SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

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

Date of Report (Date of earliest event reported): December 17, 1999

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

Delaware	0-22846	04-2921333
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

100 Brickstone Square, Andover, MA 01810
(Address of principal executive offices) (Zip Code)

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

Not Applicable
(Former name or former address, if changed since last report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(a) Audited financial information of acquired business. See Exhibit 99.1.

Audited consolidated balance sheets of Flycast Communications Corporation and subsidiary as of December 31, 1997 and 1998, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1998.

(b) Pro forma condensed combined financial information of Registrant. See Exhibit 99.2.

(c) Exhibits:

99.1 Audited financial statements of Flycast Communications Corporation and subsidiary as of December 31, 1997 and 1998 and for the three years in the period ended December 31, 1998.

Unaudited financial statements of Flycast Communications Corporation and subsidiary as of September 30, 1999 and for the three and nine months ended September 30, 1998 and 1999.

99.2 Unaudited pro forma condensed combined financial information of Registrant as of and for the three months ended October 31, 1999 and for the twelve months ended July 31, 1999.

SIGNATURES

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 hereunto duly authorized.

Date: December 17, 1999 CMGI, INC.

By: /s/ Andrew J. Hajducky III

Andrew J. Hajducky III
Executive Vice President, Chief Financial Officer and Treasurer

EXHIBIT INDEX

99.1 Audited financial statements of Flycast Communications Corporation and subsidiary as of December 31, 1997 and 1998 and for the three years in the period ended December 31, 1998.

Unaudited financial statements of Flycast Communications Corporation and subsidiary as of September 30, 1999 and for the three and nine months ended September 30, 1998 and 1999.

99.2 Unaudited pro forma condensed combined financial information of Registrant as of and for the three months ended October 31, 1999 and for the twelve months ended July 31, 1999.

EXHIBIT 99.1

INDEPENDENT AUDITORS' REPORT

To the Board of Directors and Stockholders of
Flycast Communications Corporation:

We have audited the accompanying consolidated balance sheets of Flycast Communications Corporation and subsidiary (the "Company") as of December 31, 1997 and 1998, and the related consolidated statements of operations, common stockholders' equity (deficit) and cash flows for each of the three years in the period ended December 31, 1998. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits. The consolidated financial statements give retroactive effect to the merger of InterStep, Inc. with and into Flycast Communications Corporation on August 30, 1999, which has been accounted for as a pooling-of-interests as described in Note 9 to the consolidated financial statements.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Flycast Communications Corporation and subsidiary at December 31, 1997 and 1998, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1998 in conformity with generally accepted accounting principles.

/s/ DELOITTE & TOUCHE LLP

San Jose, California
October 18, 1999

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share and per share amounts)

	1997	1998
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 3,593	$ 5,197
Investments		183
Accounts receivable, net of allowance for doubtful accounts of $12 and $178, respectively	531	3,802
Prepaid expenses and other assets	40	267
Total current assets	4,164	9,449
PROPERTY AND EQUIPMENT, NET	703	1,945
OTHER ASSETS	18	108
TOTAL ASSETS	$ 4,885	$ 11,502
LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY (DEFICIT)		
CURRENT LIABILITIES:		
Accounts payable	$ 361	$ 2,561
Accrued liabilities	82	375
Accrued compensation and related expenses	63	460
Notes payable to stockholders	58	62
Short-term capital lease obligations	31	490
Short-term debt	--	983
Total current liabilities	595	4,931
LONG-TERM CAPITAL LEASE OBLIGATIONS	40	1,041
LONG-TERM DEBT	--	3,682
Total liabilities	635	9,654
MANDATORILY REDEEMABLE PREFERRED STOCK:		
Mandatorily redeemable convertible preferred stock, $0.0001 par value, 9,904,000 shares authorized:		
Series A, 920,000 shares designated, 911,295 shares issued and outstanding in 1997 and 1998 (aggregate liquidation preference $911)	951	1,027
Series B, 5,500,000 shares designated, 5,324,532 shares issued and outstanding in 1997 and 1998 (aggregate liquidation preference $7,082)	7,244	7,824
Series C, 3,484,000 shares designated, 497,785 shares issued and outstanding in 1998 (aggregate liquidation preference $4,500)	--	5,004
Total mandatorily redeemable preferred stock	8,195	13,855
COMMON STOCKHOLDERS' EQUITY (DEFICIT):		
Common stock, $0.0001 par value, 20,000,000 shares authorized, 2,827,615 and 3,132,219 shares issued and outstanding in 1997 and 1998, respectively	247	922
Common stock options		2,929
Deferred stock compensation		(1,771)
Notes receivable from stockholders	(227)	(606)
Accumulated deficit	(3,965)	(13,481)
Total common stockholders' equity (deficit)	(3,945)	(12,007)
TOTAL LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND COMMON STOCKHOLDERS' EQUITY (DEFICIT)	$ 4,885	$ 11,502

See notes to consolidated financial statements.

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)

	Years Ended December 31,		
	1996	1997	1998
REVENUE	$ 123	$ 934	$ 9,282
COST OF REVENUE	5	600	6,118
GROSS PROFIT	118	334	3,164
OPERATING EXPENSES:			
Sales and marketing	111	1,393	5,228
Research and development	218	1,473	3,010
General and administrative	183	807	2,216
Stock-based compensation			1,158
Total operating expenses	512	3,673	11,612
OPERATING LOSS	(394)	(3,339)	(8,448)
INTEREST INCOME	1	95	98
INTEREST EXPENSE	(2)	(102)	(510)
NET LOSS	$ (395)	$ (3,346)	$ (8,860)
ACCRETION OF MANDATORILY REDEEMABLE PREFERRED STOCK		(206)	(656)
LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS	$ (395)	$ (3,552)	$ (9,516)
BASIC AND DILUTED LOSS PER SHARE	$ (0.83)	$ (6.03)	$ (7.26)
SHARES USED IN BASIC AND DILUTED LOSS PER SHARE	476	589	1,311
PRO FORMA BASIC AND DILUTED LOSS PER SHARE (Note 1)			$ (1.25)
SHARES USED IN PRO FORMA BASIC AND DILUTED LOSS PER SHARE (Note 1)			7,589

See notes to consolidated financial statements.

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF COMMON STOCKHOLDERS' EQUITY (DEFICIT)
(In thousands)

	Common Stock		Common Stock Options	Deferred Stock Compensation	Notes Receivable	Accumulated Deficit	Total
	Shares	Amount					
BALANCE, JANUARY 1, 1996	475	$ 10				$ (18)	$ (8)
ISSUANCE OF COMMON STOCK FOR CASH AND NOTES RECEIVABLE	1	611			$ (16)		595
NET LOSS						(395)	(395)
BALANCE, DECEMBER 31, 1996	476	621			(16)	(413)	192
CONVERSION OF COMMON STOCK TO SERIES A PREFERRED STOCK	(1)	(611)			16		(595)
ISSUANCE OF COMMON STOCK FOR CASH AND NOTES RECEIVABLE	2,284	228			(227)		1
EXERCISE OF COMMON STOCK OPTIONS	68	7					7
ISSUANCE OF COMMON WARRANTS IN CONNECTION WITH ISSUANCE OF DEBT		2					2
ACCRETION OF MANDATORILY REDEEMABLE PREFERRED STOCK						(206)	(206)
NET LOSS						(3,346)	(3,346)
BALANCE, DECEMBER 31, 1997	2,827	247			(227)	(3,965)	(3,945)
EXERCISE OF COMMON STOCK OPTIONS	686	492			(446)		46
REPURCHASE OF COMMON STOCK	(425)	(42)			42		
PAYMENT ON NOTES RECEIVABLE					25		25
ISSUANCE OF COMMON STOCK FOR SERVICES	44	47					47
COMPENSATORY STOCK ARRANGEMENTS			$2,929	$(2,929)			
AMORTIZATION OF DEFERRED STOCK COMPENSATION				1,158			1,158
ISSUANCE OF COMMON STOCK OPTIONS AND WARRANTS FOR SERVICES		178					178
ACCRETION OF MANDATORILY REDEEMABLE PREFERRED STOCK						(656)	(656)
NET LOSS						(8,860)	(8,860)
BALANCE, DECEMBER 31, 1998	3,132	$922	$2,929	$(1,771)	$(606)	$(13,481)	$(12,007)

See notes to consolidated financial statements.

