusively where no commission or other remuneration is paid or given directly or indirectly for soliciting such exchange. No underwriters were involved with the issuance and sale of the shares of Common Stock.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The Exhibits listed in the Exhibit Index immediately preceding such Exhibits are filed as part of or are included in this Quarterly Report on Form 10-Q.

(b) Reports on Form 8-K

On August 17, 2000, the Company filed a Current Report on Form 8-K dated August 16, 2000 to file under Item 5 (Other Events) the following financial statements:

Audited consolidated balance sheet of AdForce, Inc. as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999.

Audited consolidated balance sheet of Flycast Communications Corporation as of December 31, 1999, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for the year ended December 31, 1999.

Unaudited Pro Forma condensed combined financial information of Registrant for the nine months ended April 30, 2000 and the twelve months ended July 31, 1999.

On August 18, 2000, the Company filed a Current Report on Form 8-K dated August 18, 2000 to file under Item 5 (Other Events) the following financial statements:

Unaudited financial statements of uBid, Inc. as of March 31, 2000 and for the three months ended March 31, 1999 and 2000.

SIGNATURE

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: December 15, 2000

Andrew J. Hajducky III
Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

EXHIBIT INDEX

Item	Description
10.1	Share Sale Agreement dated as of February 29, 2000 by and between the Registrant and Cable & Wireless Far East Limited.
10.2	Registration Rights Agreement dated as of August 24, 2000 by and between the Registrant and Cable & Wireless Far East Limited.
27.1	Financial Data Schedule for the three months ended October 31, 2000.

EXHIBIT 10.1

THIS AGREEMENT is made on 29 February, 2000 BETWEEN:

(1) CABLE AND WIRELESS FAR EAST LIMITED whose principal office is at 39th Floor, Hongkong Telecom Tower, Taikoo Place, 979 Kings Road, Quarry Bay, Hong Kong (the "Company"); and

(2) CMGI, INC. whose principal office is at 100, Brickstone Square, Andover, MA 01810, USA (the "CMGI").

WHEREAS:

(A) The Company is the registered owner of approximately 54 per cent. of the issued share capital of HKT.

(B) PCCW intends to make the Offer for the whole of the issued share capital of HKT.

(C) The Company intends to accept the Offer.

(D) CMGI is willing, on the terms set out in this agreement to issue the New CMGI Shares to the Company in consideration for the issue or transfer to it of the New Shares at the direction of or by the Company.

IT IS AGREED as follows:

1. INTERPRETATION

In this agreement:

"Base Ratio" means the average of the ratio of the closing sale price for CMGI Shares on Nasdaq and PCCW Shares on the Hong Kong Stock Exchange (converted into US$ in accordance with the spot rate as shown on the New York Federal Noon Rate) for the 20 Business Days up to and including 25 February, 2000, (being 0.0244), as such ratio may be adjusted for any subsequent splits, consolidations, combinations or reclassifications of CMGI Shares or PCCW Shares subsequent to 25 February, 2000;

"Business Day" means a day (other than a Saturday or Sunday) on which banks in Hong Kong, London and New York are open for general business;

"CMGI Shares" means the ordinary shares of common stock, par value US$0.01 per share of CMGI;

"C&W" means Cable and Wireless plc (registered number 238525) whose registered office is at 124 Theobalds Road, London WC1X 8RX;

"C&W Group" means C&W and each of its subsidiaries (as such term is defined in the Companies Act 1985 of England and Wales);

"Exchange Ratio" means the average of the ratio of the closing sale price for CMGI Shares on Nasdaq and PCCW Shares on the Hong Kong Stock Exchange (converted into US$ in accordance with clause 2(2) below) for the 15 Business Days immediately prior to the Settlement Date;

"HK$" means Hong Kong dollars, the official currency of the Hong Kong Special Administrative Region;

"HKT" means Cable and Wireless HKT Limited whose principal place of business is at 39th Floor, Hong Kong Telecom Tower, Taikoo Place, 979 Kings Road, Quarry Bay, Hong Kong;

"Hong Kong Stock Exchange" means The Stock Exchange of Hong Kong Limited;

"Nasdaq" means the Nasdaq National Market;

"New CMGI Shares" means the new shares of common stock, per value $0.01 per share of CMGI issued pursuant to this agreement;

"New Shares" means the new ordinary shares of HK$0.05 each in the capital of PCCW issued pursuant to the Offer, which are to be transferred pursuant to this agreement;

"Offer" means the offer by Doncaster Group Limited to acquire the whole of the issued ordinary share capital of HKT (other than the shares currently owned by PCCW or any of its wholly-owned subsidiaries) on the terms and subject, inter alia, to the Conditions set out in the Announcement;

"PCCW" means Pacific Century Cyber Works Limited whose principal office is at 38th Floor, Citibank Tower, Citibank Plaza, 3 Garden Road, Central, Hongkong;

"PCCW Shares" means the ordinary shares of HK$0.05 each in the capital of PCCW;

"Securities Act" means the United States Securities Act of 1933, as amended;

"subsidiary" means a subsidiary as defined in section 736 of the Companies Act 1985; and

"US$" means United States dollars, the official currency of the United States of America.

