SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q/A
AMENDMENT NO. 1

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

For the quarter ended January 31, 2001

( ) 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 March 15, 2001:

Common Stock, par value $.01 per share	345,001,833
Class	Number of shares outstanding

EXPLANATORY NOTE

This Amendment No. 1 to Quarterly Report on Form 10-Q/A amends and restates Items 1 and 2 of Part I of the Registrant's Quarterly Report on Form 10-Q for the fiscal quarter ended January 31, 2001, as filed by the Registrant on March 19, 2001, to correct the results of an inadvertent error made in the calculation of a non-cash charge included therein.

In the process of finalizing the Registrant's financial statements for the quarter ended October 31, 2001, the Registrant discovered that an inadvertent error had been made in the calculation of a certain amount included in the Registrant's financial statements for the three and six months ended January 31, 2001 included in the Form 10-Q. This error related to the recording of an impairment charge in consolidation of intangible assets associated with AltaVista, a subsidiary of the Registrant. Accordingly, the Registrant has restated its financial statements to reflect the correction of this inadvertent error and has taken remedial action over the consolidation process that the Registrant believes will prevent or detect future such errors. Conforming changes reflecting this correction have been made in the Registrant's Management's Discussion and Analysis of Financial Condition and Results of Operations, and Consolidated Financial Statements and Notes thereto.

The effects of this restatement on previously reported consolidated financial statements as of and for the three and six months ended January 31, 2001 include the following changes (in thousands, except per share amounts):

Consolidated Statements of Operations:

	Three Months Ended January 31, 2001		Six Months Ended January 31, 2001	
	As Reported	Restated	As Reported	Restated
Impairment of long-lived assets	$ 2,022,825	$ 1,998,966	$ 2,092,431	$ 2,068,572
Operating loss	(2,888,552)	(2,864,693)	(3,785,272)	(3,761,413)
Loss before income taxes	(2,722,445)	(2,698,586)	(3,232,727)	(3,208,868)
Net loss	(2,561,533)	(2,537,674)	(3,198,097)	(3,174,238)
Net loss available to common stockholders	(2,563,423)	(2,539,564)	(3,201,877)	(3,178,018)
Basic and diluted loss per share	(7.86)	(7.79)	(10.12)	(10.04)

Consolidated Balance Sheets:

	January 31, 2001	
	As Reported	Restated
Goodwill and other intangible assets, net of accumulated amortization	$ 2,151,457	$ 2,175,316
Total assets	4,769,600	4,793,459
Accumulated deficit	(4,059,691)	(4,035,832)
Total stockholders' equity	3,030,101	3,053,960

PART I

ITEM 1. Consolidated Financial Statements

CMGI, Inc. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

	January 31, 2001	July 31, 2000
	(Restated) (Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 964,813	$ 639,666
Available-for-sale securities	263,537	1,595,011
Accounts receivable, trade, net of allowance for doubtful accounts	193,872	232,104
Prepaid expenses and other current assets	145,470	105,094
Total current assets	1,567,692	2,571,875
Property and equipment, net	258,949	259,270
Investments in affiliates	584,917	583,648
Goodwill and other intangible assets, net of accumulated amortization	2,175,316	4,955,076
Other assets	206,585	187,238
	$4,793,459	$8,557,107
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	$ 40,222	$ 523,022
Current installments of long-term debt	7,529	6,649
Accounts payable	116,085	128,627
Accrued income taxes	65,437	36,318
Accrued expenses	283,193	246,289
Deferred income taxes	51,571	392,340
Deferred revenues	27,553	27,898
Other current liabilities	29,027	100,627
Total current liabilities	620,617	1,461,770
Long-term debt, less current installments	224,958	228,023
Deferred income taxes	67,287	61,365
Other long-term liabilities	24,553	50,945
Minority interest	415,163	586,062
Commitments and contingencies		
Preferred stock, $0.01 par value per share. Authorized 5,000,000 shares; issued 375,000 Series C convertible, redeemable preferred stock at January 31, 2001 and July 31, 2000, dividend at 2% per annum; carried at liquidation value	386,921	383,140
Stockholders' equity:		
Common stock, $0.01 par value per share. Authorized 1,400,000,000 shares; issued and outstanding 342,636,463 shares at January 31, 2001 and 296,487,502 shares at July 31, 2000	3,426	2,965
Additional paid-in capital	7,137,766	6,190,182
Deferred compensation	(10,565)	(45,202)
Accumulated deficit	(4,035,832)	(857,814)
	3,094,795	5,290,131
Accumulated other comprehensive income (loss)	(40,835)	495,671
Total stockholders' equity	3,053,960	5,785,802
	$4,793,459	$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 January 31,		Six months ended January 31,	
	2001	2000	2001	2000
	(Restated)		(Restated)	
Net revenue	$ 342,712	$ 158,540	$ 708,855	$ 287,658
Operating expenses:				
Cost of revenue	318,268	128,520	651,448	242,980
Research and development	46,093	31,424	97,762	51,612
In-process research and development	-	4,717	1,462	4,717
Selling	119,321	111,037	250,643	182,638
General and administrative	75,242	43,564	159,492	73,617
Amortization of intangible assets and stock-based compensation	549,484	253,831	1,132,017	423,870
Impairment of intangible assets	1,998,966	-	2,068,572	-
Restructuring charges	100,031	-	108,872	-
Total operating expenses	3,207,405	573,093	4,470,268	979,434
Operating loss	(2,864,693)	(414,553)	(3,761,413)	(691,776)
Other income (expenses):				
Interest income	19,796	10,649	31,915	16,520
Interest expense	(10,409)	(7,830)	(32,997)	(13,530)
Other gains (losses), net	(76,912)	166,149	120,426	214,498
Gains (losses) on issuance of stock by subsidiaries and affiliates, net	(3,719)	5,571	122,870	51,939
Equity in losses of affiliates	(13,556)	(3,633)	(29,428)	(5,429)
Minority interest	250,907	31,576	339,759	54,864
	166,107	202,482	552,545	318,862
Loss before income taxes	(2,698,586)	(212,071)	(3,208,868)	(372,914)
Income tax expense (benefit)	(160,912)	(26,496)	(34,630)	(69,927)
Net loss	(2,537,674)	(185,575)	(3,174,238)	(302,987)
Preferred stock accretion and amortization of discount	(1,890)	(2,228)	(3,780)	(7,163)
Net loss available to common stockholders	$(2,539,564)	$(187,803)	$(3,178,018)	$(310,150)
Basic and diluted loss per share	$ (7.79)	$ (0.74)	$ (10.04)	$ (1.31)
Shares used in computing basic and diluted loss per share	326,082	252,515	316,403	237,519

see accompanying notes to interim unaudited consolidated financial statements

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

	Six months ended January 31, 2001 (Restated)	Six months ended January 31, 2000
Cash flows from operating activities:,		
Net loss	$(3,174,238)	$(302,987)
Adjustments to reconcile net loss to net cash used for operating activities:		
Depreciation, amortization and impairment charges	3,286,366	447,205
Deferred income taxes	(72,499)	(233,073)
Non-operating gains, net	(243,296)	(266,437)
Equity in losses of affiliates	29,428	5,429
Minority interest	(339,759)	(54,864)
In-process research and development	1,462	4,717
Changes in operating assets and liabilities, excluding effects from acquired and divested companies:		
Trade accounts receivable	41,454	(48,241)
Prepaid expenses and other current assets	(34,533)	(32,286)
Accounts payable and accrued expenses	52,418	24,351
Deferred revenues	(4,890)	9,270
Refundable and accrued income taxes, net	19,842	28,197
Tax benefit from exercise of stock options	--	132,639
Other assets and liabilities	206	(6,276)
Net cash used for operating activities	(438,039)	(292,356)
Cash flows from investing activities:		
Additions to property and equipment	(89,848)	(75,989)
Net proceeds from maturities of (purchases of) available-for-sale securities	(44,987)	(51,178)
Proceeds from liquidation of stock investments	944,319	686,002
Proceeds from sale of property and equipment	35,779	--
Investments in affiliates	(61,818)	(60,587)
Cash paid for acquisitions of subsidiaries, net of cash acquired	(4,706)	105,842
Other	(228)	(56)
Net cash provided by investing activities	778,511	604,034
Cash flows from financing activities:		
Net proceeds from (repayments of) obligations under capital leases	(29,608)	6,880
Net proceeds from (repayments of) notes payable	1,668	(20,000)
Repayments of long-term debt	(2,185)	(3,373)
Net proceeds from issuance of common stock	13,455	22,020
Net proceeds from issuance of stock by subsidiaries	5,942	87,901
Other	(4,597)	6,677
Net cash provided by (used for) financing activities	(15,325)	100,105
Net increase in cash and cash equivalents	325,147	411,783
Cash and cash equivalents at beginning of period	639,666	468,912
Cash and cash equivalents at end of period	$ 964,813	$ 880,695

see accompanying notes to interim unaudited consolidated financial statements

CMGI, INC. AND SUBSIDIARIES
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 and six-month periods ended January 31, 2001 are not necessarily indicative of the results to be expected for the full fiscal year. Certain prior period amounts in the consolidated financial statements have been reclassified in accordance with generally accepted accounting principles to conform with current year presentation.

A 1. Restatement

In the process of finalizing the Company's financial statements for the quarter ended October 31, 2001, the Company discovered that an inadvertent error had been made in the calculation of a certain amount included in the Company's financial statements for the three and six months ended January 31, 2001 included in the Form 10-Q. This error related to the recording of an impairment charge in consolidation of intangible assets associated with AltaVista, a subsidiary of the Company. Accordingly, the Company has restated its financial statements to reflect the correction of this inadvertent error and has taken remedial action over the consolidation process that the Company believes will prevent or detect future such errors. Conforming changes reflecting this correction have been made in the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations, and Consolidated Financial Statements and Notes thereto. See Notes F, H and K.