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Years Ended December 31, 1996	1997	1998
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net loss	$ (395)	$ (3,346)	$ (8,860)
Adjustments to reconcile net loss to net cash used in operating activities:			
Depreciation	30	204	585
Provision for bad debts		12	236
Loss on sale of property and equipment			5
Stock and warrants issued for services			225
Noncash interest expense		71	248
Stock-based compensation expense			1,158
Changes in operating assets and liabilities:			
Accounts receivable	(50)	(493)	(3,507)
Prepaid expenses and other assets	(4)	(54)	(317)
Accounts payable	40	321	2,200
Accrued liabilities	30	121	694
Net cash used in operating activities	(349)	(3,164)	(7,333)
CASH FLOWS USED IN INVESTING ACTIVITIES:			
Purchases of property and equipment	(252)	(569)	(132)
Proceeds from sale of property and equipment			4
Purchases of short term investments			(183)
Net cash used in investing activities	(252)	(569)	(311)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Proceeds from long term debt			5,100
Payments on long term debt			(179)
Payments on capital leases		(28)	(244)
Proceeds from notes payable to shareholders	19		
Payment on notes payable to shareholders		(5)	
Proceeds from payment of notes receivable from stockholders		16	25
Proceeds from issuance of common stock	595	8	46
Proceeds from issuance of preferred stock		7,308	4,500
Net cash provided by financing activities	614	7,299	9,248
NET INCREASE IN CASH AND CASH EQUIVALENTS	13	3,566	1,604
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	14	27	3,593
CASH AND CASH EQUIVALENTS, END OF PERIOD	$ 27	$ 3,593	$ 5,197
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:			
Cash paid for interest		$ 27	$ 258
Noncash financing and investing activities:			
Purchase of equipment under capital lease		$ 100	$ 1,704
Issuance of common stock for notes receivable	$ 16	$ 228	$ 446
Repurchase of common stock for extinguishment of debt			$ 42
Conversion of common stock to preferred stock		$ 611	

See notes to consolidated financial statements.

FLYCAST COMMUNICATIONS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 1996, 1997 AND 1998

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization--Flycast Communications Corporation ("Flycast") commenced operations on April 14, 1996 (inception). Flycast is a leading provider of Web-based advertising solutions designed to maximize the return on investment for direct response advertisers and e-commerce companies. Flycast is headquartered in San Francisco.

Basis of Presentation--On August 30, 1999, Flycast completed a merger with InterStep, Inc. ("InterStep") a Massachusetts corporation which commenced operations in 1995. The transaction has been accounted for as a pooling-of-interests and, accordingly, the consolidated financial statements of Flycast Communications Corporation (the "Company") for all periods presented have been restated to include the accounts of InterStep (see Note 9). No adjustments were required to conform accounting policies of the entities. There were no significant intercompany transactions requiring elimination for any periods presented.

Use of Estimates--The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. The Company performs ongoing credit evaluations of its customers' respective financial conditions, and, generally, requires no collateral from its customers. The Company maintains an allowance for uncollectible accounts receivable based on the expected collectibility of accounts receivable.

Cash equivalents consist of money market funds and certificates of deposit with original maturities of three months or less at the time of acquisition.

Investments consist of certificates of deposit with an original maturity date of greater than three months at the time of acquisition. Such investments are considered available for sale and have carrying values which approximate fair value.

Property and Equipment--Property and equipment are stated at cost. Equipment held under capital leases is stated at the present value of minimum lease payments. Depreciation on property and equipment is calculated on the straight-line method over the estimated useful lives of the assets. Equipment held under capital leases is amortized on the straight-line method over the shorter of the lease term or the estimated useful life of the asset.

Revenue Recognition--Revenues derived from the delivery of advertising impressions through third-party Web sites and delivery of e-mail content are recognized in the period the advertising impressions or e-mail contents are delivered provided collection of the resulting receivable is probable. Revenues from list management and distribution services are recognized when services have been performed. Amounts payable to third party Web sites for advertisements displayed on such sites are recorded as cost of revenue in the period the advertising impressions or e-mails are delivered.

Advertising expenses are charged to operations as incurred. Advertising expenses were not significant in 1996 or 1997 and were $634,000 in 1998.

Research and development expenses are charged to operations as incurred.

Income Taxes--Deferred tax liabilities are recognized for future taxable amounts, and deferred tax assets are recognized for future deductions, net of a valuation allowance to reduce net deferred tax assets to amounts that are more likely than not to be realized.

Concentration of Credit Risk--Financial instruments that potentially subject the Company to concentration of credit risk consist of trade receivables. The Company's credit risk is mitigated by the Company's credit evaluation process and the reasonably short collection terms. The Company does not require collateral or other security to support accounts receivable and maintains reserves for potential credit losses.

Financial Instruments--The Company's financial instruments include cash and cash equivalents, short-term investments, notes receivable from stockholders and long-term debt. At December 31, 1997 and 1998, the fair values of these instruments approximated their financial statement carrying amounts.

Stock-Based Compensation--The Company accounts for its employee stock option plan in accordance with the provisions of Accounting Principles Board (APB) Opinion No. 25, "Accounting for Stock Issued to Employees." Accordingly, no accounting recognition is given to stock options granted to employees (including directors) at fair market value until they are exercised. Upon exercise, the net proceeds are credited to stockholders' equity (deficit). Compensation expense is recognized for stock options granted to employees (including directors) at less than fair market value.

The Company accounts for stock options issued to non-employees in accordance with the provisions of Statement of Financial Accounting Standards (SFAS) No. 123, "Accounting for Stock-Based Compensation" and Emerging Issues Task Force Issue No. 96-18 under the fair value based method.

Impairment of Long-Lived Assets and Long-Lived Assets To Be Disposed Of--The Company evaluates its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets or intangibles may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Loss per Common Share--Basic loss per common share excludes dilution and is computed by dividing loss attributable to common stockholders by the weighted average number of common shares outstanding for the period (excluding shares subject to repurchase). Diluted loss per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Common share equivalents are excluded from the computation in loss periods as their effect would be antidilutive.

Pro Forma Net Loss per Common Share--Pro forma basic and diluted loss per common share is computed by dividing loss attributable to common stockholders by the weighted average number of common shares outstanding for the period (excluding shares subject to repurchase) and the weighted average number of common shares resulting from the assumed conversion of outstanding shares of mandatorily redeemable preferred stock.

Recently Issued Accounting Standards--In June 1997, the Financial Accounting Standards Board (FASB) issued SFAS No. 130, "Reporting Comprehensive Income," which requires an enterprise to report, by major components and as a single total, the change in its net assets during the period from nonowner sources; and SFAS No. 131, "Disclosures About Segments of an Enterprise and Related Information," which establishes annual and interim reporting standards for an enterprise's business segments and related disclosures about its products, services, geographic areas and major customers. The Company had no comprehensive income items to report for the three years in the period ended December 31, 1998. The Company currently operates one reportable segment under SFAS No. 131. Adoption of these statements in 1998 did not impact the Company's financial position, results of operations or cash flows.

In June 1998, the FASB issued SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," which defines derivatives, requires that all derivatives be carried at fair value, and provides for hedge accounting when certain conditions are met. SFAS No. 133 is effective for the Company in fiscal 2001. Although the Company has not fully assessed the implications of SFAS No. 133, the Company does not believe that adoption of this statement will have a material impact on the Company's financial position or results of operations.

2. PROPERTY AND EQUIPMENT

Property and equipment as of December 31, 1997 and 1998 consisted of the following (in thousands):

	1997	1998
Computer equipment and purchased software	$ 810	$ 904
Computer equipment under capital lease	100	1,796
Furniture, fixtures and office equipment	29	60
Total	939	2,760
Less accumulated depreciation	(236)	(815)
Net	$ 703	$1,945

The accumulated depreciation associated with computer equipment under capital lease was $24,000 and $312,000 at December 31, 1997 and 1998, respectively.

3. NOTES PAYABLE TO STOCKHOLDERS

The Company has notes payable to two stockholders, payable on demand, with interest of 6.74%. The outstanding amount as of December 31, 1997 and 1998 is $58,000 and $62,000, respectively.

4. DEBT

In 1998, the Company borrowed $600,000 from a lending institution at an 8% interest rate. Principal and interest payments are due in monthly installments through July 2001. As of December 31, 1998, the outstanding obligation was $445,000.