2. SHARE SALE

(1) Conditional upon the Offer being declared wholly unconditional in all respects and settlement of the consideration due to the Company by PCCW being duly made (the "Offer Closing"), CMGI agrees to issue the number of CMGI Shares determined under clause 2(2) below to the Company (or as it directs) in consideration for the Company agreeing to:

   (i) use its reasonable endeavours to procure the issue of New Shares determined under clause 2(2) below to CMGI (or as it directs); or

   (ii) in the event of it failing to procure the issue of those shares to CMGI, it transferring (or procuring the transfer of) the New Shares to CMGI.

(2) The number of CMGI Shares to be issued pursuant to clause 2(1) above shall be such number as have a value of US$500 million, based on the average of the closing sale prices for CMGI Shares on Nasdaq over the 15 Business Days immediately prior to Settlement Date. The

number of New Shares to be transferred pursuant to clause 2(1) above shall be such number as have a value of US$500 million based on the average of the closing sale prices for PCCW Shares on the Hong Kong Stock Exchange over the 15 Business Days immediately prior to the Settlement Date. For the purpose of this clause 2(2), the exchange rate for calculating the value of the New Shares in US$ shall be the spot rate of exchange (the closing mid-point) for HK$ into US$ on the Business Day immediately preceding the Settlement Date as shown on the New York Federal Noon Rate or where no such rate is published in respect of that currency for such date at the rate quoted by HSBC as at the close of business in Hong Kong as at such date.

(3) If the Exchange Ratio is greater than or equal to 115 per cent. of the Base Ratio or less than or equal to 85 per cent. of the Base Ratio, then either party may elect to terminate this agreement by notice in writing to the other. If an election is made then this agreement shall cease to have any effect and neither of the parties shall have any rights or liabilities under this agreement.

3. SETTLEMENT

(1) At 2.00 p.m. local time on the second Business Day (or such other date and time as the parties agree) (the "Settlement Date") after the date on which the New Shares are issued to the Company (or as it directs) pursuant to the Offer (which date shall be notified by the Company to CMGI as soon as it becomes aware thereof) the Company shall deliver, or cause to be delivered, to CMGI share certificate(s) in respect of the New Shares in favour of CMGI (or as it directs) and unless such New Shares shall have been issued to CMGI (or as it directs), an executed instrument of transfer in favour of CMGI (or as it directs), and such other documents and shall do or procure to be done such other things as shall be required to effect the issue or transfer of the New Shares to CMGI or as it may direct, whereupon CMGI shall issue the New CMGI Shares providing for the registration rights set forth in Schedule 1 and having such other terms as are customary for registration rights providing for registration rights of that type.

(2) In the event that prior to the Offer being declared wholly unconditional in all respects, the Company transfers its interest in HKT to another member of the C&W Group (the "Transferee") then the Transferee shall take all actions, sign all documents and do all things necessary to give effect to the issue or transfer of the New Shares to CMGI as set out in clause 3(1) above, whereupon CMGI will issue the New CMGI Shares to the Transferee (or as it directs) and shall deliver a registration rights agreement in relation to the New CMGI Shares providing for the registration rights set forth in Schedule 1 and having such other terms as are customary for registration rights providing for registration rights of that type.

(3) In the event that the condition in 2(i) the Company undertakes to use its reasonable endeavours to procure the issue of the New Shares to CMGI (or as it directs) pursuant to this agreement. In the event that it is unable to procure the issue of the New Shares directly to CMGI (or as it directs) and any stamp duty or other transfer tax or duty arises as a result of the transfer to CMGI of the New Shares hereunder, then this shall be borne by the Company.

(4) The Company shall not and shall procure that any Transferee shall not, directly or indirectly, sell, dispose of or otherwise transfer any of the Company's interest in, or acquire or sell any options or other securities relating to, or that would be intended to reduce the Company's risk relative to, the New CMGI Shares for a period of six (6) months from the Settlement Date with respect to one half of the CMGI Shares and for a period of one year from the Settlement Date for the other one half of the CMGI Shares unless the sale, disposition or transfer is made to a member of the C&W Group and such entity has signed an agreement acceding to the

obligations of the parties to this Agreement. In the event the Company or the transferee as the case may be effects a sale, disposition or transfer to an entity pursuant to and, subsequent thereto, the entity ceases to be a member of the C&W Group, all necessary steps shall be taken to transfer as soon as practicable the New CMGI Shares held by the entity to a member of the C&W Group.