The effects of this restatement on previously reported consolidated financial statements as of and for the three and six months ended January 31, 2001 include the following changes (in thousands, except per share amounts):

Consolidated Statements of Operations:

	Three Months Ended January 31, 2001		Six Months Ended January 31, 2001	
	As Reported	Restated	As Reported	Restated
Impairment of long-lived assets	$ 2,022,825	$ 1,998,966	$ 2,092,431	$ 2,068,572
Operating loss	(2,888,552)	(2,864,693)	(3,785,272)	(3,761,413)
Loss before income taxes	(2,722,445)	(2,698,586)	(3,232,727)	(3,208,868)
Net loss	(2,561,533)	(2,537,674)	(3,198,097)	(3,174,238)
Net loss available to common stockholders	(2,563,423)	(2,539,564)	(3,201,877)	(3,178,018)
Basic and diluted loss per share	(7.86)	(7.79)	(10.12)	(10.04)

Consolidated Balance Sheets:

	January 31, 2001	
	As Reported	Restated
Goodwill and other intangible assets, net of accumulated amortization	$ 2,151,457	$ 2,175,316
Total assets	4,769,600	4,793,459
Accumulated deficit	(4,059,691)	(4,035,832)
Total stockholders' equity	3,030,101	3,053,960

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 N. The Company adopted SFAS No. 133 on August 1, 2000 and recorded a transition gain, net of tax, of approximately $3.2 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 is continuing to evaluate SAB 101 and does not anticipate it having a material impact on its financial position or its results of operations.

C. Other Gains (Losses), Net

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

(in thousands)	Three Months Ended January 31, 2001	Three Months Ended January 31, 2000	Six Months Ended January 31, 2001	Six Months Ended January 31, 2000
Gain on sale of Terra Networks S.A. stock	$ 64,217	$ --	$ 64,217	$ --
Gain on sale of Lycos common stock	--	--	357,356	--
Gain on sale of Open Market common stock	--	5,832	--	5,832
Gain on sale of Kana Communications common stock	--	--	135,289	
Gain (loss) on sale of Yahoo! common stock	(3,245)	159,717	(3,245)	208,066
Gain on derivative and sale of hedged Yahoo! common stock	2,070	--	89,902	--
Gain on sale of Critical Path common stock	--	--	70,900	--
Gain on sale of real estate	19,801	--	19,801	--
Loss on sale of PCCW stock	--	--	(358,855)	--
Loss on impairment of available-for-sale securities	(58,603)	--	(148,786)	--
Loss on sale of Raging Bull	(95,896)	--	(95,896)	--
Other	(5,256)	600	(10,257)	600
	$(76,912)	$166,149	$ 120,426	$214,498

During the six months ended January 31, 2001, the Company sold marketable securities for total proceeds of approximately $941.0 million and recorded a net pre-tax gain of approximately $347.0 million on these sales. These sales primarily consisted of approximately 8.4 million shares of Lycos, Inc. common stock for proceeds of approximately $394.7 million, approximately 241.0 million shares of Pacific Century CyberWorks Limited (PCCW) stock for proceeds of approximately $190.2 million, approximately 3.7 million shares of Kana Communications, Inc. common stock for proceeds of approximately $137.6 million, approximately 6.8 million shares of Terra Networks, S.A. (Terra Networks) stock for proceeds of approximately $78.3 million and approximately 1.3 million shares of Critical Path, Inc. common stock for proceeds of approximately $72.8 million.

During the six months ended January 31, 2001, the Company recorded impairment charges related to its available-for-sale securities under the provisions of FASB No. 115, Accounting for Certain Investments in Debt and Equity Securities. These charges primarily consisted of approximately $49.3 million, $38.7 million, $29.3 million and $25.4 million of impairment charges related to the Company's holdings of Hollywood Entertainment, Inc., Marketing Services Group, Inc., Netcentives, Inc., and divine interVentures, inc, respectively.

In January 2001, AltaVista, a majority-owned subsidiary of the Company, sold its subsidiary, Raging Bull, and recorded a net pre-tax loss of approximately $95.9 million. Also in December 2000, AltaVista recorded a pre-tax gain of approximately $19.8 million on the sale of a real estate holding.

During the six months ended January 31, 2000, the Company sold approximately 3.2 million shares of Yahoo!, Inc. (Yahoo!) common stock and 260,000 shares of Open Market, Inc. common stock for proceeds totaling approximately $684.2 million. The Company recorded pre-tax gains of approximately $208.1 million and $5.8 million on the sales of the Yahoo! common stock and Open Market common stock, respectively.

D. Gains (Losses) on Issuance of Stock by Subsidiaries and Affiliates

During the six months ended January 31, 2001, the Company recognized gains on issuance of stock by subsidiaries and affiliates primarily related to the issuance of approximately 14.9 million shares of common stock by Engage, Inc. (Engage), a majority-owned subsidiary of the Company, valued at approximately $225.7 million in its acquisitions of Space Media Holdings Limited (Space) and MediaBridge Technologies, Inc. (MediaBridge). The Company's ownership interest in Engage decreased from approximately 86% to approximately 77% primarily as a result of these stock issuances. The Company provided for deferred income taxes resulting from the gains on issuance of stock by Engage.

During the six months ended January 31, 2000, the Company recognized a $51.9 million pre-tax gain on issuance of stock by a subsidiary related to NaviSite, Inc.'s (NaviSite) 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 interst in NaviSite decreased from approximately 90% to approximately 69% primarily as a result of these stock issuances.

E. Business Combinations

On August 31, 2000, Engage completed its acquisition of Space. 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. At January 31, 2001, the probability that the performance goals will be attained is remote, and therefore it is unlikely that additional purchase price will be recorded.

On September 11, 2000, Engage completed its acquisition of MediaBridge. 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 six months 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 six months 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 respective 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 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

In December 1999, Engage completed its acquisition of Adknowledge. In December 2000, Engage recorded additional purchase price consideration in the AdKnowledge acquisition of approximately $3.0 million resulting from contingent consideration due based on certain performance goals being met in accordance with the terms and conditions of the acquisition agreement. This additional consideration was paid directly by CMGI based on the provisions of the AdKnowledge acquisition agreement.

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

	Three months ended January 31,		Six months ended January 31,	
(in thousands)	2001	2000	2001	2000
Amortization of intangible assets	$522,253	$248,593	$1,091,566	$417,109
Amortization of stock-based compensation	27,231	5,238	40,451	6,761
	$549,484	$253,831	$1,132,017	$423,870

The amortization of stock-based compensation for the three and six months ended January 31, 2001 and 2000 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.

F. Impairment of Intangible Assets

The Company's management performs on-going business reviews and, based on quantitative and qualitative measures, assesses the need to record impairment losses on long-lived assets used in operations when impairment indicators are present. Where impairment indicators were identified, management determined the amount of the impairment charge by comparing the carrying value of goodwill and certain other intangible assets to their fair value. Management determines fair value based on a combination of the discounted cash flow methodology, which is based upon converting expected future cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the company being evaluated. The market price multiples are selected and applied to the company based on the relative performance, future prospects and risk profile of the company in comparison to the guideline companies. Management predominately utilizes third-party valuation reports in its determination of fair value. As a result, during management's quarterly review of the value and periods of amortization of both goodwill and other intangible assets, it was determined that the carrying value of goodwill and certain other intangible assets were not fully recoverable.

During the first quarter of fiscal 2001, the Company recorded an impairment charge of approximately $69.6 million. Subsequent to October 31, 2000, CMGI announced its decisions to exit the businesses conducted by its subsidiaries iCAST and 1stUp.com. In connection with these decisions, management determined that the carrying value of certain intangible assets, principally goodwill, were permanently impaired and recorded impairment charges of approximately $3.6 million and $23.3 million related to iCAST and 1stUp.com, respectively. The Company also recorded other impairment charges during the first quarter of fiscal 2001 totaling approximately $42.7 million, consisting primarily of $16.8 million related to intangible assets of Engage, $8.9 million related to intangible assets of MyWay, and $10.1 million related to intangible assets of CMGion.

During the second quarter of fiscal 2001, the Company recorded impairment charges totaling approximately $1.999 billion. Each of the companies for which impairment charges were recorded in the second quarter have experienced declines in operating and financial metrics over the past several quarters in comparison to the metrics forecasted at the time of their respective acquisitions. The impairment analysis considered that these companies were recently acquired during the time period from August 1999 to March 2000 and that the intangible assets are recorded upon acquisition of these companies was generally being amortized over a three-year useful life. However, sufficient monitoring was performed over the course of the past several quarters and the companies have each completed an operating cycle since acquisition. This monitoring process culminated with impairment charges for these companies in the second quarter. The amount of the impairment charge was determined by comparing the carrying value of goodwill and certain other intangible assets to fair value at January 31, 2001. The discount rates used as of January 31, 2001 ranged from 20% to 25%. These discount rates were determined by an analysis of the risks associated with certain goodwill and other intangible assets. The resulting net cash flows to which the discount rates were applied were based on management's estimates of revenues, operating expenses and income taxes from the assets with identified impairment indicators.

As a result of sequential declines in operating results, primarily due to the continued weak overall demand for on-line advertising and marketing services, and changes in business strategies, management determined that the carrying value of goodwill and certain other intangible assets of Engage, yesmail, CMGion's subsidiary, AdForce, and AltaVista should be adjusted. Accordingly, the Company has recorded an impairment charge of approximately $1.979 billion during the second quarter of fiscal 2001 to adjust the carrying value of these intangible assets.

Also during the second quarter of fiscal 2001, CMGI announced its decision to shutdown the operations of ExchangePath. In connection with this decision, management determined that the carrying value of certain intangible assets of ExchangePath, principally goodwill, were permanently impaired and recorded impairment charges in the quarter ended January 31, 2001 of approximately $5.7 million. The Company also recorded other impairment charges during the second quarter of fiscal 2001 totaling approximately $13.8 million primarily related to certain intangible assets of Tallan.