In 1998, the Company obtained a $175,000 letter of credit as a security deposit on office space leased. The letter of credit is collateralized by all assets of the Company.

In 1998, the Company entered into a financing agreement with a preferred stockholder and lender for $2,500,000, due in April 2002 with interest at 11% per annum, and for an additional $5,000,000, due in August 2001 with interest at 14%. The Company granted this lender Series C preferred stock warrants to purchase 55,409 shares at $4.51 per share, and 72,324 shares of preferred stock at $4.42 per share. The estimated fair value allocated to the warrants of $304,000 is being accreted over the life of the financing agreements. As of December 31, 1998, the recorded obligation totaled $4,220,000 and $3,000,000 is available for future borrowing.

Debt outstanding excluding capital lease obligations (Note 8) as of December 31, 1998 will be due in annual principal payments of $983,000, $1,876,000, $1,646,000 and $160,000 in 1999, 2000, 2001 and 2002, respectively.

5. INCOME TAXES

The Company's deferred income tax assets are comprised of the following (in thousands):

	1997	1998
Deferred tax assets:		
Net operating loss carryforwards	$1,368	$4,239
Reserves and accruals not currently deductible	28	807
Research and development tax credit	40	135
Other	23	28
Total gross deferred tax assets before valuation allowance	1,459	5,209
Valuation allowance	(1,452)	(4,945)
	7	264
Deferred tax liabilities:		
Accrual to cash adjustments		(264)
Other	(7)	
Total gross deferred liabilities	(7)	(264)
Net deferred tax assets	$ 0	$ 0

The Company established a 100% valuation allowance at December 31, 1996, 1997 and 1998 due to the uncertainty of realizing future tax benefits from its net operating loss carryforwards and other deferred tax assets.

At December 31, 1998, the Company had net operating loss ("NOL") carryforwards of approximately $11,000,000 for federal and state income tax purposes. These carryforwards begin to expire in 2004 for state and 2011 for federal purposes. The Company also has available federal and state research and development tax credit carryforwards of $77,000 and $58,000, respectively, which had no expiration date as of December 31, 1998.

Internal Revenue Code Section 382 and similar California rules place a limitation on the amount of taxable income which can be offset by NOL carryforwards after a change in control (generally greater than 50% change in ownership). Due to these provisions, utilization of the NOL and tax credit carryforwards may be limited.

6. STOCKHOLDERS' EQUITY (DEFICIT)

Common Stock Reserved For Future Issuance

At December 31, 1998, the Company has reserved the following shares of common stock for issuance in connection with:

Conversion of Series A preferred stock	911,295
Conversion of Series B preferred stock	5,324,532
Conversion of Series C preferred stock	497,785
Warrants issued and outstanding	386,237
Options issued and outstanding	1,938,705
Options available under stock option plans	132,230
Total	9,190,784

Mandatorily Redeemable Preferred Stock

In July 1997, the Company issued 611,295 shares of Series A redeemable convertible stock in exchange for all 1,000 shares of outstanding common stock. Additionally, in July 1997, 300,000 shares of Series A preferred stock were issued upon conversion of $300,000 of convertible notes. In July, August and December 1997, the Company issued 5,324,532 shares of Series B preferred stock for $1.33 per share. In December 1998, the Company issued 497,785 shares of Series C preferred stock for $9.04 per share.

Significant terms of the Series A, B and C redeemable convertible preferred stock are as follows (see Note 9):

- At the option of the holder, each share of preferred stock is convertible at any time into one share of common stock, subject to adjustment for certain dilutive issuances. As of December 31, 1998, no such adjustments had occurred. Shares automatically convert into common stock upon the earlier of (a) completion of a public offering with aggregate proceeds greater than $15,000,000 at not less than $8.00 per share or (b) upon the consent of more than 50% of the holders of the preferred stock, voting together as a single class.

- Series A, B and C convertible preferred stock are entitled to annual noncumulative cash dividends of $0.08, $0.106 and $0.723 per share, respectively, when and if declared by the Board of Directors.

- In the event of any liquidation of the Company (which includes the acquisition of the Company by another entity), the holders of Series B and Series C preferred stock have a liquidation preference over common stock and Series A preferred stock of $1.33 per share and $9.04 per share, respectively, plus all declared but unpaid dividends. After such payment, the holders of Series A preferred stock have a liquidation preference of $1.00 per share plus any declared but unpaid dividends. Upon payment of all preferred stock liquidation preferences, any remaining proceeds will be allocated to the common stockholders.

- Any time after May 31, 2002, upon the vote of at least two-thirds of the then outstanding redeemable convertible preferred stock, the Company will be required to redeem all of the redeemable convertible preferred stock at the liquidation preference plus an amount equal to $0.08, $0.106 and $0.723 per share per year compounded annually for Series A, B and C, respectively, less any cash dividends paid. As a result, the Company has recorded an increase to the carrying values by the accretion of the mandatorily redeemable preferred stock of $206,000 in 1997 and $656,000 in 1998.

- Holders of preferred stock have the same voting rights as the holders of common stock.

Preferred Stock Warrants

In 1997, in connection with certain loan arrangements, the Company issued five year warrants to purchase 33,834 shares of Series B preferred stock at $1.33 per share and 7,500 shares of Series A preferred stock at $1.00 per share to a bank. The warrants expire in 2002. The fair value of these warrants of $33,000 was recognized as interest expense in 1997.

Also in 1997, in connection with a bridge loan arrangement, the Company issued a five year warrant to purchase 43,854 shares of Series B preferred stock at $1.33 per share. The warrant expires in 2002 or upon closing of an underwritten public offering. The fair value of these warrants of $36,000 was recognized as interest expense in 1997.

As discussed in Note 4, in 1998, the Company granted a lender Series C preferred stock warrants to purchase 55,409 shares at $4.51 per share, and 72,324 shares at $4.42 per share. The warrants expire upon the earlier of five years from the grant date or two years from closing of an underwritten public offering. The fair value of the warrants of $304,000 is being accreted to interest expense over the life of the financing agreements.

In 1998, in connection with certain bridge loan arrangements, the Company issued warrants to purchase 132,840 shares of Series C preferred stock at $9.04 per share to various lenders. The warrants expire in 2003 or upon closing of an underwritten public offering. The fair value of these warrants of $200,000 was recognized as interest expense in 1998.

Notes Receivable from Stockholders

In July 1997, the Company issued an aggregate of 2,275,011 shares of common stock to officers and members of the Board of Directors. In connection with such issuance, the Company's board members paid for the stock by issuing notes payable (secured by the shares of the Company's common stock purchased) to the Company. The secured note payable bears interest at 6.65% per annum with the entire principal balance of the note, together with all accrued and unpaid interest, due and payable on the earlier of (a) nine months after the closing of an initial public offering of the Company's common stock or (b) July 2002 or (c) termination of employment. The shares vest over a four year period. Any unvested shares purchased are subject to repurchase rights by the Company upon occurrence of certain events or conditions, such as employment termination, at the original purchase price. Of such shares, there were 1,990,635 and 997,500 shares subject to repurchase at December 31, 1997 and 1998, respectively.

Additionally, in September 1998, two officers of the Company exercised options to purchase 357,000 shares with an exercise price of $1.25 by issuing notes payable (secured by the shares of the Company's common stock purchased). The secured note payable bear interest at 5.54% per annum with the entire principal balances of the notes, together with all accrued and unpaid interest, due and payable on the earlier of (a) nine months after the closing of an underwritten public offering, (b) September 2003 or (c) termination of employment.

Stock Option Plans

The Company's stock option plans (the "Plans") provide for the grant of up to 2,850,000 incentive or nonstatutory options to employees, directors and consultants of the Company at the fair market value of the common stock on the date of grant as determined by the Board of Directors. Options granted under the Plans generally vest ratably over periods of up to four years and expire ten years from the date of grant. The Plans also provide for early exercise of options prior to full vesting. Any unvested shares purchased are subject to repurchase rights by the Company upon occurrence of certain events or conditions, such as employment termination, at the original purchase price. There were 528,289 shares subject to repurchase at December 31, 1998.