4. WARRANTIES

(1) The Company warrants that it is entitled to execute and perform this agreement and to transfer the full legal and beneficial ownership of the New Shares to CMGI on the terms of this agreement and that the same will be acquired by CMGI hereunder fully paid and free from all encumbrances and free of any contractual limitation upon transfer.

(2) CMGI warrants that it has the corporate power and authority to execute and perform this agreement and that the New CMGI Shares will be issued as fully paid up and will rank pari passu with the existing issued ordinary shares of common stock, par value US$0.01 per share of CMGI.

(3) The Company hereby represents, warrants and undertakes to CMGI (to the intent that the provision of this Clause shall continue to have full force and effect notwithstanding completion of the issue and transfer provided for in clause 3 above) that:

(i) Purchase for Own Account. The New CMGI Shares are being acquired for investment for the Company's own account, not as a nominee or agent, and not with a view to the public resale or distribution thereof within the meaning of the Securities Act and the Company had no present intention of selling or granting any particpation in or otherwise distributing the service. The Company also represents that it has not been formed for the specific purpose of acquiring the New CMGI Shares.

(ii) Investment Experience. The Company understands that the purchase of the New CMGI Shares involves substantial risk. The Company has experience as an investor in securities of companies and acknowledges that it is able to fend for itself, can bear the economic risk of its investment in the New CMGI Shares and has such knowledge and experience in financial or business matters that it is capable of evaluating the merits and risks of this investment in the New CMGI Shares and protecting its own interests in connection with this investment.

(iii) Accredited Investor Status. The Company is an "accredited investor" within the meaning of Regulation D promulgated under the Securities Act

(iv) Restricted Securities. The Company hereby acknowledges and agrees with CMGI that the New CMGI Shares have not been registered under the Securities Act and may not be offered or sold except pursuant to registration statement or to an exemption from the registration requirements of the Securities Act, the Company further agrees that it has not entered and will not enter into any contractual arrangement with respect to the distribution or delivery of the New CMGI Shares, other than (i) pursuant to Rule 144 under the Securities Act, (ii) pursuant to an effective registration statement or (iii) pursuant to any transaction that does not require registration under the Securities Act. The Company is familiar with Rule 144 under the Securities Act, as presently in effect, and understands the resale limitations imposed thereby and by the Securities Act.

(v) Legends. The Company agrees that the certificates for the New CMGI Shares shall bear the following legend:

THE SHARES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933 OR WITH ANY STATE SECURITIES COMMISSION, AND MAY NOT BE TRANSFERRED OR DISPOSED OF BY THE HOLDER IN THE ABSENCE OF A REGISTRATION STATEMENT WHICH IS EFFECTIVE UNDER THE SECURITIES ACT OF 1933 AND APPLICABLE STATE LAWS AND RULES, OR, UNLESS, IMMEDIATELY PRIOR TO THE TIME SET FOR TRANSFER, SUCH TRANSFER MAY BE EFFECTED WITHOUT VIOLATION OF THE SECURITIES ACT OF 1933 AND OTHER APPLICABLE STATE LAWS AND RULES. THE SHARES REPRESENTED BY THIS CERTIFICATE ARE SUBJECT TO RESTRICTIONS ON TRANSFER CONTAINED IN THE AGREEMENT MADE ON [DATE], 2000, BETWEEN THE COMPANY AND [NAME OF C&W FE], A COPY OF WHICH IS ON FILE WITH THE COMPANY.

In addition, the Company agrees that in the event CMGI reasonably believes that the Company has failed to comply with the terms of this Agreement or the requirements of the Securities Act, CMGI may place stop transfer orders with its transfer agents with respect to such certificates. The appropriate portion of the legend and the stop transfer orders will be removed promptly upon delivery to CMGI of such satisfactory evidence as reasonably may be required by CMGI, that such legend or stop orders are not required to ensure compliance with the Securities Act.

5. EXPENSES

Each party to this agreement shall bear their own costs in relation hereto.

6. SUPPLEMENTAL

(1) Time is of the essence in relation to any obligation under this agreement.

(2) This agreement is governed by and shall be construed in accordance with English law and CMGI submits to the jurisdiction of the English courts for all purposes relating to this agreement. For these purposes CMGI irrevocably appoints Skadden Arps Slate Meagher & Flom, London as its agent for service of process.

(3) The Company agrees that it will after the transfer of the New Shares execute and do all such deeds, documents, acts and things as CMGI may from time to time reasonably require in order to vest the New Shares in CMGI.

(4) This agreement may be executed in counterparts, both of which taken together shall constitute one and the same agreement.

(5) This agreement shall be binding on and inure solely to the benefit of CMGI and the Company and their respective successors and assigns. Neither party shall assign any of its rights hereunder without the prior consent of the other party, which consent shall not be unreasonably withheld or delayed.

(6) The exercise of or failure to exercise any right or remedy of any breach of this agreement shall not, except as provided herein, constitute a waiver by such party of any other right or remedy it may have in respect of that breach.