The impairment factors evaluated by management may change in subsequent periods, given that the Company operates in a volatile business environment. This could result in additional material impairment charges in future periods.

G. Restructuring Charges

During the six months ended January 31, 2001, the Company recorded restructuring charges of approximately $108.9 million in accordance with EITF 94-3, SFAS No. 121 and SAB 100. The Company's recent restructuring initiatives involved strategic decisions to exit certain businesses or to re-evaluate the current state of on-going businesses. The restructuring charges recorded during the first and second quarters of fiscal 2001 (Q1 Restructuring and Q2 Restructuring, respectively) primarily relate to contract terminations, severance charges and equipment charges resulting from the Company's decision to shut down the operations of iCAST, 1stUp.com and ExchangePath and to streamline its remaining operations in connection with cost reduction initiatives. Severance charges include employee termination costs as a result of headcount reductions and salary expense for certain employees involved in the shutdown efforts. The majority of these severance charges were incurred by Engage and AltaVista, who eliminated approximately 540 and 410 positions, respectively. Employees affected by the restructuring were notified both through direct personal contact or by written notification. The contract terminations primarily consisted of costs to exit facility and equipment leases and to terminate bandwidth and other vendor contracts. The majority of the contract terminations were incurred by Engage in connection with the closing of several office locations, by CMGion's subsidiary, AdForce, and by NaviPath in connection with the termination of bandwith agreements, by MyWay due to the termination of a contract with a significant customer and by AltaVista in connection with the termination of a contract with a significant customer as well as other contracts due to the change in its business strategy. The equipment charges primarily consist of future lease commitments principally for servers, desktop computers and other telecommunications equipment of Engage and MyWay and the write-off of fixed assets by Engage, 1stUp.com and ExchangePath.

The following tables summarizes the restructuring activity for the charges recorded in the first and second quarters of fiscal 2001 from the dates of the approvals of the restructuring plans to January 31, 2001:

(in thousands)	Employee Related Expenses	Contractual Obligations	Asset Impairments	Total
Q1 Restructuring	$ 4,667	$ 3,678	$ 496	$ 8,841
Q2 Restructuring	13,282	67,121	19,628	100,031
Cash charges	(12,675)	(10,182)	-	(22,857)
Non-cash charges	-	(3,606)	(19,685)	(23,291)
Reserve balance at January 31, 2001	$ 5,274	$57,011	$ 439	$ 62,724

We anticipate that the remaining unpaid restructuring charges will be paid through April 2002.

The restructuring charges for the three and six months ended January 31, 2001 would have been allocated as follows had the Company recorded the expense within the functional department of the restructured activities:

(in thousands)	Three Months Ended January 31, 2001	Six Months Ended January, 31, 2001
Cost of revenue	$ 39,670	$ 40,168
Research and development	11,356	12,958
Selling	14,976	20,920
General and administrative	34,029	34,826
	$100,031	$108,872

H. 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, amortization, intangible asset impairment and restructuring charges.

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. On February 13, 2001, the Company announced the sale of a majority interest in the parent of Signatures Network (see Note O).

Summarized financial information of the Company's results by operating segment is as follows:

(in thousands)	Three Months Ended January 31, 2001	Three Months Ended January 31, 2000	Six Months Ended January 31, 2001	Six Months Ended January 31, 2000
Net revenue:				
Interactive Marketing	$ 34,564	$ 31,391	$ 83,249	$ 50,019
eBusiness and Fulfillment	189,545	55,999	378,170	112,227
Search and Portals	55,174	56,481	115,613	105,912
Infrastructure and Enabling Technologies	35,962	12,325	71,015	16,942
Internet Professional Services	27,467	2,344	60,808	2,558
	$ 342,712	$ 158,540	$ 708,855	$ 287,658
Operating loss:				
Interactive Marketing	$(1,119,105)	$ (54,515)	$(1,360,024)	$ (73,048)
eBusiness and Fulfillment	(39,003)	(7,094)	(79,597)	(8,599)
Search and Portals	(1,199,211)	(274,695)	(1,552,867)	(494,719)
Infrastructure and Enabling Technologies	(426,192)	(60,501)	(619,917)	(85,199)
Internet Professional Services	(57,414)	(7,523)	(103,145)	(12,261)
Other	(23,768)	(10,225)	(45,863)	(17,950)
	$(2,864,693)	$(414,553)	$(3,761,413)	$(691,776)
Operating income (loss), excluding in-process research and development expenses, amortization, intangible asset impairment and restructuring charges:				
Interactive Marketing	$ (49,755)	$ (24,905)	$ (108,206)	$ (39,316)
eBusiness and Fulfillment	(5,729)	(5,204)	(9,268)	(3,840)
Search and Portals	(41,438)	(73,066)	(101,707)	(131,770)
Infrastructure and Enabling Technologies	(97,957)	(37,605)	(190,251)	(61,721)
Internet Professional Services	2,382	(5,055)	3,934	(8,703)
Other	(23,715)	(10,170)	(44,992)	(17,839)
	$ (216,212)	$(156,005)	$ (450,490)	$(263,189)

I. 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 was payable at a rate of 6.5% per annum. Principal and interest payments due on the notes were payable in September 2000 and December 2000. 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. On January 2, 2001, the Company issued approximately 22.9 million shares of its common stock as payment of approximately $135.1 representing the remaining principal balance on the three notes.

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. In January 2001, NaviSite paid approximately $27.0 million to settle the Capital Lease obligation.

J. Earnings Per Share

The Company calculates earnings per share in accordance with 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 10.5 million and 13.4 million weighted average common stock equivalents and approximately 9.6 million and 12.2 million shares representing the weighted average effect of assumed conversion of convertible stock were excluded from the denominator in the diluted loss per share calculation for the three months ended January 31, 2001 and 2000, respectively. Approximately 10.4 million and 12.2 million weighted average common stock equivalents and approximately 9.6 million and 12.2 million shares representing the weighted average effect of assumed conversion of convertible stock were excluded from the denominator in the diluted loss per share calculation for the six months ended January 31, 2001 and 2000, respectively.

If a subsidiary has dilutive stock options or warrants outstanding, diluted earnings per share is computed by first deducting from net 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 and six months ended January 31, 2001 and 2000.

K. Comprehensive Income

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

(in thousands)	Three months ended January 31,		Six months ended January 31,	
	2001	2000	2001	2000
Net loss	$(2,537,674)	$(185,575)	$(3,174,238)	$(302,987)
Net unrealized holding gain (loss) arising during period	(94,075)	518,157	(547,193)	800,470
Less: reclassification adjustment for loss (gain) realized in net loss	18,259	(97,737)	10,687	(126,178)
Comprehensive income (loss)	$(2,613,490)	$ 234,845	$(3,710,744)	$ 371,305

L. Consolidated Statements of Cash Flows Supplemental Information

(in thousands)	Six months ended January 31,	
	2001	2000
Cash paid during the period for:		
Interest	$ 4,260	$2,664
Income taxes	$15,866	$7,667

During the six months ended January 31, 2001, significant non-cash investing activities included the following transactions:

On August 1, 2000, the Company settled the first tranche of an agreement (see Note N) that hedged 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.

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.

On December 31, 2000, the Company issued approximately 22.9 million shares of its common stock as payment of principal and interest totaling approximately $141.8 million related to notes payable that had been issued in the Company's acquisition of Tallan.

M. Available-for-Sale Securities

At January 31, 2001, available-for-sale securities primarily consisted 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 January 31, 2001 included approximately 8.0 million shares of Primedia, Inc. valued at approximately $93.5 million, approximately 640,000 shares of Yahoo! valued at approximately $23.8 million, approximately 4.6 million shares of Vicinity Corporation valued at approximately $13.3 million and approximately 282,000 shares of eBay, Inc. valued at approximately $13.1 million. Shares of publicly traded companies held by CMG@Ventures I and II, which have been allocated but not distributed 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 January 31, 2001 may be required to be allocated to CMG@Ventures I's and II's profit members in the future. A net unrealized holding loss of approximately $40.8 million, net of deferred income taxes of approximately $51.8 million, has been reflected in other comprehensive income in the equity section of the consolidated balance sheet at January 31, 2001 based on the change in market value of the available-for-sale securities from dates of acquisition to January 31, 2001.

N. Derivative Financial Instruments

In April 2000, the Company entered into an agreement with an investment bank that hedged a portion of the Company's investment in common stock of Yahoo! using equity collar arrangements. Under the terms of the contract, the Company agreed to deliver, at its discretion, either cash or Yahoo! 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 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! common stock on August 1, 2001. The Company settled the third tranche through the delivery of 47,684 shares of Yahoo! common stock in February 2001.

The equity collars 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 collar arrangements as hedges and has determined that the hedges are highly effective. Changes in the value of the hedge instrument 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 the value of 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 prescribed 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 six months ended January 31, 2001 was approximately $89.9 million, which primarily related to the settlement of the first tranche through the delivery of 581,499 shares of Yahoo! common stock in August 2000. The net gain is included in "Other gains (losses), net", in the consolidated statements of operations.

O. Subsequent Events

On February 13, 2001, the Company announced the sale of a majority interest in Signatures SNI, Inc, (Signatures) parent of Signatures Network, a majority-owned subsidiary of CMGI. Under the terms of the transaction, CMGI retained a minority interest as well as a position on the Signature's Board of Directors. As a result of this transaction, beginning in the third quarter of fiscal 2001, the Company will account for its remaining investment in Signatures Network under the equity method of accounting, rather than the consolidation method.

On February 18, 2001, the Company issued approximately 2.0 million 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 March 13, 2001, the Company announced that it is currently exploring strategic alternatives for Activate and AdForce. These strategic alternatives could include sales of these subsidiaries or other forms of divestiture. No assurances can be given that any such transaction will occur.