Options and Warrants Granted to Nonemployees

In 1998, the Company granted options and warrants for common stock to nonemployees for services performed and to be performed through 2002. In connection with these awards, the Company recognized $178,000 in stock-based compensation expense related to such options which vested during 1998. At December 31, 1998, unvested options granted to nonemployees totaled 24,479 shares.

Stock-Based Compensation

During 1998, the Company issued common stock options at less than the fair value of its common stock. The fair value of the common stock, weighted based on options granted in 1998, was $2.75 per share. Accordingly, the Company recorded $2,929,000 as the value of such options in 1998. Stock-based compensation of $1,158,000 was amortized to expense in 1998 and at December 31, 1998, the Company had $1,771,000 in deferred stock compensation related to such options, which will be amortized to expense through 2002.

During 1997, the Company issued common stock options at exercise prices equal to the fair value of its common stock. Accordingly, no stock-based compensation was recorded for that period.

Stock Option Activity

A summary of the Company's stock option activity follows (in thousands):

	Outstanding Options	Weighted Average Exercise Price
Balance, January 1, 1997		
Granted	497,125	$0.11
Exercised	(68,020)	0.10
Canceled or expired	(27,605)	0.10
Balance, December 31, 1997 (68,503 shares vested at a weighted average exercise price of $0.11)	401,500	0.11
Granted	2,551,756	1.61
Exercised	(686,076)	0.73
Canceled or expired	(328,475)	0.24
Balance, December 31, 1998	1,938,705	$1.85
Available for grant at December 31, 1998	132,230	

The following table summarizes information about currently outstanding and vested stock options at December 31, 1998:

	Options Outstanding			Options Vested	
Range of Exercise Price	Number of Shares	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Number of Shares	Weighted Average Exercise Price
$0.10 to $0.13	416,799	8.76	$0.12	333,348	$0.12
1.25	866,500	9.46	1.25	176,135	1.25
1.40	270,400	9.67	1.40	24,871	1.40
1.48	4,506	9.67	1.48	250	1.48
1.75	156,050	9.75	1.75	9,753	1.75
8.00	224,450	9.92	8.00	4,676	8.00
	1,938,705		$1.85	549,033	$0.64

Additional Stock Plan Information

As discussed in Note 1, the Company accounts for its stock-based awards to employees using the intrinsic value method in accordance with APB Opinion No. 25, "Accounting for Stock Issued to Employees," and its related interpretations.

SFAS No. 123, "Accounting for Stock-Based Compensation," requires the disclosure of pro forma net income (loss) and earnings (loss) per share had the Company adopted the fair value method since the Company's inception. Under SFAS No. 123, the fair value of stock-based awards to employees is calculated through the use of option pricing models, even though such models were developed to estimate the fair value of freely tradable, fully transferable options without vesting restrictions, which significantly differ from the Company's stock option awards.

The Company's calculations for employee grants were made using the minimum value option pricing model with the following weighted average assumptions:

	Year Ended December 31,	
	1997	1998
Dividend yield	None	None
Risk free interest rate	6.1%	5.2%
Expected term, in years	2.5	2.5

The weighted average minimum value per option as of the date of grant for options granted during 1997 and 1998 was $0.02 and $1.31, respectively.

If the computed minimum values of the Company's stock-based awards to employees had been amortized to expense over the vesting period of the awards as specified under SFAS No. 123, loss attributable to common stockholders and basic and diluted loss per share on a pro forma basis (as compared to such items as reported) would have been (in thousands):

	Year Ended December 31,	
	1997	1998
Loss attributable to common stockholders:		
As reported	$ (3,552)	$ (9,516)
Pro forma	$ (3,555)	$ (9,640)
Basic and diluted net loss per share:		
As reported	$ (6.03)	$ (7.26)
Pro forma	$ (6.03)	$ (7.35)

7. NET LOSS PER SHARE

The following is a reconciliation of the denominators used in computing basic and diluted net loss per share.

	Years Ended December 31,		
	1996	1997	1998
Shares (denominator):			
Weighted average common shares outstanding	476,584	1,644,053	2,834,981
Weighted average common shares outstanding subject to repurchase	0	(1,054,562)	(1,524,202)
Shares used in computation, basic and diluted	476,584	589,491	1,310,779

For the three years ended December 31, 1996, 1997 and 1998, the Company had securities outstanding which could potentially dilute basic earnings per share in the future, but were excluded in the computation of diluted net loss per share in the periods presented, as their effect would have been antidilutive. Such outstanding securities consist of the following at December 31, 1998: 6,733,612 shares of convertible preferred stock, warrants to purchase 345,761 shares of preferred stock, and options and warrants to purchase 1,979,181 shares of common stock. There were 1,990,635 and 1,525,789 shares subject to repurchase by the Company at December 31, 1997 and 1998, respectively.

8. COMMITMENTS AND CONTINGENCIES

Leases

Future minimum net lease payments under noncancellable operating leases (with initial or remaining lease terms in excess of one year) and future minimum capital lease payments as of December 31, 1998 are as follows (in thousands):

	Capital Leases	Operating Leases
Year ending December 31:		
1999	$ 598	$ 366
2000	561	369
2001	464	343
2002	34	322
2003		319
Thereafter		346
Total	1,657	$2,065
Less amount representing interest	(126)	
Present value of net minimum capital lease payments	1,531	
Less current installments of obligations under capital leases	(490)	
Obligations under capital leases, excluding current installments	$1,041	

Total rent expense under operating leases for the years ended 1996, 1997 and 1998 was $22,000, $127,000 and $400,000, respectively.

Legal Matters

In connection with the termination of employment of an officer, the Company foreclosed on 264,560 shares of the Company's common stock securing a promissory note from that officer. If that officer should elect to legally contest the number of shares issued to him, and if additional shares are ultimately issued, the Company could incur a charge equal to the fair market value of such shares. The ultimate outcome of this matter cannot be determined at this time.

Additionally, the Company is involved in various other claims and legal actions. Management does not expect that the outcome of these other claims and actions will have a material effect on the Company's financial position or results of operations.

9. SUBSEQUENT EVENTS

In January 1999, the Company sold 1,496,347 shares of Series C preferred stock at $9.04 per share for proceeds of $13,527,000.

On January 4, 1999, the Board of Directors adopted, subject to stockholder approval, the 1999 Stock Option Plan (the "1999 Stock Plan"). The 1999 Stock Plan will serve as the successor equity incentive program to the Company's existing 1997 Stock Option Plan. A total of 2,000,000 shares of common stock were initially reserved for issuance under the 1999 Stock Plan. On March 30, 1999, the Board of Directors adopted an amendment to the 1999 Stock Plan that increased the shares of common stock reserved for issuance to 3,500,000. The number of shares reserved will increase for each of the next five years by the lesser of 1,000,000 shares or 3% of the number of shares of common stock outstanding at the beginning of the year.

On January 28, 1999, the Board of Directors adopted, subject to stockholder approval, the 1999 Directors' Stock Option Plan (the "Directors' Plan"). Under the Directors' Plan, each person who becomes a nonemployee director after the effective date of the Directors' Plan may be granted nonstatutory stock options. A total of 200,000 shares of common stock have initially been reserved for issuance under the Directors' Plan.

On January 28, 1999, the Board of Directors approved, subject to stockholder approval, the reincorporation of the Company in the State of Delaware and the associated exchange of one share of common stock or preferred stock of the Company for every share of common stock or preferred stock, as the case may be, of the Company's California predecessor. Such reincorporation and stock exchange will become effective prior to the effective date of the initial public offering contemplated by the Company.

Additionally, on January 28, 1999, the Board of Directors adopted, subject to stockholder approval, the 1999 Employee Stock Purchase Plan (the "Purchase Plan"). Under the Purchase Plan, eligible employees are allowed to have salary withholdings of up to 10% of their base compensation to purchase shares of common stock at a price equal to 85% of the lower of the market value of the stock at the beginning or end of defined purchase periods. The initial purchase period commences upon the effective date for the initial public offering of the Company's common stock. The Company has initially reserved 350,000 shares of common stock for issuance under this plan, and the number of shares reserved will increase for each of the next five years by the lesser of 75,000 shares or 0.5% of the shares of common stock outstanding at the beginning of the year.

On May 4, 1999, Flycast completed an initial public offering of 3,000,000 shares of the Flycast's common stock. In addition, on June 4, 1999, the Company sold an additional 200,000 shares under the underwriters' overallotment option. Total net proceeds were $74.4 million. Upon the closing of the initial public offering, Flycast's mandatorily redeemable preferred stock converted into 6.9 million shares of common stock.

