EXCITE INC

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SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K/A

(MARK ONE)

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

FOR THE FISCAL YEAR ENDED **DECEMBER 31, 1998**

OR

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

FOR THE TRANSITION PERIOD FROM TO
COMMISSION FILE NUMBER ________________

EXCITE, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE	77-0378215
(STATE OR JURISDICTION OF INCORPORATION OR ORGANIZATION)	(I.R.S. EMPLOYER IDENTIFICATION NUMBER)

555 BROADWAY, REDWOOD CITY, CALIFORNIA 94063 (Address

of principal executive offices)
TELEPHONE: (650) 568-6000
(Registrant's Telephone Number, Including Area Code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:
NONE

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:
COMMON STOCK, $0.001 PER SHARE PAR VALUE
PREFERRED STOCK PURCHASE RIGHTS

Check whether the registrant: (1) 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 ( )

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K/A or any amendment to this Form 10-K/A. ( )

As of January 29, 1999, 53,829,408 shares of Common Stock, $0.001 per share par value, of the registrant were outstanding. The aggregate market value of voting stock held by non-affiliates of the registrant was approximately $5,074,187,064 as of January 29, 1999, based on the closing sale price per share of the registrant's Common Stock as reported on the Nasdaq Stock Market on such date. Shares of Common Stock held by each executive officer and director and by each person who owns 10% or more of the outstanding Common Stock have been excluded in that such persons may be deemed to be affiliates. This determinationof affiliate status is not necessarily conclusive for other purposes.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Excite, Inc. Proxy Statement for the 1998 Annual Meeting of Stockholders to be held in June 1999 are incorporated by reference into Part III of this Annual Report on Form 10-K/A where indicated.

Items 1, 6, 7, and 8 of the Company's Annual Report on Form 10K for the year ended December 31, 1998 are amended to read as follows:

PART I

ITEM 1. BUSINESS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements, which involve risks and uncertainties. The Company's actual results may differ materially from those anticipated in these forward-looking statements as a result of the Merger with At Home, which is expected to close during the second quarter of 1999, and certain other factors, including, without limitation, those risk factors set forth under "Risk Factors that May Affect Future Results" included in this Management's Discussion and Analysis of Financial Condition and Results of Operations. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Report.

SUMMARY

Excite, Inc., or "Excite", is a global Internet media company offering consumers and advertisers comprehensive Internet navigation services with extensive personalization and targeting capabilities. The Excite Network, consists of the Excite, WebCrawler and Classifieds2000 brands. Excite provides a gateway to the World Wide Web, or the "Web", that organizes, aggregates and delivers information to meet the needs of individual consumers. Designed to help consumers navigate the Web, the Excite Network contains a suite of specialized information services, organized under numerous topical channels that combine proprietary search technology, editorial Web reviews, aggregated content from third parties, bulletin boards, chat and other community features and personalization capabilities. Through its MatchLogic subsidiary, Excite provides innovative Internet ad campaign management tools and services in the form of reporting, measurement and analytical techniques and sophisticated direct and database marketing services. In addition, Excite believes there will be a significant opportunity to derive revenues from online transactions and, therefore, Excite has entered into, and is continuing to pursue, transaction-based arrangements which are designed to allow Excite to benefit from online purchases directed through advertisements on the Excite Network.

THE COMPANY

Excite was formed in June 1994. Excite first launched its Excite search and directory service in October 1995. In April 1997, Excite launched a channels-based format to provide consumers with an interface that reflects the way they navigate through other forms of media and enables advertisers to more effectively reach target consumers. In April 1998, Excite launched, My Excite Start Page that enables consumers to personalize their home page Web interface and choose the information they want delivered to their personal page, thereby delivering a personalized Web experience for each consumer each time they visit Excite. In addition, Excite acquired Classifieds2000, Inc. in April 1998, which provides consumers using Excite's Classifieds channel with access to a nationwide database of online classified advertisements in a number of categories. Localized versions of Excite are available in Australia, China, France, Germany, Italy, Japan, Sweden, Netherlands and the United Kingdom.

Over the past several years, Excite has grown by both developing new services, and by acquiring a number of businesses, technologies, services and content.

- In 1996, Excite acquired The McKinley Group Inc., or "McKinley", the creator of the Magellan Internet Guide.

- During 1997, Excite completed its acquisition of the WebCrawler search and directory technology, or the "WebCrawler Acquisition", from America Online, Inc., or "AOL", and acquired Netbot, Inc., or "Netbot", an

Internet software developer of advanced search technology.

o In 1998, Excite acquired MatchLogic, Inc., or "MatchLogic", a provider of solutions for the management and optimization of Internet advertising campaigns, Classifieds2000, Inc., or "Classifieds2000", a provider of online classified ads, and Throw, Inc., or "Throw", a development stage company focused upon the creation of community products.

All of the above acquisitions were accounted for as pooling of interests, except for the acquisition of Throw and WebCrawler, which were accounted for as purchases. See Note 2 of Notes to Consolidated Financial Statements.

On January 19, 1999, Excite, At Home Corporation, or "At Home", an Internet service provider aimed at broadband cable subscribers, and Countdown Acquisition Corporation, entered into a definitive Agreement and Plan of Reorganization, or the "Merger Agreement". Pursuant to the Merger Agreement, Excite will become a wholly-owned subsidiary of At Home. At the effective time of the Merger, all outstanding shares of Excite's Capital Stock will be exchanged for shares of At Home's Series A Common Stock, and options and warrants to purchase Excite's Capital Stock will be exchanged for options or warrants, as applicable, to purchase shares of At Home's Series A Common Stock.
Each share of Excite's Common Stock will be exchanged for 1.041902 shares of At Home's Series A Common Stock. At Home has announced that it intends to effect a 2-for-1 stock split in the future. If this stock split occurs before the merger closes, each Excite Stockholder will receive 2.083804 shares of At Home's Series A Common Stock for each share of Excite Common Stock. The exercise price and number of shares of Excite's Capital Stock subject to Company options or warrants, will be appropriately adjusted to reflect the exchange ratio. Any outstanding convertible debt at the effective time of the Merger, will thereafter be convertible into the number of shares of At Home's Series A Common Stock to which a holder of Excite's Common Stock would have been entitled to receive if the holder had converted the convertible debt into Excite's Common Stock prior to the Merger. The transaction is intended to qualify as a tax-free reorganization and will be accounted for as a purchase.