On March 14, 2001, NaviSite announced that it had engaged Goldman, Sachs & Co. to assist it in exploring acquisition and other strategic alternatives. NaviSite reported that it has been approached by companies interested in strategic investments or acquisition. No assurances can be given that any such transaction will occur.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

CMGI, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION
AND RESULTS OF OPERATIONS

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 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.

Restatement

In the process of finalizing the Company's financial statements for the quarter ended October 31, 2001, the Company discovered that an inadvertent error had been made in the calculation of a certain amount included in the Company's financial statements for the three and six months ended January 31, 2001 included in the Form 10-Q. This error related to the recording of an impairment charge in consolidation of intangible assets associated with AltaVista, a subsidiary of the Company. Accordingly, the Company has restated its financial statements to reflect the correction of this inadvertent error and has taken remedial action over the consolidation process that the Company believes will prevent or detect future such errors. Conforming changes reflecting this correction have been made in the Company's Management's Discussion and Analysis of Financial Condition and Results of Operations, and Consolidated Financial Statements and Notes thereto.

The effects of this restatement on previously reported consolidated financial statements as of and for the three and six months ended January 31, 2001 include the following changes (in thousands, except per share amounts):

Consolidated Statements of Operations:

	Three Months Ended January 31, 2001		Six Months Ended January 31, 2001	
	As Reported	Restated	As Reported	Restated
Impairment of long-lived assets	$ 2,022,825	$ 1,998,966	$ 2,092,431	$ 2,068,572
Operating loss	(2,888,552)	(2,864,693)	(3,785,272)	(3,761,413)
Loss before income taxes	(2,722,445)	(2,698,586)	(3,232,727)	(3,208,868)
Net loss	(2,561,533)	(2,537,674)	(3,198,097)	(3,174,238)
Net loss available to common stockholders	(2,563,423)	(2,539,564)	(3,201,877)	(3,178,018)
Basic and diluted loss per share	(7.86)	(7.79)	(10.12)	(10.04)

Consolidated Balance Sheets:

	January 31, 2001	
	As Reported	Restated
Goodwill and other intangible assets, net of accumulated amortization	$ 2,151,457	$ 2,175,316
Total assets	4,769,600	4,793,459
Accumulated deficit	(4,059,691)	(4,035,832)
Total stockholders' equity	3,030,101	3,053,960

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 principles, 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 from the Company. 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. On February 13, 2001 the Company announced the sale of a majority interest in the parent of Signatures Network.

Three months ended January 31, 2001 compared to three months ended January 31, 2000

NET REVENUE:

(in thousands)	Three Months Ended January 31, 2001	As a % of Total Net Revenue	Three Months Ended January 31, 2000	As a % of Total Net Revenue	$ Change	% Change
Interactive Marketing	$ 34,564	10%	$ 31,391	20%	$ 3,173	10%
eBusiness and Fulfillment	189,545	55%	55,999	35%	133,546	239%
Search and Portals	55,174	16%	56,481	36%	(1,307)	(2)%
Infrastructure and Enabling Technologies	35,962	11%	12,325	8%	23,637	192%
Internet Professional Services	27,467	8%	2,344	1%	25,123	1072%
Total	$342,712	100%	$158,540	100%	$184,172	116%

Net revenue increased $184.2 million, or 116%, to $342.7 million for the three months ended January 31, 2001 from $158.5 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 second quarter of fiscal year 2001. The increase in net revenue within the Interactive Marketing segment was primarily the result of the effects of the fiscal year 2000 acquisition of yesmail.com, inc. (yesmail.com), the impact of a full quarter's net revenue from Flycast Communications

Corporation (Flycast), which was acquired on January 20, 2000, and the acquisition of MediaBridge Technologies, Inc. (MediaBridge), which occurred on September 11, 2000, partially offset by the decrease in net revenue due to the softness in the on-line advertising market. The increase in net revenue within the eBusiness and Fulfillment segment was substantially the result of the acquisition of uBid during fiscal year 2000 and, to a lesser extent, increased net revenue at SalesLink, offset slightly by a decrease in net revenue from Signatures Network. The decrease in net revenue within the Search and Portals segment was primarily the result of a decrease in net revenue at AltaVista due to the renegotiation of certain strategic deals, the softness in the online advertising market and certain changes in AltaVista's business strategy, as well as, the deconsolidation of Blaxxun in March 2000, partially offset by an increase in net revenue at MyWay. 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 impact of a full quarter's net revenue from Activate, AdForce, and 1stUp.com which were acquired during the second quarter of fiscal 2000. The increase in net revenue for NaviSite was primarily due to the growth in its customer base. The increase in net revenue for NaviPath primarily related to the growth in usage hours on NaviPath's network. The increase in net revenue within the Internet Professional Services segment was substantially the result of the acquisition of Tallan during the third quarter of fiscal year 2000.

COST OF REVENUE:

(in thousands)	Three Months Ended January 31, 2001	As a % of Segment Net Revenue	Three Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 27,934	81%	$ 27,906	89%	$ 28	0%
eBusiness and Fulfillment	169,954	90%	46,321	83%	123,633	267%
Search and Portals	26,706	48%	24,033	43%	2,673	11%
Infrastructure and Enabling Technologies	73,064	203%	27,802	226%	45,262	163%
Internet Professional Services	20,610	75%	2,458	105%	18,152	739%
Total	$318,268	93%	$128,520	81%	$189,748	148%

Cost of revenue increased $189.8 million, or 148%, to $318.3 million for the three months ended January 31, 2001 from $128.5 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. Cost of revenue as a percentage of net revenue increased for the second 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:

(in thousands)	Three Months Ended January 31, 2001	As a % of Segment Net Revenue	Three Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 12,759	37%	$ 5,124	16%	$ 7,635	149%
eBusiness and Fulfillment	180	0%	597	1%	(417)	(70)%
Search and Portals	18,068	33%	22,028	39%	(3,960)	(18)%
Infrastructure and Enabling Technologies	15,086	42%	2,537	21%	12,549	495%
Internet Professional Services	-	-	976	42%	(976)	(100)%
Other	-	-	162	0%	(162)	(100)%
Total	$46,093	14%	$ 31,424	20%	$ 14,669	47%

Research and development expenses increased $14.7 million, or 47%, to $46.1 million for the three months ended January 31, 2001 from $31.4 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 increased during the second quarter of fiscal 2001 due to the effects of fiscal 2000 acquisitions and increased development efforts at existing companies. The increase in the Interactive Marketing segment was primarily related to the fiscal year 2000 acquisition of yesmail.com, the result of the full quarter's impact of the Flycast acquisition, the acquisition of MediaBridge and increased product development efforts at Engage. The decrease within the Search and Portals segment was primarily due to decreased spending at iCAST due to the shut down of its operations and at MyWay as a result of its transition to a licensing based revenue model, offset by the increase at AltaVista related to further development of its search software. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the full quarter's impact of the fiscal 2000 acquisitions of Activate, AdForce, Equilibrium, 1stUp.com and Tribal Voice and increased development efforts at NaviSite and NaviPath.

IN-PROCESS RESEARCH AND DEVELOPMENT EXPENSES:

(in thousands)	Three Months Ended January 31, 2001	As a % of Segment Net Revenue	Three Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ -	-	$2,317	7%	$ (2,317)	(100)%
eBusiness and Fulfillment	-	-	-	-	-	N/A
Search and Portals	-	-	-	-	-	N/A
Infrastructure and Enabling Technologies	-	-	2,400	19%	(2,400)	(100)%
Internet Professional Services	-	-	-	-	-	N/A
Other	-	-	-	-	-	N/A
Total	$ -	-	$4,717	3%	$ (4,717)	(100)%

There were no in-process research and development expenses for the three months ended January 31, 2001 as compared with $4.7 million for the same period in fiscal year 2000.

SELLING EXPENSES:

(in thousands)	Three Months Ended January 31, 2001	As a % of Segment Net Revenue	Three Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 30,509	88%	$ 18,320	58%	$ 12,189	67 %
eBusiness and Fulfillment	14,614	8%	6,229	11%	8,385	135 %
Search and Portals	41,943	76%	71,483	127%	(29,540)	(41)%
Infrastructure and Enabling Technologies	28,150	78%	12,128	98%	16,022	132 %
Internet Professional Services	1,351	5%	1,509	64%	(158)	(11)%
Other	2,754	-	1,368	-	1,386	101 %
Total	$119,321	35%	$111,037	70%	$ 8,284	8 %

Selling expenses increased $8.3 million, or 8%, to $119.3 million for the three months ended January 31, 2001 from $111.0 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 second quarter 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. Selling expenses as a percentage of net revenue decreased for the second quarter of fiscal 2001 primarily due to increased net revenue. The increase within the Interactive Marketing segment was primarily the result of the fiscal 2000 acquisition of yesmail.com, the result of the full quarter's impact of the Flycast acquisition, the acquisition of MediaBridge and increased international sales and marketing efforts at Engage. The increase in the eBusiness and Fulfillment segment was substantially the result of the acquisition of uBid during fiscal year 2000 partially offset by severance expense of approximately $2.7 million taken in the second quarter of fiscal year 2000 related to an executive at Signatures Network and by an overall decrease in the sales and marketing efforts at Signatures Network during the quarter ended January 31, 2001. The decrease in the Search and Portals segment during the quarter ended January 31, 2001 was primarily the result the end of a print and electronic media marketing campaign at AltaVista that had been initiated in the second quarter of fiscal year 2000 and the shut down of the operations at iCAST, as well as, certain operations at MyWay. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the full quarter's impact of the fiscal 2000 acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp.com and Tribal Voice and increased sales and marketing efforts at NaviSite related to the opening of two new sales offices