On August 30, 1999, Flycast completed a merger with InterStep, Inc., a Massachusetts corporation which commenced operations in 1995. InterStep provides publishers with e-mail content management, list management and distribution services on an outsourced basis. In the transaction, Flycast issued 480,337 shares of common stock to InterStep's stockholders, of which 47,558 shares are held by an escrow agent to serve as security for the indemnity provided by stockholders of InterStep. The Company also assumed all outstanding InterStep common stock options, which were converted to options to purchase approximately 10,012 shares of the Company's common stock. No adjustments were required to conform accounting policies of the entities. There were no significant intercompany transactions requiring elimination for any periods presented.

The above transaction has been accounted for as a pooling-of-interests and, accordingly, the supplemental consolidated financial statements of the Company for all periods presented have been restated to include the accounts of InterStep.

Revenue and net income (loss) of the separate companies for the periods preceding the acquisition were as follows (in thousands):

	Revenue	Net Income (Loss)
Fiscal year ended December 31, 1998		
Flycast	$8,029	$(9,306)
InterStep	1,253	446
Combined	$9,282	$(8,860)
Fiscal year ended December 31, 1997		
Flycast	$ 630	$(3,417)
InterStep	304	71
Combined	$ 934	$(3,346)
Fiscal year ended December 31, 1996		
Flycast	$ --	$ (445)
InterStep	123	50
Combined	$ 123	$ (395)

On September 30, 1999, the Company announced that a definitive agreement was entered into to be acquired by CMGI, Inc. ("CMGI") in a stock-for-stock merger. Under the terms of the agreement, CMGI will issue 0.4738 CMGI shares for every Flycast share held on the closing date of the transaction. Closing of the merger is subject to customary conditions, including formal approval by the Company's shareholders. In connection with the merger, the Company also entered into a Stock Option Agreement dated as of September 29, 1999, whereby the Company granted CMGI an option to purchase up to 19.9% of the outstanding shares of the Company common stock, which option may be exercised in the event that the Merger Agreement is terminated under certain circumstances. Related to the acquisition, the Company incurred $1,350,000 in expenses in the quarter ended September 30, 1999.

FLYCAST COMMUNICATIONS CORPORATION

Interim Consolidated Financial Statements

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)
(unaudited)

	Dec. 31, 1998	Sept. 30, 1999
ASSETS		
Current assets:		
Cash and cash equivalents	$ 5,197	$14,221
Short-term investments	183	57,195
Accounts receivable, net	3,802	11,336
Prepaid expenses	267	2,002
Total current assets	9,449	84,754
Property and equipment, net	1,945	9,606
Other assets	108	315
TOTAL ASSETS	$11,502	$94,675
LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Accounts payable	$ 2,561	$10,270
Accrued liabilities	375	3,141
Accrued compensation and benefits	460	2,392
Short-term capital lease obligations	490	841
Short-term debt	1,045	1,817
Total current liabilities	4,931	18,461
Long-term capital lease obligations	1,041	1,189
Long-term debt	3,682	2,224
Total liabilities	9,654	21,874
Mandatorily redeemable preferred stock, $0.0001 par value, 9,904,000 shares authorized:		
Series A, 920,000 designated, 918,295 shares issued and outstanding at December 31, 1998; none at September 30, 1999	1,027	
Series B, 5,500,000 designated, 5,324,532 shares issued and outstanding at December 31, 1998; none at September 30, 1999	7,824	
Series C, 3,484,000 designated, 497,785 shares issued and outstanding at December 31, 1998; none at September 30, 1999	5,004	
	13,855	--
Stockholders' equity (deficit):		
Common stock, $.001 par value: 20,000,000 shares authorized; issued 2,690,787 shares--December 31, 1998; 15,165,021 shares--September 30, 1999	922	103,747
Common stock options	2,929	3,931
Deferred stock compensation	(1,771)	(1,556)
Notes receivable from stockholders	(606)	(404)
Accumulated deficit	(13,481)	(32,917)
Total stockholders' equity (deficit)	(12,007)	72,801
TOTAL LIABILITIES, MANDATORILY REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	$11,502	$94,675

See notes to consolidated financial statements

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share amounts)
(unaudited)

	Three Months Ended September 30, 1998	Three Months Ended September 30, 1999	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1999
Revenues	$ 2,544	$12,531	$ 4,765	$ 24,066
Cost of revenues	1,630	8,592	3,066	16,811
Gross profit	914	3,939	1,699	7,255
Operating expenses:				
Sales and marketing	1,627	5,981	3,330	14,136
Research and development	655	2,576	1,574	5,623
General and administrative	490	2,481	1,389	4,922
Stock-based compensation	407	365	737	1,323
Total operating expenses	3,179	11,403	7,030	26,004
Operating loss	(2,265)	(7,464)	(5,331)	(18,749)
Interest income (expense), net	(63)	(309)	(71)	56
Net loss	$(2,328)	$(7,773)	$(5,402)	$(18,693)
Accretion of mandatorily redeemable preferred stock	(165)	--	(491)	(667)
Loss attributable to common stockholders	$(2,493)	$(7,773)	$(5,893)	$(19,360)
Basic and diluted loss per common share	$ (1.75)	$ (0.57)	$ (4.77)	$ (2.18)
Shares used in computing basic and diluted loss per common share	1,426	13,645	1,235	8,895
Proforma basic and diluted loss per common share	$ (0.33)	$ (0.57)	$ (0.79)	$ (1.61)
Shares used in computing proforma basic and diluted loss per common share	7,662	13,645	7,471	12,027

See notes to consolidated financial statements

FLYCAST COMMUNICATIONS CORPORATION

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)
(unaudited)

	Nine Months Ended September 30, 1998	Nine Months Ended September 30, 1999
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	$(5,402)	$(18,693)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation and amortization	388	1,590
Provision for doubtful accounts	107	735
Loss on sale of property and equipment	5	
Stock and warrants issued for services	180	139
Non-cash interest expense	43	
Stock-based compensation expense	736	1,323
Changes in operating assets and liabilities:		
Accounts receivable	(1,936)	(8,269)
Prepaids and other assets	(372)	(1,942)
Accounts payable	1,212	7,710
Accrued liabilities	181	4,684
Net cash used by operations	(4,858)	(12,723)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(93)	(8,197)
Proceeds from sales of property and equipment	3	
Purchase of short term investments, net	(180)	(57,025)
Net cash used by financing activities	(270)	(65,222)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	2,100	
Payments on long-term debt	(115)	(673)
Payments on capital leases	(163)	(492)
Proceeds from payment of notes receivable from stockholders		58
Payments on note payable to shareholders		(49)
Shareholder distributions		(79)
Proceeds from issuance of common stock	25	73,668
Proceeds from issuance of preferred stock	--	14,536
Net cash provided by investing activities	1,847	86,969
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,281)	9,024
CASH AND CASH EQUIVALENTS--BEGINNING OF PERIOD	3,593	5,197
CASH AND CASH EQUIVALENTS--END OF PERIOD	$ 312	$ 14,221
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	$ 101	$ 575
Non-cash financing and investing activities:		
Purchase of equipment under capital leases	$ 1,612	$ 1,041
Issuance of common stock for notes receivable	$ 446	$ 31
Repurchase of common stock for extinguishment of debt	$ 35	$ 175
Conversion of preferred stock to common stock	$ --	$ 28,856

See notes to consolidated financial statements

FLYCAST COMMUNICATIONS CORPORATION

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

The interim consolidated financial statements are unaudited and have been prepared on the same basis as the audited financial statements. In the opinion of management, such unaudited financial statement includes all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the Company's financial position as of September 30, 1999 and the results of operations for the three and nine months ended September 30, 1998 and 1999 and cash flows for the nine months ended September 30, 1998 and 1999.

The unaudited financial statements should be read in conjunction with Flycast's audited financial statements and the notes thereto as included in Flycast's Registration Statement on Form S-1 filed with the Securities and Exchange Commission on May 4, 1999, and its periodic filings with the Securities and Exchange Commission thereafter. The results of operations for the three and nine months ended September 30, 1999 are not necessarily indicative of the results to be expected for any subsequent quarter or the entire year ending December 31, 1999.