(7) Any right or remedy conferred by this agreement on any party for breach of this agreement by the other party (including without limitation the breach of any representations and warranties) shall be in addition and without prejudice to all other rights and remedies available to it in respect of that breach.

(8) This agreement constitutes the entire agreement between the parties with respect to its subject matter (neither party having relied on any representation or warranty made by the other party which is not contained in this agreement) and no variation of this agreement shall be effective unless made in writing and signed by both parties.

(9) This agreement supersedes all and any previous agreements, arrangements or understanding between the parties relating to the matters referred to in this agreement and all such previous agreements, arrangements or understanding (if any) shall cease to have any effect from the date hereof.

(10) If at any time a provision of this agreement which is not a fundamental term is or becomes illegal, void or unenforceable in any respect, the remaining provisions hereof shall in no way be affected or impaired thereby.

AS WITNESS the hands of the duly authorised representatives of the parties on the date which appears first on page 1.

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SIGNED on behalf of              )
CABLE AND WIRELESS               )
FAR EAST LIMITED                 )
by Simon R. Smith                ) /s/ Simon R. Smith
in the presence of:              )
       /s/ illegible


SIGNED on behalf of              )
CMGI INC.                        )
By Andrew J. Hajducky III        ) /s/ Andrew J. Hajducky III
in the presence of:              )
       /s/ illegible
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SCHEDULE 1

Demand Registration Rights:

During the period commencing six months after the Settlement Date and ending 12 months after the Settlement Date (the "Initial Registration Period") the Company shall be entitled to request that CMGI file and cause to be declared effective one registration statement under the Securities Act of 1933 that registers up to 50% of the New CMGI Shares (it being understood that there shall be no blackouts for previously filed registration statements).

If, during the period commencing 12 months after the Settlement Date and ending 24 months after the Settlement Date, the Company is unable to sell under Rule 144 under the Securities Act all of the New CMGI Shares then held by the Company (except for any New CMGI Shares included on a registration statement requested to be filed during the Initial Registration Period) having regard only to the volume limitations under Rule 144(e) of the Securities Act, then the Company shall be entitled to request that CMGI file and cause to be declared effective one registration statement under the Securities Act of 1933 that registers up to all of the New CMGI Shares then held by the Company, except for any New CMGI Shares included on a registration statement requested to be filed during the Initial Registration Period (it being understood that there shall be no blackouts for previously filed registration statements).

Piggy-back Registration Rights:

None

EXHIBIT 10.2

CMGI, INC.

REGISTRATION RIGHTS AGREEMENT

This Agreement dated as of August 24, 2000 is entered into by and among CMGI, Inc., whose principal office is at 100 Brickstone Square, Andover, MA 01810, USA (the "Company"), and Cable & Wireless Far East Limited, whose principal office is at 39/th/ Floor, Hongkong Telecom Tower, Taikoo Place, 979 Kings Road, Quarry Bay, Hong Kong ("C&W").

Recitals

WHEREAS, the Company and C&W have entered into a Share Sale Agreement dated February 29, 2000 (the "Share Agreement"); and

WHEREAS, the Company and C&W desire to provide for certain arrangements with respect to the registration of the Registrable Shares (as defined in the Share Agreement) under the U.S. Securities Act of 1933, as amended.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement, the parties hereto agree as follows:

1. Certain Definitions.

As used in this Agreement, the following terms shall have the following respective meanings:

"Commission" means the U.S. Securities and Exchange Commission, or any other federal agency at the time administering the Securities Act.

"Common Stock" means the common stock, U.S.$0.01 par value per share, of the Company.

"Exchange Act" means the U.S. Securities Exchange Act of 1934, as amended, or any successor federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

"Indemnified Party" shall have the meaning set forth in Section 2.4(c).

"Indemnifying Party" shall have the meaning set forth in Section 2.4(c).

"New CMGI Shares" shall have the meaning specified in Section 1 of the Share Agreement.

"Other Holders" shall have the meaning set forth in Section 2.1(d).

"Prospectus" means the prospectus included in any Registration Statement, as amended or supplemented by an amendment or prospectus supplement, including post-effective amendments, and all material incorporated by reference or deemed to be incorporated by reference in such Prospectus.

"Registration Expenses" means the expenses described in Section 2.3.

"Registrable Shares" means (i) the New CMGI Shares and (ii) any other shares of Common Stock issued in respect of such shares (because of stock splits, stock dividends, reclassifications, recapitalizations, or similar events); provided, however, that shares of Common Stock which are Registrable Shares shall cease to be Registrable Shares upon any sale pursuant to a Registration Statement or Rule 144 under the Securities Act.

"Remaining Unregistered Shares" shall have the meaning set forth in Section 2.1(b).

"Securities Act" means the U.S. Securities Act of 1933, as amended, or any successor federal statute, and the rules and regulations of the Commission issued under such Act, as they each may, from time to time, be in effect.