GENERAL AND ADMINISTRATIVE EXPENSES:

(in thousands)	Three Months Ended January 31, 2001	As a % of Segment Net Revenue	Three Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$13,117	38%	$ 4,946	16%	$ 8,171	165 %
eBusiness and Fulfillment	10,526	6%	8,056	14%	2,470	31 %
Search and Portals	9,895	18%	12,003	21%	(2,108)	(18)%
Infrastructure and Enabling Technologies	17,619	49%	7,463	61%	10,156	136 %
Internet Professional Services	3,124	11%	2,456	105%	668	27 %
Other	20,961	-	8,640	-	12,321	143 %
Total	$75,242	22%	$43,564	27%	$31,678	73 %

General and administrative expenses increased $31.7 million, or 73%, to $75.2 million for the three months ended January 31, 2001 from $43.6 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 second quarter of fiscal year 2001 primarily due to the effect of the fiscal year 2000 acquisitions and the building of management infrastructure at both the corporate level and at several of the Company's existing subsidiaries. The increase in the Interactive Marketing segment was primarily the result of the fiscal 2000 acquisition of yesmail.com, the result of the full quarter's impact of the Flycast acquisition, the acquisition of MediaBridge and incremental bad debt expense resulting from the Company's exposure to dot.com companies with increasingly strained financial resources. The increase in the eBusiness and Fulfillment segment was substantially the result of the acquisitions of uBid during fiscal year 2000 and is partially offset by severance expense of approximately $2.7 million taken in the second quarter of fiscal year 2000 related to an executive at Signatures Network. The decrease in the Search and Portals segment was primarily the result of cost savings recognized by the decrease in compensation expense related to headcount reductions at AltaVista and as a result of the consolidation of MyWay's technology platforms and related operations and the deconsolidation of Blaxxun. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the full quarter's impact of the fiscal 2000 acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp.com and Tribal Voice and the building of management infrastructure at NaviSite and NaviPath and incremental bad debt expense at NaviSite. 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.

AMORTIZATION OF INTANGIBLE ASSETS AND STOCK-BASED COMPENSATION:

	Three Months Ended January 31, 2001	As a % of Segment Net Revenue	Three Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$ 177,682	514%	$ 27,293	87%	$ 150,389	551 %
eBusiness and Fulfillment	33,274	18%	1,890	3%	31,384	1,661 %
Search and Portals	235,385	427%	201,629	357%	33,756	17 %
Infrastructure and Enabling Technologies	57,045	159%	20,496	166%	36,549	178 %
Internet Professional Services	46,045	168%	2,468	105%	43,577	1,766 %
Other	53	-	55	-	(2)	(4)%
Total	$ 549,484	160%	$ 253,831	160%	$ 295,653	117%

Amortization of intangible assets and stock-based compensation increased $295.7 million, or 117%, to $549.5 million for the three months ended January 31, 2001 from $253.8 million for the same period in fiscal year 2000. Amortization of intangible assets and stock-based compensation consisted primarily of goodwill amortization expense related to acquisitions made during fiscal year 2000. The intangible assets recorded as a result of acquisitions are primarily being amortized over periods ranging from two to five years. Included within amortization of intangible assets and stock-based compensation expenses was approximately $27.2 million and $5.2 million of stock-based compensation for the three months ended January 31, 2001 and 2000, respectively. Included in the stock-based compensation expense for the period was approximately $8.7 million related to the acceleration of stock-based compensation related to the shutdown of operations at iCAST. The increase in amortization in the Interactive Marketing segment was primarily the result of the fiscal 2000 acquisition of yesmail.com, the result of the full quarter's impact of the Flycast acquisition and of the acquisition of MediaBridge. The increase in the eBusiness and Fulfillment segment was primarily the result of the acquisition of uBid during fiscal year 2000. The increase in the Search and Portals segment amortization was primarily the result of AltaVista's acquisition of Raging Bull. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the full quarter's effect of the acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp.com and Tribal Voice during fiscal year 2000. The increase in the Internet Professional Services segment was due to the acquisition of Tallan during fiscal year 2000.

IMPAIRMENT OF INTANGIBLE ASSETS:

	Three Months Ended January 31, 2001	As a % of Segment Net Revenue	Three Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$ 874,658	2,531%	-	-	$ 874,658	N/A
eBusiness and Fulfillment	-	-	-	-	-	N/A
Search and Portals	862,583	1,563%	-	-	862,583	N/A
Infrastructure and Enabling Technologies	247,974	690%	-	-	247,974	N/A
Internet Professional Services	13,751	50%	-	-	13,751	N/A
Other	-	-	-	-	-	N/A
Total	$ 1,998,966	583%	$ -	-	$ 1,998,966	N/A

During the three months ended January 31, 2001, the Company recorded impairment charges of approximately $1.999 billion as a result of management's ongoing business review and impairment analysis performed under its existing policy regarding impairment of long-lived assets. Where impairment indicators were identified, management determined the amount of the impairment charge by comparing the carrying value of goodwill and certain other intangible assets to their fair value. Management determines fair value based on a combination of the discounted cash flow methodology, which is based upon converting expected future cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the company being evaluated. The market price multiples are selected and applied to the company based on the relative performance, future prospects and risk profile of the company in comparison to the guideline companies. Management predominately utilizes third-party valuation reports in its determination of fair value. As a result, during management's quarterly review of the value and periods of amortization of both goodwill and other intangible assets, it was determined that the carrying value of goodwill and certain other intangible assets were not fully recoverable. Each of the companies for which impairment charges were recorded in the second quarter have experienced declines in operating and financial metrics over the past several quarters in comparison to the metrics forecasted at the time of their respective acquisitions. The impairment analysis considered that these companies were recently acquired during the period from August 1999 to March 2000 and that the intangible assets recorded upon acquisition of these companies was generally being amortized over a three year useful life. However, sufficient monitoring was performed over the course of the past several quarters and the companies have each completed an operating cycle since acquisition. This monitoring process culminated with impairment charges for these companies in the second quarter. The Interactive Marketing segment recorded impairment charges of approximately $524.1 million related to the write-down of intangible assets at Engage related to goodwill and certain other intangible assets of its media business and approximately $350.6 million of goodwill and certain other intangible assets at yesmail.com. The impairment charges incurred in the Search and Portals segment related to the write-down of approximately $862.6 million of goodwill and certain other intangible assets related to AltaVista. The impairment charges in the Infrastructure and Enabling Technologies segment primarily related to the write-down of approximately $771,000 of other intangible assets at Activate, approximately $241.8 million of goodwill and other intangible assets at CMGion related to its subsidiary, AdForce, and approximately $5.6 million of goodwill at ExchangePath. The other intangible assets of Activate and AdForce that were determined to be impaired primarily related to a significant reduction in the acquired customer bases and turnover of workforce which was in place at the time of the acquisitions of the companies. The impairment charges incurred in the Internet Professional Services segment related to the write-down of approximately $13.8 million of other intangible assets at Tallan, primarily related to a significant reduction in the acquired customer base and turnover of workforce which was in place at the time of the acquisition. The impairment factors evaluated by management may change in subsequent periods, given that the Company operates in a volatile business environment. This could result in material impairment charges in future periods.

RESTRUCTURING CHARGES:

(in thousands)	Three Months Ended January 31, 2001	As a % of Segment Net Revenue	Three Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 17,010	49%	$ -	-	$ 17,010	N/A
eBusiness and Fulfillment	-	-	-	-	-	N/A
Search and Portals	59,805	108%	-	-	59,805	N/A
Infrastructure and Enabling Technologies	23,216	65%	-	-	23,216	N/A
Internet Professional Services	-	-	-	-	-	N/A
Other	-	-	-	-	-	N/A
Total	$ 100,031	29%	$ -	-	$ 100,031	N/A

Restructuring charges of approximately $100.0 million recorded during the three months ended January 31, 2001 consisted primarily of contract terminations, severance charges and equipment charges incurred as a result of strategic decisions made by the Company to shut down the operations of certain subsidiaries and to increase operational efficiencies, improve margins and further reduce expenses at the remaining subsidiaries. The restructuring charges incurred in the Interactive Marketing segment primarily related to workforce reductions of approximately 540 positions and the closing of several office locations at Engage, future lease commitments of Engage for servers, desktop computers and other telecommunications equipment and the write-off of fixed assets by Engage. The restructuring charges incurred in the Search and Portals segment primarily consisted of workforce reductions of approximately 410 positions at AltaVista, the termination of a contract with a significant customer and the termination of other contracts by AltaVista in connection with the change in its business strategy, the termination of a contract with a significant customer by MyWay, the future lease commitments of

MyWay for servers, desktop computers and other telecommunications equipment and severance and other shutdown costs at iCAST. The restructuring charges incurred in the Infrastructure and Enabling Technologies segment primarily related to the termination of bandwidth agreements by NaviPath and CMGion's subsidiary, AdForce, severance cost at 1stUp.com and the write-off of fixed assets by 1stUp.com and ExchangePath.

OTHER INCOME/EXPENSES:

Gains (losses) on issuance of stock by subsidiaries and affiliates decreased $9.3 million, or 167%, to ($3.7) million for the three months ended January 31, 2001 from $5.6 million for the same period in fiscal year 2000. Loss on the issuance of stock in the three months ended January 31, 2001 primarily related to a pre-tax loss of approximately $3.9 million on the issuance of stock by Engage to employees as a result of stock option exercises. Gains on issuance of stock in the three months ended January 31, 2000 primarily reflects the pre-tax gain of $5.5 million on the issuance of common stock by NaviSite as a result of the exercise of the underwriters' overallotment option in its initial public offering.