On August 30, 1999, Flycast acquired InterStep by issuing 480,337 shares of common stock for all of the outstanding shares of InterStep, Inc. in transaction that was accounted for as a pooling-of-interests. As a result, InterStep became a wholly owned subsidiary of Flycast. For purposes of financial statement presentation, historical financial information for InterStep has been consolidated into the statements presented herein.

Certain reclassifications have been made to prior period financial statements to conform to the current period presentation.

2. Initial Public Offering

On May 4, 1999, Flycast completed an initial public offering of 3,000,000 shares of the Flycast's common stock. In addition, on June 4, 1999, the Company sold an additional 200,000 shares under the underwriters' overallotment option. Total net proceeds were $74.4 million. Upon the closing of the initial public offering, Flycast's mandatorily redeemable preferred stock converted into 6.9 million shares of common stock.

3. Acquisitions

On August 30, 1999, we acquired InterStep by issuing 480,337 shares of common stock for all of the outstanding shares of InterStep, Inc. Of the 480,337 shares of common stock, 47,558 shares are held by an escrow agent to serve as security for the indemnity provided by some of the shareholders of InterStep. The information presented herein reflects the combination of Flycast and InterStep accounted for as a pooling-of-interests.

On September 30, 1999, we announced that we had signed a definitive agreement to be acquired by CMGI, Inc. in a stock-for-stock merger. Under the terms of the agreement, CMGI will issue 0.4738 CMGI shares for every Flycast share held on the closing date of the transaction. Closing of the merger is subject to customary conditions, including formal approval by our shareholders. It is anticipated that the transaction will close in January 2000. A significant percentage of our shareholders have agreed to vote in favor of the merger. In connection with the merger, we also entered into a Stock Option Agreement dated as of September 29, 1999, whereby we granted CMGI an option to purchase up to 19.9% of the outstanding shares of our common stock, which option may be exercised in the event that the Merger Agreement is terminated under certain circumstances. We incurred approximately $1.5 million in expenses, which are reflected as general and administrative operating expenses herein for the quarter ended September 30, 1999. We expect to incur additional financial advisory accounting and legal fees estimated to be between $6.0 million and $8.0 million contingent upon completion of the acquisition. This range is a preliminary estimate only and is, therefore, subject to change.

4. Basic and Diluted Loss per Share

Basic net loss per share is computed by dividing the loss attributable to common shareholders by the weighted average number of common shares outstanding for the period (excluding shares subject to repurchase). Diluted loss per common share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. Common share equivalents are excluded from the computation in loss periods, as their effect would be antidilutive.

The following is a reconciliation of the denominators used in calculating basic and diluted net loss per share (in thousands):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1998	1999	1998	1999
Shares (denominator)				
Weighted average common shares outstanding....	2,677	14,980	2,744	10,310
Weighted average common shares outstanding subject to repurchase.......................	(1,251)	(1,335)	(1,509)	(1,415)
Shares used in computation, basic and diluted....................................	1,426	13,645	1,235	8,895

5. Pro Forma Loss per Common Share

Pro forma basic and diluted loss per common share is computed by dividing loss attributable to common shareholders by the weighted average number of common shares outstanding for the period (excluding shares subject to repurchase) and the weighted average number of common shares resulting from the assumed conversion of outstanding mandatorily redeemable preferred stock.

6. Combining Financial Information

The acquisition of InterStep has been accounted for as a pooling-of-interests and, accordingly, our historical consolidated financial statements have been restated to include the accounts and results of operations of InterStep. The results of operations previously reported by the separate businesses and the combined amounts presented in the accompanying consolidated financial statements are presented below.

	Three months ended September 30, 1998	Nine months ended September 30, 1998
	(unaudited)	(unaudited)
Revenues:		
Flycast.................................	$ 2,126	$ 3,890
InterStep...............................	418	875
Combined................................	$ 2,544	$ 4,765
Net income (loss):		
Flycast.................................	$(2,321)	$(5,775)
InterStep...............................	(7)	373
Combined................................	$(2,328)	$(5,402)

We have restated our results of operations for the three and nine month periods ended September 30, 1998 and 1999 by combining InterStep's financial statements with our financial statements. We have restated the balance sheet as of December 31, 1998 to include our balance sheet and InterStep's balance sheet as of December 31, 1998. The equity accounts of the separate entities were combined. There were no significant transactions between our Company and

InterStep prior to the combination.

EXHIBIT 99.2

Pro forma financial information:

On August 18, 1999, CMGI acquired an 81.495% equity stake in the former AltaVista division of Digital Equipment Corporation, referred to as the AltaVista Business, from Compaq Computer Corporation and its wholly-owned subsidiary, Digital Equipment Corporation. Consideration for the acquisition was valued at approximately $2.4 billion, including $4 million of direct costs of the acquisition. The AltaVista Business includes the assets and liabilities constituting the AltaVista Internet search service, referred to as AltaVista Search , which was a division of Digital, and also includes former Compaq/Digital wholly-owned subsidiaries Zip2 Corporation and Shopping.com. In consideration for the acquisition, CMGI issued 18,994,975 shares of its common stock valued at approximately $1.8 billion, 18,090.45 shares of its Series D Preferred Stock (which were converted into 1,809,045 shares of CMGI common stock in October 1999) valued at approximately $173 million and promissory notes with an aggregate principal amount of $220 million. Additionally, AltaVista Business and CMGI stock options issued in the transaction, valued at a total of approximately $175 million, have been included in CMGI's purchase consideration.

On September 29, 1999, CMGI entered into an agreement to acquire Flycast Communications Corporation for consideration preliminarily valued at $920 million, consisting of: CMGI common stock valued at approximately $709 million, options to purchase CMGI common stock valued at approximately $190 million and estimated direct acquisition costs of $21 million. Since the acquisition has not yet been completed, the actual consideration for the acquisition of Flycast can not yet be determined. For the purpose of the pro forma financial information included herein, the number of shares of CMGI common stock assumed issued in the acquisition of Flycast is approximately 7.2 million. This amount is based on the number of shares of Flycast common stock outstanding as of September 29, 1999, the date of the CMGI-Flycast merger agreement. Similarly, the estimated value of the options to purchase CMGI common stock to be issued in the acquisition of Flycast is based on the outstanding options to purchase Flycast common stock as of September 29, 1999. The actual number of CMGI common shares and stock options to be issued will be based on the actual outstanding Flycast common shares and stock options as of the completion of the merger. The estimated acquisition related costs consist primarily of investment banker, legal and accounting fees to be incurred directly related to the acquisition of Flycast.

The following pro forma unaudited combined condensed financial statements give effect to CMGI's acquisitions of the AltaVista Business and Flycast, both of which will be accounted for under the purchase method of accounting. The unaudited pro forma condensed combined statements of operations for the three months ended October 31, 1999 and the year ended July 31, 1999 give effect to the acquisitions of the AltaVista Business and Flycast by CMGI as if each had occurred on August 1, 1998. The pro forma statement of operations for the three months ended October 31, 1999 is based on historical results of operations of CMGI for the three months ended October 31, 1999 (which include the results of the AltaVista Business from August 19, 1999 through October 31, 1999), the historical results of operations of Flycast for the three months ended September 30, 1999 and the historical results of operations for the AltaVista Business for the period from August 1, 1999 through August 18, 1999. The pro forma statement of operations for the twelve months ended July 31, 1999 is based on historical results of operations of CMGI for the twelve months ended July 31, 1999, the historical results of operations of Flycast for the twelve months ended June 30, 1999 and the historical results of operations of the components of the AltaVista Business as follows: the carve-out historical results of AltaVista Search and the historical results of Zip2 Corporation for the twelve months ended June 30, 1999 and the historical results of Shopping.com for the twelve months ended July 31, 1999. The unaudited pro forma condensed combined balance sheet as of October 31, 1999 gives effect to the acquisition of Flycast as if this transaction had occurred on that date. The pro forma balance sheet is based on the historical balance sheet of CMGI as of October 31, 1999 and the historical balance sheet of Flycast as of September 30, 1999. The following pro forma financial information, consisting of the pro forma statements of operations and the pro forma balance sheet and the accompanying notes, should be read in conjunction with and are qualified by the historical financial statements and notes of CMGI, the AltaVista Business and Flycast which are incorporated by reference in this pro forma financial information.