2. Registration Rights

2.1. Required Registrations.

(a) At any time during the period commencing February 24, 2001 and ending on August 24, 2001, C&W may request, in writing, that the Company effect the registration under the Securities Act of up to 50% of the Registrable Shares; provided, that the Company shall not be required to effect more than one registration pursuant to this Section 2.1(a).

(b) At any time during the period commencing August 24, 2001 and ending August 24 2002, C&W may request, in writing, that the Company effect the registration under the Securities Act of all Registrable Shares that have not previously been registered pursuant to Section 2.1(a) (the "Remaining Unregistered Shares"); provided, that the Company shall not be obligated to register any Registrable Shares pursuant to this Section 2.1(b) if, at the time such request for registration is made by C&W, C&W may sell all of the Remaining Unregistered Shares under Rule 144 under the Securities Act without regard to the volume limitations contained in paragraph (e) of Rule 144; and provided, further that the Company shall not be required to effect more than one registration pursuant to this Section 2.1(b).

(c) Upon receipt of any request for registration pursuant to this Section 2, the Company shall, as expeditiously as possible, use its reasonable best efforts to effect the registration on an appropriate registration form (a "Registration Statement") of all Registrable Shares which C&W is entitled to have registered and has requested the Company to so register.

(d) If C&W intends to distribute the Registrable Shares covered by its request by means of an underwriting, it shall so advise the Company as a part of its request made pursuant to Section 2.1(a) or (b), as the case may be. If the managing underwriter determines that the marketing factors require a limitation of the number of shares to be underwritten, the number of Registrable Shares to be included in a Registration Statement filed pursuant to this Section 2.1, shall be reduced to the extent deemed advisable by the managing underwriter.

If the Company desires that any officers or directors of the Company holding securities of the Company be included in any registration for an underwritten offering requested pursuant to Section 2.1(d) or if other holders of securities of the Company who are entitled, by contract with the Company, to have securities included in such a registration (the "Other Holders") request such inclusion, the Company may include the securities of such officers, directors and Other Holders in such registration and underwriting on the terms set forth herein. The Company shall (together with C&W and all officers, directors and Other Holders proposing to distribute their securities through such underwriting) enter into an underwriting agreement in customary form (including, without limitation, customary indemnification and contribution provisions on the part of the Company) with the managing underwriter. Notwithstanding any other provision of this Section 2.1(d), if the managing underwriter advises the Company that the inclusion of all shares requested to be registered would adversely affect the offering, the securities of the Company held by officers or directors of the Company shall be excluded from such registration and underwriting to the extent deemed advisable by the managing underwriter, and if a further limitation of the number of shares is required, the number of shares that may be included in such registration and underwriting by C&W and such Other Holders shall be reduced , pro rata based upon the number of shares requested to be registered by C&W and such Other Holders, to the extent deemed advisable by the managing underwriter. If the managing underwriter has not limited the number of Registrable Shares or other securities to be underwritten, the Company may include securities for its own account in such registration if the managing underwriter so agrees and if the number of Registrable Shares and other securities which would otherwise have been included in such registration and underwriting will not thereby be limited.

(e) C&W shall have the right to select the managing underwriter(s) for any underwritten offering requested pursuant to Section 2.1(a) or (b), subject to the approval of the Company, which approval will not be unreasonably withheld.

(f) For purposes of this Section 2, a Registration Statement shall not be counted until such time as such Registration Statement has been declared effective by the Commission (unless C&W withdraws its request for such registration (other than as a result of information concerning the business or financial condition of the Company which is made known to C&W after the date on which such registration was requested) and elects not to pay the Registration Expenses therefor pursuant to Section 2.3).

(g) If at the time of any request to register Registrable Shares by C&W pursuant to this Section 2.1, the Company is engaged or has plans to engage in any activity which, in the good faith determination of the Company's Board of Directors, would be adversely affected by the requested registration, then the Company may at its option direct that such request be delayed for a period not in excess of 90 days from the date of such request, such right to delay a request to be exercised by the Company not more than once in any 12-month period.

2.2. Registration Procedures.

(a) If and whenever the Company is required by the provisions of this Agreement to use its reasonable best efforts to effect the registration of any Registrable Shares under the Securities Act, the Company shall:

(i) file with the Commission a Registration Statement with respect to such Registrable Shares and use its reasonable best efforts to cause that Registration Statement to become effective as soon as possible;

(ii) as expeditiously as possible prepare and file with the Commission any amendments and supplements to the Registration Statement and the prospectus included in the Registration Statement as may be necessary to comply with the provisions of the Securities Act (including the anti-fraud provisions thereof) and to keep the Registration Statement effective for 12 months from the effective date or such lesser period until all such Registrable Shares are sold;