Other gains (losses), net decreased $243.1 million, or 146%, to ($76.9) million for the quarter ended January 31, 2001 from $166.2 million for the same period in fiscal 2000. Other losses, net for the quarter ended January 31, 2001 primarily consisted of a pre-tax loss of $95.9 million on the sale of AltaVista's subsidiary, Raging Bull, and a pre-tax loss of approximately $58.6 million related to impairment charges taken on certain available-for-sale securities held by the Company. These losses were partially offset by a pre-tax gain of approximately $64.2 million on the sale of Terra Networks stock and a pre-tax gain of approximately $19.8 million on the sale of a real estate holding. Other gains, net for the quarter ended January 31, 2000 consisted primarily of pre-tax gains of approximately $159.7 million on the sale of Yahoo! common stock.

Interest income increased $9.1 million to $19.8 million for the three months ended January 31, 2001 from $10.7 million for the same period in fiscal 2000, reflecting increased interest income associated with higher average corporate cash and cash equivalent balances. Interest expense increased $2.6 million to $10.4 million for the second quarter of fiscal 2001 from $7.8 million for the second quarter of fiscal 2000, primarily due to the notes issued in conjunction with the acquisitions of AltaVista and Tallan.

Equity in losses of affiliates resulted from the Company's minority ownership in certain investments that are accounted for under the equity method of accounting. Under the equity method, 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 $10.0 million to $13.6 million for the three months ended January 31, 2001, from $3.6 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 second fiscal quarter. Equity in losses of affiliates for the second quarter of fiscal 2001 included the results from the Company's minority ownership in AnswerLogic, Inc., CarParts.com, Inc., Corrigo, Inc., Domania.com, Inc., Ensera, Inc., FoodBuy.com, Inc., GXMedia, 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 and Virtual Ink Corporation. Equity in losses of affiliates for the second quarter of fiscal 2000 included the results from the Company's minority ownership in Engage Technologies Japan, Inc., Foodbuy.com, Inc., GX Media, Inc., Half.com, 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 $250.9 million for the three months ended January 31, 2001 from $31.6 million for the same period of fiscal 2000, primarily reflecting minority interest in net losses of seven subsidiaries during the second quarter of fiscal 2001, including AltaVista, Engage, MyWay, NaviSite, CMGion and NaviPath. The increase is primarily related to an increase in the net losses reported by Engage and AltaVista due to substantial amortization expense and impairment and restructuring charges recorded during the second fiscal quarter of 2001.

Income tax benefit recorded in the second quarter of fiscal 2001 was approximately $160.9 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 second quarter of fiscal 2001, gains (losses) on issuances of stock by subsidiaries and affiliates, other gains (losses), net, and impairment charges taken on intangible assets were excluded. Income tax expense in the second 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 amortization and impairment charges, state taxes and valuation allowances recognized on deferred tax assets. During the second quarter of fiscal 2001, the Company recorded valuation allowance against its net deferred tax assets not expected to be utilized in fiscal 2001, since it is more likely than not that these assets will not be realized in future years. Prior to the second quarter of fiscal 2001, the Company has recorded valuation allowance against net deferred tax assets only with respect to majority owned subsidiaries not included in the Company's federal consolidated group. The increase in valuation allowance resulted in additional tax expense of approximately $96.7 million for the second fiscal quarter of 2001.

Six months ended January 31, 2001 compared to six months ended January 31, 2000

NET REVENUE:

(in thousands)	Six Months Ended January 31, 2001	As a % of Total Net Revenue	Six Months Ended January 31, 2000	As a % of Total Net Revenue	$ Change	% Change
Interactive Marketing	$ 83,249	12%	$ 50,019	17%	$ 33,230	67%
eBusiness and Fulfillment	378,170	53%	112,227	39%	265,943	237%
Search and Portals	115,613	16%	105,912	37%	9,701	9%
Infrastructure and Enabling Technologies	71,015	10%	16,942	6%	54,073	319%
Internet Professional Services	60,808	9%	2,558	1%	58,250	2,277%
Total	$708,855	100%	$287,658	100%	$421,197	147%

Net revenue increased $421.2 million, or 147%, to $708.9 million for the six months ended January 31, 2001 from $287.7 million for the same period ended in fiscal year 2000. The increase was largely a result of the effects of fiscal year 2000 acquisitions and increased net revenue growth at existing companies during the six months ended January 31, 2001. 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, and yesmail.com and the acquisition of MediaBridge in September 2000. The increase in net revenue within the eBusiness and Fulfillment segment was substantially the result of the acquisition of uBid, the impact of a full six months of net revenue from Signatures Network, which was acquired in September 1999, and increased volume of business at SalesLink. The increase in net revenue within the Search and Portals segment was primarily the result of the impact of a full six months of net revenue form AltaVista and increased revenue from MyWay, offset slightly by a decrease in net revenue due to the deconsolidation of Blaxxun in March 2000. 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 impact of a full six months of net revenue from Activate and AdForce and revenue growth at 1stUp.com during fiscal year 2001. 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 usage hours on NaviPath's network. The increase in net revenue within the Internet Professional Services segment was substantially the result of the acquisition of Tallan during fiscal year 2000.

COST OF REVENUE:

(in thousands)	Six Months Ended January 31, 2001	As a % of Segment Net Revenue	Six Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 63,118	76%	$ 42,653	85%	$ 20,465	48%
eBusiness and Fulfillment	336,809	89%	91,918	82%	244,891	266%
Search and Portals	61,792	53%	60,642	57%	1,150	2%
Infrastructure and Enabling Technologies	146,562	206%	44,308	262%	102,254	231%
Internet Professional Services	43,167	71%	3,459	135%	39,708	1,148%
Total	$651,448	92%	$242,980	84%	$408,468	168%

Cost of revenue increased $408.5 million, or 168%, to $651.5 million for the six months ended January 31, 2001 from $243.0 million for the same period ended in fiscal year 2000. The increase was largely attributable to the increased net revenue due to fiscal year 2000 acquisitions and increased net revenue growth at existing companies. Cost of revenue as a percentage of net revenue increased for the six-month period ended January 31, 2001 primarily due to the Company's acquisition of uBid at the end of the third quarter of fiscal year 2000.

RESEARCH AND DEVELOPMENT EXPENSES:

	Six Months Ended January 31, 2001	As a % of Segment Net Revenue	Six Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$27,727	33%	$ 8,417	17%	$19,310	229%
eBusiness and Fulfillment	703	0%	1,291	1%	(588)	(46%)
Search and Portals	42,171	36%	34,611	33%	7,560	22%
Infrastructure and Enabling Technologies	27,161	38%	5,259	31%	21,902	416%
Internet Professional Services	-	-	1,872	73%	(1,872)	(100%)
Other	-	-	162	0%	(162)	(100%)
Total	$97,762	14%	$51,612	18%	$46,150	89%

Research and development expenses increased $46.2 million, or 89%, to $97.8 million for the six months ended January 31, 2001 from $51.6 million for the same period in fiscal year 2000. Research and development expenses increased during the six month period ended January 31, 2001 primarily due to the effects of fiscal year 2000 acquisitions and increased development efforts at existing companies. The increase within the Interactive Marketing segment was primarily the result of the fiscal year 2000 acquisitions of AdKnowledge, Flycast and yesmail.com, the acquisition of MediaBridge and increased development efforts at Engage. The increase within the Search and Portals segment was primarily the result of increased efforts at AltaVista related to further development of its search software, offset by the decreases in research and development expenses resulting from the shutdown of the operations of iCAST and the deconsolidation of Blaxxun. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the impact of a full six months of expenses from Activate and AdForce during fiscal year 2001 and increased development efforts at NaviSite.

IN-PROCESS RESEARCH AND DEVELOPMENT EXPENSES:

	Six Months Ended January 31, 2001	As a % of Segment Net Revenue	Six Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$ 700	1%	$2,317	5%	$(1,617)	(70%)
eBusiness and Fulfillment	-	-	-	-	-	N/A
Search and Portals	-	-	-	-	-	N/A
Infrastructure and Enabling Technologies	-	-	2,400	14%	(2,400)	(100%)
Internet Professional Services	-	-	-	-	-	N/A
Other	762	-	-	-	762	N/A
Total	$1,462	0%	$4,717	2%	$(3,255)	(69%)

In-process research and development expenses decreased to $1.5 million for the six months ended January 31, 2001 from $4.7 million for the same period in fiscal year 2000.

SELLING EXPENSES:

	Six Months Ended January 31, 2001	As a % of Segment Net Revenue	Six Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$ 68,044	82%	$ 30,262	61%	$ 37,782	125%
eBusiness and Fulfillment	29,274	8%	9,479	8%	19,795	209%
Search and Portals	92,131	80%	120,255	114%	(28,124)	(23%)
Infrastructure and Enabling Technologies	51,870	73%	18,248	108%	33,622	184%
Internet Professional Services	3,285	5%	2,524	99%	761	30%
Other	6,039	-	1,870	-	4,169	223%
Total	$250,643	35%	$182,638	63%	$ 68,005	37%

Selling expenses increased $68.0 million, or 37%, to $250.6 million for the six months ended January 31, 2001 from $182.6 million for the same period in fiscal year 2000. Selling expenses increased during the six-month period ended January 31, 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. Selling expenses as a percentage of net revenue decreased for the six months ended January 31, 2001 primarily due to an increase in net revenue for the six months ended January 31, 2001 as compared to the same period in fiscal year 2000. The increase in the Interactive Marketing segment was primarily the result of the acquisitions of AdKnowledge, Flycast and yesmail.com during fiscal year 2000, the acquisition of MediaBridge and increased international sales and marketing efforts at Engage. The increase in the eBusiness and Fulfillment segment was substantially the result of the acquisition of uBid during fiscal year 2000, partially offset by severance expense of approximately $2.7 million taken in the second quarter of fiscal year 2000 related to an executive at Signatures Network and by an overall decrease in the sales and marketing efforts at Signatures Network during the quarter ended January 31, 2001. The decrease in the Search and Portals segment was primarily the result of the end of a print and electronic media marketing campaign at AltaVista that had been initiated in the second quarter of fiscal year 2000, the shut down of the operations of iCAST and the consolidation of technology platforms at MyWay. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the acquisitions of Activate, AdForce, Equilibrium, ExchangePath and Tribal Voice during fiscal year 2000 and increased sales and marketing efforts at NaviSite. The increase within the Internet Professional Services segment was substantially the result of the acquisition of Tallan during fiscal year 2000.