The pro forma financial information is presented for illustrative purposes only and is not necessarily indicative of the future financial position or future results of operations of the consolidated company after the acquisitions of the AltaVista Business and Flycast, or of the financial position or results of operations of the consolidated company that would have actually occurred had the acquisitions of the AltaVista Business and Flycast been effected as of the dates described above.

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

October 31, 1999
(In thousands)

Assets	CMGI	Flycast	Pro Forma Adjustments (A)	Pro Forma As Adjusted
Cash and cash equivalents	$ 705,001	$ 14,221	$ --	$ 719,222
Available-for-sale securities	1,776,641	57,195	--	1,833,836
Other current assets	145,132	13,338	--	158,470
Total current assets	2,626,774	84,754	--	2,711,528
Goodwill and other intangible assets, net of accumulated amortization	2,512,031	--	847,199	3,359,230
Other non-current assets	292,877	9,921	--	302,798
Total assets	$ 5,431,682	$ 94,675	$ 847,199	$ 6,373,556
Liabilities and Stockholders' Equity				
Deferred income taxes	$ 587,029	$ --	$ --	$ 587,029
Other current liabilities	358,107	18,461	21,000	397,568
Total current liabilities	945,136	18,461	21,000	984,597
Non-current liabilities	280,040	3,413	--	283,453
Minority interest	353,100	--	--	353,100
Convertible, redeemable preferred stock	413,511	--	--	413,511
Stockholders' equity	3,439,895	72,801	826,199	4,338,895
Total liabilities and stockholders' equity	$ 5,431,682	$ 94,675	$ 847,199	$ 6,373,556

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
Three Months Ended October 31, 1999
(In thousands, except per share data)

	CMGI	AltaVista Business (August 1, 1999 through August 18, 1999)	Pro Forma Adjustments	Subtotal
Net revenues	$ 123,731	$ 7,198	$ --	$ 130,929
Operating expenses:				
Cost of revenues	108,173	4,104	--	112,277
Research and development	20,188	1,891	--	22,079
Selling	72,501	7,361	--	79,862
General and administrative	27,357	2,400	--	29,757
Amortization of intangible assets and stock-based compensation	170,039	30,117	26,337 (B) (15,550) (D)	210,943
Total operating expenses	398,258	45,873	10,787	454,918
Operating loss	(274,527)	(38,675)	(10,787)	(323,989)
Other income (expense):				
Interest income (expense), net	171	(35)	(1,139) (E)	(1,003)
Equity in losses of affiliates	(1,796)	--	--	(1,796)
Minority interest	23,288	--	4,298 (F)	27,586
Non-operating gains, net	94,717	--	--	94,717
	116,380	(35)	3,159	119,504
Loss from continuing operations before income taxes	(158,147)	(38,710)	(7,628)	(204,485)
Income tax benefit	(40,735)	--	(14,952) (G)	(55,687)
Loss from continuing operations	(117,412)	(38,710)	7,324	(148,798)
Preferred stock accretion and amortization of discount	(4,935)	--	--	(4,935)
Loss from continuing operations available to common stockholders	$ (122,347)	$ (38,710)	$ 7,324	$ (153,733)
Basic loss from continuing operations per share	$ (1.08)			$ (1.30) (I)
Diluted loss from continuing operations per share	$ (1.08)			$ (1.30) (I)
Shares used in computing loss from continuing operations per share:				
Basic	113,186			118,426 (I)
Diluted	113,186			118,426 (I)

	Flycast	Pro Forma Adjustments	Pro Forma As Adjusted
Net revenues	$ 12,531	$ --	$ 143,460
Operating expenses:			
Cost of revenues	8,592	--	120,869
Research and development	2,576	--	24,655
Selling	5,981	--	85,843
General and administrative	2,481	--	32,238
Amortization of intangible assets and stock-based compensation	365	70,600 (C) (365) (D)	281,543
Total operating expenses	19,995	70,235	545,148
Operating loss	(7,464)	(70,235)	(401,688)
Other income (expense):			
Interest income (expense), net	(309)	--	(1,312)
Equity in losses of affiliates	--	--	(1,796)

Minority interest	--	--		27,586	
Non-operating gains, net	--	--		94,717	
	(309)	--		119,195	
Loss from continuing operations before income taxes	(7,773)	(70,235)		(282,493)	
Income tax benefit	--	(2,593)	(G)	(58,280)	
Loss from continuing operations	(7,773)	(67,642)		(224,213)	
Preferred stock accretion and amortization of discount	--	--		(4,935)	
Loss from continuing operations available to common stockholders	$ (7,773)	$ (67,642)		$ (229,148)	
Basic loss from continuing operations per share				$ (1.82)	(J)
Diluted loss from continuing operations per share				$ (1.82)	(J)
Shares used in computing loss from continuing operations per share:					
Basic				125,656	(J)
Diluted				125,656	(J)

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF OPERATIONS
Twelve Months Ended July 31, 1999
(In thousands, except per share data)

	CMGI	AltaVista Business	Pro Forma Adjustments	Subtotal
Net revenues	$ 175,666	$ 97,838	$ --	$ 273,504
Operating expenses:				
Cost of revenues	168,830	64,155	--	232,985
Research and development	22,253	27,105	--	49,358
In-process research and development	6,061	--	--	6,061
Selling	45,505	79,210	--	124,715
General and administrative	43,566	31,823	--	75,389
Amortization of intangible assets and stock-based compensation	16,110	171,925	682,337 (B) (8,906) (D)	861,466
Total operating expenses	302,325	374,218	673,431	1,349,974
Operating loss	(126,659)	(276,380)	(673,431)	(1,076,470)
Other income (expense):				
Interest income (expense), net	269	(7,555)	(23,100) (E)	(30,386)
Equity in losses of affiliates	(15,737)	--	--	(15,737)
Minority interest	2,331	--	76,698 (F)	79,029
Non-operating gains, net	889,041	--	--	889,041
	875,904	(7,555)	53,598	921,947
Income (loss) from continuing operations before income taxes	749,245	(283,935)	(619,833)	(154,523)
Income tax expense (benefit)	325,402	--	(290,118) (G)	35,284
Income (loss) from continuing operations	423,843	(283,935)	(329,715)	(189,807)
Preferred stock accretion	(1,662)	--	--	(1,662)
Income (loss) from continuing operations available to common stockholders	$ 422,181	$ (283,935)	$ (329,715)	$ (191,469)
Basic earnings (loss) from continuing operations per share	$ 4.53			$ (1.68) (I)
Diluted earnings (loss) from continuing operations per share	$ 4.10			$ (1.68) (I)
Shares used in computing earnings (loss) from continuing operations per share:				
Basic	93,266			113,718 (I)
Diluted	103,416			113,718 (I)

	Flycast	Pro Forma Adjustments	Pro Forma As Adjusted
Net revenues	$ 18,596	$ --	$ 292,100
Operating expenses:			
Cost of revenues	12,901	--	245,886
Research and development	4,760	--	54,118
In-process research and development	--	--	6,061
Selling	12,309	--	137,024
General and administrative	3,540	--	78,929
Amortization of intangible assets and stock-based compensation	1,786	282,400 (C) (1,786) (D)	1,143,866
Total operating expenses	35,296	280,614	1,665,884
Operating loss	(16,700)	(280,614)	(1,373,784)
Other income (expense):			
Interest income (expense), net	(39)	--	(30,425)

Equity in losses of affiliates	--	--	(15,737)
Minority interest	--	--	79,029
Non-operating gains, net	--	--	889,041
	(39)	--	921,908
Income (loss) from continuing operations before income taxes	(16,739)	(280,614)	(451,876)
Income tax expense (benefit)	2	(5,234) (G)	30,052
Income (loss) from continuing operations	(16,741)	(275,380)	(481,928)
Preferred stock accretion	(998)	998 (H)	(1,662)
Income (loss) from continuing operations available to common stockholders	$ (17,739)	$ (274,382)	$ (483,590)
Basic earnings (loss) from continuing operations per share			$ (4.00) (J)
Diluted earnings (loss) from continuing operations per share			$ (4.00) (J)
Shares used in computing earnings (loss) from continuing operations per share:			
Basic			120,948 (J)
Diluted			120,948 (J)

Notes to the Unaudited Pro Forma Condensed Combined Financial Information

(1) Pro Forma Adjustments and Assumptions

(A) CMGI completed its acquisition of an 81.495% equity stake in the AltaVista Business for consideration valued at approximately $2.4 billion on August 18, 1999. Accordingly, the assets and liabilities of the AltaVista Business are included in CMGI's consolidated balance sheet as of October 31, 1999 and no pro forma adjustments are necessary to the pro forma balance sheet related to the acquisition of the AltaVista Business. The following represents the allocation of the purchase price for CMGI's acquisition of the AltaVista Business over 81.495% of the fair values of the acquired assets and assumed liabilities of the AltaVista Business as of August 18, 1999:

(in thousands)	
Working capital deficit, including cash acquired	$ (39,604)
Other non-current assets	62,979
Non-current liabilities	(2,733)
Goodwill and other intangible assets	2,368,129
Purchase price	$ 2,388,771

The purchase price allocation for the acquisition of the AltaVista Business is preliminary and is subject to adjustment upon finalization of the purchase accounting.