(iii) as expeditiously as possible furnish to C&W such reasonable numbers of copies of the Prospectus, including any preliminary Prospectus, in conformity with the requirements of the Securities Act, and such other documents as C&W may reasonably request in order to facilitate the public sale or other disposition of the Registrable Shares owned by C&W and covered by the applicable Registration Statement;

(iv) as expeditiously as possible use its reasonable best efforts to register or qualify the Registrable Shares covered by the Registration Statement under the securities or Blue Sky laws of such states as C&W shall reasonably request, and do any and all other acts and things that may be necessary or desirable to enable C&W to consummate the public sale or other disposition in such states of the Registrable Shares owned by C&W and covered by the applicable Registration Statement; provided, however, that the Company shall not be required in connection with this paragraph (iv) to qualify as a foreign corporation or execute a general consent to service of process in any jurisdiction;

(v) as expeditiously as possible, cause all such Registrable Shares to be listed on each securities exchange or automated quotation system on which similar securities issued by the Company are then listed;

(vi) promptly provide a transfer agent and registrar for all such Registrable Shares not later than the effective date of such registration statement;

(vii) promptly make available for inspection by C&W, any managing underwriter participating in any disposition pursuant to such Registration Statement, and any attorney or accountant or other agent retained by any such underwriter or selected by C&W, all financial and other records, pertinent corporate documents and properties of the

Company and cause the Company's officers, directors, employees and independent accountants to supply all information reasonably requested by any such seller, underwriter, attorney, accountant or agent in connection with such Registration Statement;

(viii) as expeditiously as possible, notify C&W, promptly after it shall receive notice thereof, of the time when such Registration Statement has become effective or a supplement to any Prospectus forming a part of such Registration Statement has been filed; and

(ix) as expeditiously as possible following the effectiveness of such Registration Statement, notify C&W of any request by the Commission for the amending or supplementing of such Registration Statement or Prospectus.

(b) If the Company has delivered a Prospectus to C&W and after having done so the Prospectus is amended to comply with the requirements of the Securities Act, the Company shall promptly notify C&W and, if requested, C&W shall immediately cease making offers of Registrable Shares and return all Prospectuses to the Company. The Company shall promptly provide C&W with revised Prospectuses and, following receipt of the revised Prospectuses, C&W shall be free to resume making offers of the Registrable Shares.

(c) In the event that, in the judgment of the Company, it is advisable to suspend use of a Prospectus included in a Registration Statement due to pending material developments or other events that have not yet been publicly disclosed and as to which the Company believes public disclosure would be detrimental to the Company, the Company shall notify C&W to such effect, and, upon receipt of such notice, C&W shall immediately discontinue any sales of Registrable Shares pursuant to such Registration Statement until C&W has received copies of a supplemented or amended Prospectus or until C&W is advised in writing by the Company that the then current Prospectus may be used and has received copies of any additional or supplemental filings that are incorporated or deemed incorporated by reference in such Prospectus. Notwithstanding anything to the contrary herein, the Company shall not exercise its rights under this Section 2.2(c) to suspend sales of Registrable Shares for a period in excess of 60 days in any 12-month period.

2.3. Allocation of Expenses. The Company will pay all Registration Expenses for all registrations under this Agreement; provided, however, that if a registration under Section 2.1 is withdrawn at the request of C&W (other than as a result of information concerning the business or financial condition of the Company which is made known to the Stockholders after the date on which such registration was requested) and if C&W elects not to have such registration counted as a registration requested under Section 2.1, C&W shall pay the Registration Expenses of such registration. For purposes of this Section, the term "Registration Expenses" shall mean all expenses incurred by the Company in complying with this Agreement, including, without limitation, all registration and filing fees, exchange listing fees, printing expenses, fees and expenses of counsel for the Company state Blue Sky fees and expenses, and the expense of any special audits incident to or required by any such registration, but excluding underwriting fees and discounts, selling commissions and the fees and expenses of C&W's own counsel, which shall be borne by C&W in any event.

2.4. *Indemnification and Contribution.*

(a) In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, the Company will indemnify and hold harmless C&W, each underwriter of such Registrable Shares, and each other person, if any, who controls C&W or such underwriter within the meaning of the Securities Act or the Exchange Act against any losses, claims, damages or liabilities, joint or several, to which C&W, or underwriter or controlling person may become subject under the Securities Act, the Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of any material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to such Registration Statement, or arise out of or are based upon the omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading; and the Company will reimburse C&W, such underwriter and each such controlling person for any legal or any other expenses reasonably incurred by C&W, such underwriter or controlling person in connection with investigating or defending any such loss, claim, damage, liability or action; *provided*, *however*, that the Company will not be liable in any such case to the extent that any such loss, claim, damage or liability arises out of or is based upon any untrue statement or omission made in such Registration Statement, preliminary prospectus or prospectus, or any such amendment or supplement, in reliance upon and in conformity with information furnished to the Company by or on behalf of C&W, such underwriter or controlling person for use in the preparation thereof.