GENERAL AND ADMINISTRATIVE EXPENSES:

	Six Months Ended January 31, 2001	As a % of Segment Net Revenue	Six Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
(in thousands)						
Interactive Marketing	$ 32,566	39%	$ 8,003	16%	$24,563	307%
eBusiness and Fulfillment	20,652	5%	13,379	12%	7,273	54%
Search and Portals	21,226	18%	22,174	21%	(948)	(4%)
Infrastructure and Enabling Technologies	35,673	50%	10,848	64%	24,825	229%
Internet Professional Services	10,422	17%	3,406	133%	7,016	206%
Other	38,953	-	15,807	-	23,146	146%
Total	$159,492	22%	$73,617	26%	$85,875	117%

General and administrative expenses increased $85.9 million, or 117%, to $159.5 million for the six months ended January 31, 2001 from $73.6 million for the same period in fiscal year 2000. General and administrative expenses increased during the six months ended January 31, 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 increase in the Interactive Marketing segment was primarily the result of additional bad debt expense recorded by Engage, the acquisitions of

AdKnowledge, Flycast, and yesmail.com during fiscal year 2000 and the acquisition of MediaBridge. The increase in the eBusiness and Fulfillment segment was substantially the result of the acquisition of uBid during fiscal year 2000 partially offset by severance expense of approximately $2.7 million taken in the second quarter of fiscal year 2000 related to an executive at Signatures Network and by an overall decrease in general and administrative expenses incurred by Signatures Network. The decrease in the Search and Portals segment was primarily due to the deconsolidation of Blaxxun and a decrease in the headcount at AltaVista. The increase in the Infrastructure and Enabling Technologies segment was primarily due to the acquisitions of Activate, AdForce, Equilibrium, ExchangePath, 1stUp.com 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 substantially 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.

AMORTIZATION OF INTANGIBLE ASSETS AND STOCK-BASED COMPENSATION:

(in thousands)	Six Months Ended January 31, 2001	As a % of Segment Net Revenue	Six Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 338,541	407%	$ 31,415	63%	$307,126	978%
eBusiness and Fulfillment	66,829	18%	4,759	4%	62,070	1,304%
Search and Portals	511,625	443%	362,949	343%	148,676	41%
Infrastructure and Enabling Technologies	121,585	171%	21,078	124%	100,507	477%
Internet Professional Services	93,328	153%	3,558	139%	89,770	2,523%
Other	109	-	111	-	(2)	(2%)
Total	$1,132,017	160%	$423,870	147%	$708,147	167%

Amortization of intangible assets and stock-based compensation increased $708.1 million, or 167%, to $1.132 billion for the six months ended January 31, 2001 from $423.9 million for the 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 intangible assets recorded as a result of 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 $40.5 million and $6.8 million of stock-based compensation for the six months ended January 31, 2001 and 2000, respectively. The increase in amortization in the Interactive Marketing segment was primarily the result of the fiscal 2000 acquisitions of AdKnowledge, Flycast and yesmail.com and the acquisition of MediaBridge in September 2000. The increase in the eBusiness and Fulfillment segment was primarily the result of the acquisition of uBid during fiscal year 2000. The increase in the Search and Portals segment was primarily the result of the acquisition of AltaVista during fiscal year 2000 and of AltaVista's acquisition of Raging Bull in fiscal 2000. The increase in the Infrastructure and Enabling Technologies segment was primarily the result of the acquisitions of Activate, AdForce, Equilibrium, ExchangePath and Tribal Voice during fiscal year 2000. The increase in the Internet Professional Services segment was due to the acquisition of Tallan during fiscal year 2000.

IMPAIRMENT OF INTANGIBLE ASSETS:

(in thousands)	Six Months Ended January 31, 2001	As a % of Segment Net Revenue	Six Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 891,437	1,071%	$ -	N/A	$ 891,437	N/A
eBusiness and Fulfillment	3,500	1%	-	N/A	3,500	N/A
Search and Portals	875,019	757%	-	N/A	875,019	N/A
Infrastructure and Enabling Technologies	284,865	401%	-	N/A	284,865	N/A
Internet Professional Services	13,751	23%	-	N/A	13,751	N/A
Other	-	-	-	N/A	-	N/A
Total	$ 2,068,572	292%	$ -	N/A	$ 2,068,572	N/A

During the six months ended January 31, 2001, the Company recorded impairment charges of approximately $2.069 billion as a result of management's ongoing business review and impairment analysis performed under its existing policy regarding impairment of long-lived assets. Where impairment indicators were identified, management determined the amount of the impairment charge by comparing the carrying value of goodwill and certain other intangible assets to their fair value. Management determines fair value based on a combination of the discounted cash flow methodology, which is based upon converting expected future cash flows to present value, and the market approach, which includes analysis of market price multiples of companies engaged in lines of business similar to the company. The market price multiples are selected and applied to the company based on the relative performance, future prospects and risk profile of the company in comparison to the guideline companies. Management predominately utilizes third-party valuation reports in its determination of fair value. As a result, during management's quarterly review of the value and periods of amortization of both goodwill and other intangible assets, it was determined that the carrying value of goodwill and certain other intangible assets were not fully recoverable. The Interactive Marketing segment recorded impairment charges of approximately $540.8 million related to the write-down of intangible assets at Engage related to goodwill and certain other intangible assets of its media business and approximately $350.6 million of goodwill and certain other intangible assets at yesmail.com. The impairment charges incurred in the Search and Portals segment primarily related to the write-down of approximately $862.6 million of goodwill and other intangible assets related to AltaVista. The impairment charges in the Infrastructure and Enabling Technologies segment primarily related to approximately $771,000 of other intangible assets at Activate, approximately $241.8 million of goodwill and other intangible assets at CMGion related to AdForce and approximately $5.6 million of goodwill at ExchangePath. The other intangible assets of Activate and AdForce that were determined to be impaired primarily related to a significant reduction in the acquired customer bases and turnover of workforce which was in place at the time of the acquisitions of the companies. The impairment charges incurred in the Internet Professional Services segment related to the write-down of approximately $13.8 million of other intangible assets at Tallan, primarily related to a significant reduction in the acquired customer base and turnover of workforce which was in place at the time of the acquisition. The impairment factors evaluated by management may change in subsequent periods, given that the Company operates in a volatile business environment. This could result in material impairment charges in future periods.

RESTRUCTURING CHARGES:

(in thousands)	Six Months Ended January 31, 2001	As a % of Segment Net Revenue	Six Months Ended January 31, 2000	As a % of Segment Net Revenue	$ Change	% Change
Interactive Marketing	$ 21,140	25%	$ -	-	$ 21,140	N/A
eBusiness and Fulfillment	-	-	-	-	-	N/A
Search and Portals	64,516	56%	-	-	64,516	N/A
Infrastructure and Enabling Technologies	23,216	33%	-	-	23,216	N/A
Internet Professional Services	-	-	-	-	-	N/A
Other	-	-	-	-	-	N/A
Total	$108,872	15%	$ -	-	$108,872	N/A

Restructuring charges of approximately $108.9 million consisted primarily of contract terminations, severance charges and equipment charges incurred as a result of strategic decisions made by the Company to shut down the operations of certain subsidiaries and to increase operational efficiencies, improve margins and further reduce expenses at the remaining subsidiaries. The restructuring charges incurred in the Interactive Marketing segment primarily related to workforce reductions of approximately 540 positions and the closing of several office locations at Engage, future lease commitments of Engage for servers, desktop computers and other telecommunications equipment and the write-off of fixed assets by Engage. The restructuring charges incurred in the Search and Portals segment primarily consisted of workforce reductions of approximately 410 positions at AltaVista, the termination of a contract with a significant customer and the termination of other contracts by AltaVista in connection with the change in its business strategy, the termination of a contract with a significant customer by MyWay, the future lease commitments of MyWay for servers, desktop computers and other telecommunications equipment and severance and other shutdown costs at iCAST. The restructuring charges incurred in the Infrastructure and Enabling Technologies segment primarily related to the termination of bandwidth agreements by NaviPath and CMGion's subsidiary, AdForce, severance cost at 1stUp.com and the write-off of fixed assets by 1stUp.com and ExchangePath.

OTHER INCOME/EXPENSES:

Gains (losses) on issuance of stock by subsidiaries and affiliates increased $70.9 million, or 137%, to $122.9 million for the six months ended January 31, 2001 from $51.9 million for the same period in fiscal year 2000. Gains (losses) on the issuance of stock for the six months ended January 31, 2001 primarily relates to a pre-tax gain of approximately $125.9 million on the issuance of stock by Engage in its acquisitions of MediaBridge and Space Media Holdings Limited partially offset by a pre-tax loss of approximately $3.9 million on the issuance of stock by Engage to employees as a result stock option exercises. Gains (losses) on issuance of stock for the six months ended January 31, 2000 primarily reflects the pre-tax gain of $51.9 million on the issuance of common stock by NaviSite in connection with its initial public offering.