The pro forma financial information also reflects the acquisition of Flycast for consideration preliminarily valued at $920 million (see description of the components of the estimated consideration above). Since the acquisition has not yet been completed, the actual consideration for the acquisition of Flycast can not yet be determined. For the purpose of the pro forma financial information, the number of shares of CMGI common stock assumed issued in the acquisition of Flycast is approximately 7.2 million. This amount is based on the number of shares of Flycast common stock outstanding as of September 29, 1999, the date of the CMGI-Flycast merger agreement. Similarly, the estimated value of the options to purchase CMGI common stock to be issued in the acquisition of Flycast is based on the outstanding options to purchase Flycast common stock as of September 29, 1999. The actual number of CMGI common shares and stock options to be issued will be based on the actual outstanding Flycast common shares and stock options as of the completion of the merger. The estimated acquisition related costs consist primarily of investment banker, legal and accounting fees to be incurred directly related to the acquisition of Flycast.

The following represents the allocation of the estimated purchase price for CMGI's pending acquisition of Flycast over the historical net book values of the acquired assets and assumed liabilities of Flycast as of the date of the pro forma balance sheet, and is for illustrative purposes only. The actual purchase price allocation will be based on fair values of the acquired assets and assumed liabilities as of the actual acquisition date. Assuming the transaction occurred on October 31, 1999, the allocation for the acquisition of Flycast would have been as follows:

(in thousands)	
Working capital, including cash acquired	$66,293
Other non-current assets	9,921
Non-current liabilities	(3,413)
Goodwill and other intangible assets	847,199
Purchase price	$920,000

The pro forma adjustment reconciles the historical balance sheet of Flycast to the allocated purchase price above and includes the accrual of approximately $21.0 million of estimated acquisition costs to be paid by CMGI related to the acquisition of Flycast.

(B) The pro forma adjustments include an incremental $38.2 million and $789.4 million in amortization of goodwill and other intangible assets (per the allocation in "(A)" above) that would have been recorded during the three months ended October 31, 1999 and the twelve months ended July 31, 1999 related to the acquisition of the AltaVista Business. The amounts identified as goodwill and other intangible assets in CMGI's acquisition of the AltaVista Business are being amortized on a straight-line basis over a three-year period. The adjustment amounts also include a net reduction of $11.9 million and $107.0 million in amortization of goodwill and other intangible assets for the three months ended October 31, 1999 and the twelve months ended July 31, 1999, respectively. These amounts relate to the reduction in historical amortization expense to reflect only the 18.505% carry-over basis in the historical goodwill and other intangible assets of the AltaVista Business and includes the amortization that would have been recorded in the historical financial statements of the AltaVista Business if Compaq/Digital's acquisitions of Shopping.com and Zip2 Corporation had occurred on August 1, 1998. The historical financial statements of the AltaVista Business represented in the pro forma statement of operations include amortization of goodwill and other intangible assets relating to Compaq's acquisition of Digital in June 1998 and Compaq/Digital's acquisitions of Shopping.com and Zip2 Corporation in January 1999 and April 1999, respectively.

(C) The pro forma adjustments represent amortization of goodwill and other intangible assets (per the allocation in "(A)" above) that would have been recorded during the periods covered by the pro forma statements of operations related to the acquisition of Flycast.

The pro forma adjustments are based on the assumption that the entire amounts identified as goodwill and other intangible assets in CMGI's acquisition of Flycast will be amortized on a straight-line basis over a three-year period. The valuation of the actual intangible assets will not be completed until after the acquisition of Flycast is complete. When completed, certain amounts identified as intangible assets may be amortized over periods other than the three-year period represented in the pro forma statement of operations. Additionally, a portion of the purchase price may be identified as in-process research and development. This amount, if any, will be charged to operating results in CMGI's fiscal year 2000 financial statements when the acquisition accounting and valuation amounts are finalized. The pro forma statements of operations do not give effect to any potential in-process research and development charge related to the acquisition of Flycast.

(D) The pro forma adjustments relate to stock-based compensation charges recorded in the historical financial statements of the AltaVista Business and Flycast. The value of the stock options to which these charges related are included in the calculation of the purchase consideration. Accordingly, on a pro forma basis, these expenses have been eliminated.

(E) The pro forma adjustments reflect the incremental interest expense that would have been recorded by CMGI related to the $220 million of aggregate principal amounts of notes payable issued in the acquisition of the AltaVista Business as if the notes payable had been issued on August 1, 1998. The notes bear interest at an annual rate of 10.5%.

(F) The pro forma adjustment reflects the 18.505% minority interest in the results of operations of the AltaVista Business assuming that CMGI's acquisition of 81.495% of the AltaVista Business occurred on August 1, 1998.

(G) The pro forma adjustments reflect the income tax benefit that would have been recorded by CMGI in its consolidated statements of operations related to the AltaVista Business' and Flycast's historical losses for the comparable periods presented and the income tax effect, if any, of the other pre-tax pro forma adjustments. The pro forma adjustments assume that CMGI would recognize a federal tax benefit for the amortization of goodwill and other intangible assets related to the acquisition of the AltaVista Business, but would not recognize a federal tax benefit for the amortization of goodwill and other intangible assets related to the acquisition of Flycast. The pro forma adjustments also assume that CMGI would record a valuation allowance for all state tax benefits associated with the AltaVista Business and Flycast. Actual effective tax rates may differ from pro forma rates reflected in this pro forma financial information.

(H) The pro forma adjustment reflects the elimination of preferred stock accretion recorded in Flycast's historical financial statements. Assuming the acquisition of Flycast occurred on August 1, 1998, the preferred stock, to which this accretion relates, would not have been outstanding during the period covered by the pro forma statement of operations.

(I) Since the pro forma statements of operations each result in a loss from continuing operations, the pro forma basic and diluted loss from continuing operations per common share are computed by dividing the loss from continuing operations available to common stockholders by the weighted average number of common shares outstanding. The calculations of the pro forma weighted average number of common shares outstanding assume that the 18,994,975 shares of CMGI's common stock issued in the acquisition of the AltaVista Business were outstanding for the entire periods. The calculations of the pro forma weighted average number of common shares outstanding also assume that the 18,090.45 shares of CMGI's Series D preferred stock were converted into 1,809,045 shares of CMGI common stock on October 11, 1998 (the 71st day after the assumed acquisition date of August 1, 1998) and that such common shares were outstanding for the entire period thereafter. The Series D preferred shares were converted into common stock on October 28, 1999 (the 71st day after the actual acquisition date of August 18, 1999).

(J) Since the pro forma statements of operations each result in a loss from continuing operations, the pro forma basic and diluted loss from continuing operations per common share are computed by dividing the loss from continuing operations available to common stockholders by the weighted average number of common shares outstanding. The calculations of the weighted average number of common shares outstanding assume that the 18,994,975 shares of CMGI's common stock issued in the acquisition of the AltaVista Business and the 7.2 million shares of CMGI's common stock estimated to be issued in the acquisition of Flycast were outstanding for the entire period. The calculations of the weighted average number of common shares outstanding also assume that the 18,090.45 shares of CMGI's Series D preferred stock were converted into 1,809,045 shares of CMGI common stock on October 11, 1998 (the 71st day after the assumed acquisition date of August 1, 1998) and that such common shares were outstanding for the entire period thereafter. The Series D preferred shares were converted into common stock on October 28, 1999 (the 71st day after the actual acquisition date of August 18, 1999).