(b) In the event of any registration of any of the Registrable Shares under the Securities Act pursuant to this Agreement, C&W will indemnify and hold harmless the Company, each of its directors and officers and each underwriter (if any) and each person, if any, who controls the Company or any such underwriter within the meaning of the Securities Act or the Exchange Act, against any losses, claims, damages or liabilities, joint or several, to which the Company, such directors and officers, underwriter or controlling person may become subject under the Securities Act, Exchange Act, state securities or Blue Sky laws or otherwise, insofar as such losses, claims, damages or liabilities (or actions in respect thereof) arise out of or are based upon any untrue statement or alleged untrue statement of a material fact contained in any Registration Statement under which such Registrable Shares were registered under the Securities Act, any preliminary prospectus or final prospectus contained in the Registration Statement, or any amendment or supplement to the Registration Statement, or arise out of or are based upon any omission or alleged omission to state a material fact required to be stated therein or necessary to make the statements therein not misleading, if the statement or omission was made in reliance upon and in conformity with information relating to C&W furnished to the Company by or on behalf of C&W for use in connection with the preparation of such Registration Statement, prospectus, amendment or supplement; *provided*, *however*, that the obligations of

C&W hereunder shall be limited to an amount equal to the net proceeds to C&W of Registrable Shares sold in connection with such registration.

(c) Each party entitled to indemnification under this Section (the "Indemnified Party") shall give notice to the party required to provide indemnification (the "Indemnifying Party") promptly after such Indemnified Party has actual knowledge of any claim as to which indemnity may be sought, and shall permit the Indemnifying Party to assume the defense of any such claim or any litigation resulting therefrom; provided, that counsel for the Indemnifying Party, who shall conduct the defense of such claim or litigation, shall be approved by the Indemnified Party (whose approval shall not be unreasonably withheld); and, provided, further, that the failure of any Indemnified Party to give notice as provided herein shall not relieve the Indemnifying Party of its obligations under this Section except to the extent that the Indemnifying Party is adversely affected by such failure. The Indemnified Party may participate in such defense at such party's expense; provided, however, that the Indemnifying Party shall pay such expense if representation of such Indemnified Party by the counsel retained by the Indemnifying Party would be inappropriate due to actual or potential differing interests between the Indemnified Party and any other party represented by such counsel in such proceeding; provided further that in no event shall the Indemnifying Party be required to pay the expenses of more than one law firm per jurisdiction as counsel for the Indemnified Party. The Indemnifying Party also shall be responsible for the expenses of such defense if the Indemnifying Party does not elect to assume such defense. No Indemnifying Party, in the defense of any such claim or litigation shall, except with the consent of each Indemnified Party, consent to entry of any judgment or enter into any settlement which does not include as an unconditional term thereof the giving by the claimant or plaintiff to such Indemnified Party of a release from all liability in respect of such claim or litigation, and no Indemnified Party shall consent to entry of any judgment or settle such claim or litigation without the prior written consent of the Indemnifying Party, which consent shall not be unreasonably withheld.

(d) In order to provide for just and equitable contribution in circumstances in which the indemnification provided for in this Section 2.4 is due in accordance with its terms but for any reason is held to be unavailable to an Indemnified Party in respect to any losses, claims, damages and liabilities referred to herein, then the Indemnifying Party shall, in lieu of indemnifying such Indemnified Party, contribute to the amount paid or payable by such Indemnified Party as a result of such losses, claims, damages or liabilities to which such party may be subject in such proportion as is appropriate to reflect the relative fault of the Company on the one hand and C&W on the other in connection with the statements or omissions which resulted in such losses, claims, damages or liabilities, as well as any other relevant equitable considerations. The relative fault of the Company and C&W shall be determined by reference to, among other things, whether the untrue or alleged untrue statement of material fact related to information supplied by the Company or C&W and the parties' relative intent, knowledge, access to information and opportunity to correct or prevent such statement or omission. The Company and C&W agree that it would not be just and equitable if contribution pursuant to this Section 2.4 were determined by pro rata allocation or by any other method of allocation which does not take account of the equitable considerations referred to above. Notwithstanding the provisions of this Section 2.4(d), (a) in no case shall C&W be liable or responsible for any amount in excess of the net proceeds received by C&W from the offering of Registrable Shares and (b) the Company shall be liable and responsible for any amount in excess of such proceeds; *provided, however*, that no person guilty of fraudulent misrepresentation (within the meaning of Section 11(f) of the Securities Act) shall be entitled to contribution from any person who was not guilty of such fraudulent misrepresentation. Any party entitled to contribution will, promptly after receipt of notice of commencement of any action, suit or proceeding against such party in respect of which a claim for contribution may be made against another party or parties under this Section, notify such party or parties from whom contribution may be sought, but the omission so to notify such party or parties from whom contribution may be sought shall not relieve such party from any other obligation it or they may have thereunder or otherwise under this Section. No party shall be liable for contribution with respect to any action, suit, proceeding or claim settled without its prior written consent, which consent shall not be unreasonably withheld.