Other gains (losses), net decreased $94.1 million, or 44%, to $120.4 million for the six months ended January 31, 2001 from $214.5 million for the same period in fiscal 2000. Other gains (losses), net for the six months ended January 31, 2001 primarily consisted of a pre-tax gain of approximately $357.4 million on the sale of Lycos, Inc common stock, a pre-tax gain of approximately $135.3 million on the sale of Kana Communications, Inc. common stock, a pre-tax gain of approximately $89.9 million on the hedging agreement with respect to the Company's investment in Yahoo! common stock, a pre-tax gain of approximately $64.2 million on the sale of Terra Networks stock, a pre-tax gain of approximately $70.9 million on the sale of Critical Path, Inc. common stock and a pre-tax gain of approximately $19.8 million on the sale of a real estate holding by AltaVista, partially offset by a pre-tax loss of approximately $358.9 million on the sale of Pacific Century CyberWorks Limited stock, a pre-tax loss of approximately $95.9 million on the sale of AltaVista's wholly-owned subsidiary, Raging Bull and by a pre-tax loss of approximately $148.8 million related to impairment charges taken on certain available-for-sale securities held by the Company. Other gains, net for the six months ended January 31, 2000 primarily consisted of pre-tax gains of approximately $208.1 million on the sale of Yahoo! common stock.

Interest income increased $15.4 million to $31.9 million for the six months ended January 31, 2001 from $16.5 million for the same period in fiscal 2000, reflecting increased interest income associated with higher average corporate cash and cash equivalent balances. Interest expense increased $19.5 million to $33.0 million for the six months ended January 31, 2001 from $13.5 million for the same period in fiscal 2000, primarily due to the notes issued in connection with the acquisitions of AltaVista and Tallan.

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 $24.0 million to $29.4 million for six months ended January 31, 2001, from $5.4 million for the same period in fiscal 2000, primarily reflecting an increased number of investments accounted for under the equity method compared to the same period last year. Equity in losses of affiliates for the six months ended January 31, 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., ThingWorld.com, LLC, Undoo.com, Vicinity, and Virtual Ink Corporation. Equity in losses of affiliates for the second quarter of fiscal 2000 included the results from the Company's minority ownership in Engage Technologies Japan, Inc., FoodBuy.com, GX Media, Inc., Half.com, and ThingWorld.com, LLC. 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 $339.8 million for the six months ended January 31, 2001 from $54.9 million for the same period of fiscal 2000, primarily reflecting minority interest in net losses of seven subsidiaries during the first six months of fiscal 2001, including AltaVista, Engage, MyWay, NaviSite, CMGion and NaviPath. The increase is primarily related to an increase in the net losses reported by Engage and AltaVista due to substantial amortization expense and impairment and restructuring charges recorded during the second fiscal quarter.

Income tax benefit recorded for the six months ended January 31, 2001 was approximately $34.6 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 six months ended January 31, 2001, gains (losses) on issuances of stock by subsidiaries and affiliates, other gains (losses), net, and impairment charges taken on intangible assets were excluded. Income tax expense in the six months ended January 31, 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 amortization and impairment charges, state taxes and valuation allowances recognized on deferred tax assets. During the six months ended January 31, 2001, the Company recorded valuation allowance against its net deferred tax assets not expected to be utilized in fiscal 2001, since it is more likely than not that these assets will not be realized in future years. Prior to the second quarter of fiscal 2001, the Company has recorded valuation allowance against net deferred tax assets only with respect to majority owned subsidiaries not included in the Company's federal consolidated group. The increase in valuation allowance resulted in additional tax expense of approximately $96.7 million for the six months ended January 31, 2001.

Liquidity and Capital Resources

Working capital at January 31, 2001 decreased to $947.1 million compared to $1.11 billion at July 31, 2000. The net decrease in working capital is primarily attributable to a $1.33 billion decrease in available-for-sale securities, partially offset by a $482.8 million decrease in notes payable, a $340.8 million decrease in current deferred tax liabilities and a $325.1 million increase in cash and cash equivalents. The Company's principal sources of capital during the six months ended January 31, 2001 were from the sales of approximately 8.4 million shares of Lycos, Inc. common stock for proceeds of approximately $394.7 million, approximately 241.0 million shares of Pacific Century CyberWorks Limited stock for proceeds of $190.2 million, approximately 3.7 million shares of Kana Communications, Inc. common stock for proceeds of $137.6 million, approximately 6.8 million shares of Terra Networks, S.A. (Terra Networks) stock for proceeds of approximately $78.3 million, approximately 1.3 million shares of Critical Path, Inc. common stock for proceeds of $72.8 million and approximately 1.0 million shares of eBay, Inc. common stock for proceeds of $48.0 million. The Company's principal uses of capital during the six months ended January 31, 2001 were $438.0 million for funding operations, $89.8 million for purchases of property and equipment and $61.8 million for investments in affiliates, primarily through the Company's CMGI@Ventures venture capital funds.

Under the terms of an agreement with an investment bank entered into during fiscal 2000, the Company agreed to deliver, at its discretion, either cash or Yahoo! 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 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 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! common stock on August 1, 2001. The Company settled the third tranche through the delivery of 47,684 shares of Yahoo! common stock in February 2001.

During the six months ended January 31, 2001, the Company, through its limited liability company subsidiaries CMG@Ventures II, LLC, CMG@Ventures III, LLC, CMGI@Ventures IV, LLC and CMG@Ventures Expansion, LLC acquired initial or follow-on minority ownership interests in fifteen Internet and technology companies for an aggregate total of approximately $48.5 million.

On August 18, 2000 and February 18, 2001, the Company issued approximately 313,000 and 2.0 million shares, respectively, of its common stock to Compaq Computer Corporation, each as a semi-annual interest payment of approximately $11.5 million related to notes payable issued in the acquisition of AltaVista. During the six months ended January 31, 2001, the Company issued approximately 30.2 million shares of its common stock as payment of principal and interest totaling approximately $391.6 million related to notes 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 from Cable and Wireless in exchange for approximately 13.4 million shares of the Company's common stock.

During the first six 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 15, 2000 and January 24, 2001, the Company funded $50.0 million and $30.0 million, respectively, to its subsidiary, NaviSite, under a note and warrant purchase agreement. The annual interest rate on the note is 7.5% payable quarterly in, at NaviSite's discretion, either in cash or NaviSite common stock. The principal amount is due in full by December 12, 2003.

On December 29, 2000, the Company's subsidiary, AltaVista, sold a real estate holding and received proceeds of approximately $35.8 million.

The Company currently projects funding in the foreseeable future for CMGI@Ventures to be approximately $15 million per quarter for both new and follow-on investments. The Company currently expects to exit its fiscal fourth quarter with a recurring cash requirement rate in the range of $75 to $85 million for the quarter, excluding the cash requirements of Engage and NaviSite and excluding the funding of CMGI@Ventures. The Company has undertaken several initiatives which are intended to reduce its operating cash requirements in the future. There can be no assurance, however, that the effect of these initiatives will reduce its cash requirements.

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 marketable securities which could be sold or posted as 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 the sale of certain subsidiaries, 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.

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 six months ended January 31, 2001, CMGI had operating losses of approximately $2.19 billion and $3.76 billion, respectively, and net losses of approximately $1.38 billion and $3.18 billion, 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 directly or 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. 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;
- attain an optimal number of operating companies through acquisitions, consolidations and divestitures; and
- improve its cash position and revenue run rate.

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 or of another network company.

In fiscal 2000 and the first six 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 six months ended January 31, 2001, sales to Cisco accounted for 6% of CMGI's consolidated net revenue and 13% 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 six months ended January 31, 2001, approximately 3% of CMGI's consolidated net revenue and 20% 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 March 13, 2001, CMGI directly or through its @Ventures funds owned shares of common stock of divine Interventures, inc., Engage, Inc., Kana Communications, Inc., Marketing Services Group, Inc., NaviSite, Inc., Netcentives, Inc., Pacific Century CyberWorks Limited, Primedia, Inc., Ventro Corporation and Vicinity Corporation, 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.

CMGI's common stockholders may suffer dilution in the future upon the conversion and repayment of outstanding securities.

CMGI has outstanding securities that have conversion or repayment provisions that may result in dilution to CMGI's common stockholders. CMGI currently has 375,000 shares of Series C Convertible Preferred Stock issued and outstanding. The Series C Convertible Preferred Stock is separated into three tranches of 125,000 shares each with separate conversion prices: tranche 1 shares have a current conversion price of $45.72 per share; tranche 2 shares have a current conversion price of $37.58 per share; and tranche 3 shares have a current conversion price of $37.66 per share. The Series C Convertible Preferred Stock may be converted into common stock by the holders at these fixed prices at any time prior to June 30, 2002. On June 30, 2002, any outstanding shares of Series C Convertible Preferred Stock automatically convert into common stock at a conversion price equal to the average of the closing bid prices of the common stock on the ten consecutive trading days ending on the trading day prior to June 30, 2002. Subject to certain limitations, when converted, the shares of Series C Convertible Preferred Stock convert into the number of shares of common stock determined by taking the $1,000 per share initial stated value, adding to such initial stated value per share any completed or accrued dividend adjustments, and dividing such sum by the applicable conversion price. Upon conversion of the Series C Convertible Preferred Stock into shares of CMGI's common stock, the common stockholders will be diluted.

In connection with CMGI's acquisition of AltaVista, CMGI issued to Compaq, among other things, promissory notes in the aggregate principal amount of $220 million. The promissory notes are due on August 18, 2002. Interest on the notes, accruing at a rate of 10.5% per annum, is due and payable semiannually on each February 18 and August 18 until the notes are paid in full. Any principal and interest on the notes is payable, at CMGI's option, in cash, marketable securities or shares of CMGI common stock based on the average of the closing prices of the common stock during the 15-day period ending on the trading day immediately preceding the applicable payment date. If CMGI determines to repay the principal and interest with shares of CMGI's common stock, the common stockholders will be diluted.

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. 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 Engage Media Network. 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 the Federal Trade Commission has recently concluded an informal inquiry into the data collection practices of DoubleClick, Inc., but reserved the right to take additional action. 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.

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/ George A. McMillan

Date: December 12, 2001

George A. McMillan
Chief Financial Officer and Treasurer

(Principal Financial and
Accounting Officer)