2.5. Other Matters with Respect to Underwritten Offerings. In the event that Registrable Shares are sold pursuant to a Registration Statement in an underwritten offering pursuant to Section 2.1, the Company agrees to (a) enter into an underwriting agreement containing customary representations and warranties with respect to the business and operations of the Company and customary covenants and agreements to be performed by the Company, including without limitation customary provisions with respect to indemnification by the Company of the underwriters of such offering; (b) use its reasonable best efforts to cause its legal counsel to render customary opinions to the underwriters.

2.6. Information by Holder. C&W shall furnish to the Company such information regarding C&W and the distribution proposed by C&W as the Company may reasonably request in writing and as shall be required in connection with any registration, qualification or compliance referred to in this Agreement.

3. Transfers of Rights. This Agreement, and the rights and obligations of C&W hereunder, may not be assigned by C&W to any person or entity.

4. General.

(a) Severability. The invalidity or unenforceability of any provision of this Agreement shall not affect the validity or enforceability of any other provision of this Agreement.

(b) Specific Performance. In addition to any and all other remedies that may be available at law in the event of any breach of this Agreement, C&W shall be entitled to specific performance of the agreements and obligations of the Company hereunder and to such other injunctive or other equitable relief as may be granted by a court of competent jurisdiction.

(c) Governing Law. This Agreement shall be governed by and construed in accordance with the internal laws of the Commonwealth of Massachusetts (without reference to the conflicts of law provisions thereof).

Notices. All notices, requests, consents, and other communications under this Agreement shall be in writing and shall be deemed delivered (i) two business days after being sent by registered or certified mail, return receipt requested, postage prepaid or (ii) one business day after being sent via a reputable nationwide overnight courier service guaranteeing next business day delivery, in each case to the intended recipient to their respective addresses set forth above, Attention: Chief Financial Officer, or at such other address or addresses as may have been furnished in writing by one party to the other, with a copy to Skadden, Arps, Slate, Meagher & Flom LLP at One Canada Square, Canary Wharf, London E14 5DS, England, Attention: Adrian J.S. Deitz.

Any party may give any notice, request, consent or other communication under this Agreement using any other means (including, without limitation, personal delivery, messenger service, telecopy, first class mail or electronic mail), but no such notice, request, consent or other communication shall be deemed to have been duly given unless and until it is actually received by the party for whom it is intended. Any party may change the address to which notices, requests, consents or other communications hereunder are to be delivered by giving the other parties notice in the manner set forth in this Section.

(d) Complete Agreement. This Agreement constitutes the entire agreement and understanding of the parties hereto with respect to the subject matter hereof and supersedes all prior agreements and understandings relating to such subject matter.

(e) Amendments and Waivers. Any term of this Agreement may be amended or terminated and the observance of any term of this Agreement may be waived (either generally or in a particular instance and either retroactively or prospectively), with the written consent of the Company and C&W. No waivers of or exceptions to any term, condition or provision of this Agreement, in any one or more instances, shall be deemed to be, or construed as, a further or continuing waiver of any such term, condition or provision.

(f) Pronouns. Whenever the context may require, any pronouns used in this Agreement shall include the corresponding masculine, feminine or neuter forms, and the singular form of nouns and pronouns shall include the plural, and vice versa.

(g) Counterparts; Facsimile Signatures. This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original, and all of which together shall constitute one and the same document. This Agreement may be executed by facsimile signatures.

(h) Section Headings. The section headings are for the convenience of the parties and in no way alter, modify, amend, limit or restrict the contractual obligations of the parties.

Executed as of the date first written above.

COMPANY:

CMGI, INC.

By: /s/ David S. Andonian

Name: David S. Andonian

Title: President, Corporate Development

CABLE & WIRELESS FAR EAST LIMITED

By: /s/ Neill Royston Phillips

Name: Neill Royston Phillips

Title: Director

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1,000

3-MOS	3-MOS
JUL-31-2001	JUL-31-2000
AUG-01-2000	AUG-01-1999
OCT-31-2000	OCT-31-1999
1,163,718	705,001
513,396	1,766,641
219,138	98,418
0	0
0	17,650
2,004,364	2,626,774
283,767	99,335
0	0
7,873,502	5,431,682
748,872	945,136
0	0
385,030	413,511
0	0
3,189	2,374
5,449,332	3,437,521
7,873,502	5,431,682
366,143	129,118
366,143	129,118
329,878	113,560
329,878	113,560
932,985	292,781
0	0
22,588	5,700
(510,282)	(160,843)
126,282	(43,431)
(636,564)	(117,412)
0	0
0	0
0	0
(636,564)	(117,412)
(2.07)	(0.54)
(2.07)	(0.54)