In connection with the execution of the Merger Agreement, Excite and At Home entered into a Stock Option Agreement, or the "Stock Option Agreement", pursuant to which Excite granted to At Home an option to purchase up to 19.9% of the outstanding shares of Excite's Common Stock, which is exercisable upon the occurrence of certain events specified in the Stock Option Agreement.

The Merger, which is expected to close in the second quarter of 1999, is subject to various conditions, including clearance under the Hart-Scott-Rodino Antitrust Improvements Act and approval of the Excite's and At Home's stockholders.

Excite may be required to pay a substantial termination fee if the Merger Agreement is terminated for certain specific reasons. Excite has filed the Merger Agreement with the Securities and Exchange Commission on January 20, 1999 under its Report on Form 8-K.

THE EXCITE NETWORK As the Web has evolved, Excite has grown from being a provider of a single-function Web search utility to offering a branded Internet media network consisting of Excite, WebCrawler and Classifieds2000 brands.

EXCITE SERVICES

Excite's services consist of:

- personalization services, such as My Excite Start Page, a personalized home page which can be customized simply and easily by a consumer to satisfy his or her personal interests.
- navigation, such as Excite Search and Excite Channels, which help consumers more easily find relevant information;
- and community, such as chat, e-mail, bulletin board and instant messaging services, which help consumers connect and communicate.

MY EXCITE START PAGE. Excite delivers a personalized Web experience for each consumer by allowing them to personalize their home page Web interface and choose the information they want delivered. After registering with Excite, consumers create a personal profile which selects and automatically updates information of interest such as personalized stock quotes, news stories, local and national sports scores, horoscopes, local and national weather, television listings and special reminders. As of December 31, 1998, Excite had approximately 4.5 million registered users of My Excite Start Page.

EXCITE SEARCH. Excite maintains an extensive index of Web documents which is refreshed by its automatic spider technology on a regular basis. Excite's search technology allows consumers to search the

Web in multiple ways, including by keyword, phrase, concept, Boolean logic or proper name. Excite's "More Like This" feature, which utilizes query-by-example technology, allows users who find a document of interest to find similar documents with the click of a button. In addition, Excite's automatic abstract technology provides consumers with a brief and accurate abstract of each document returned by a search. Excite Search also permits users to search news articles, Usenet newsgroups, the Excite City.Net travel index or Excite's Web Guide of approximately 100,000 Web sites.

EXCITE CHANNELS. Excite's channels-based format for its services and content provides consumers with a more intuitive interface that reflects the way they navigate through other forms of media, such as television. This format also enables advertisers and retailers to more effectively reach target consumers. The entire suite of Excite services can be accessed from each channel. By combining existing services with specialized information and services from leading content providers, Excite provides channel-specific content including topical news, links to related Web sites, products and services and directories.
Excite also has channel specific bulletin boards, communities, chat and search

capabilities.

The Excite brand currently includes the following channels:

Autos	Home & Real Estate
Careers	Lifestyle
Classifieds & Auctions	Money & Investing
Computers & Internet	News
Education	People & ChatEntertainment
Shopping	
Games	Sports
Health	Travel

EXCITE COMMUNITIES. Excite offers a number of services, which allow users to connect and communicate with each other. Excite believes that users who habitually check their e-mail on Excite's Mail or their instant messages on Excite PAL are more likely to visit more frequently, spend more time on the Excite Network and use other Excite services as well. Community-building services, such as Excite Communities, Excite Boards and Excite Chat, allow users to join communities of other users with similar interests or needs, thereby enhancing the user experience within the Excite Network with the goal of improving customer retention.

EXCITE SHOPPING. The Excite Shopping Channel offers a safe and convenient online shopping service for consumers. This channel is arranged around 20 departments, including: automobiles, books, clothes, computers and software, flowers and gifts, music and movies and other items. The Shopping Channel features links to a number of leading retailers' Web sites and also offers Excite Product Finder powered by Jango. After the consumer enters a product request, Excite Product Finder determines the best sources of information. The service then assembles the relevant information and displays the final shopping results in an easy-to-browse report that typically includes product reviews, specifications, pricing, secure transaction information and other essential shopping details. When a consumer is ready to buy, the purchase is completed on the merchant's Web site. In addition, to simplifying shopping on the Web for consumers, the Excite Shopping Channel also provides online retailers the opportunity to market products to shoppers at the point of decision.

WEBCRAWLER SERVICES

WebCrawler was created in early 1994 and was one of the first Internet search engines. In November 1996, Excite acquired the WebCrawler search and directory technology from AOL. In March 1998, Excite redesigned the WebCrawler service to focus on speed, simplicity and practicality.

Similar to the Excite brand, content on WebCrawler is organized within 21 channels such as Autos, Business & Investing, Entertainment, Home & Real Estate, News, Travel and Relationships. WebCrawler offers all of the community features offered throughout the Excite brand. WebCrawler users can also create a personalized home page with the My Page feature, which, like the My Excite Start Page feature, selects and delivers information of interest such as stock quotes and news headlines.

CLASSIFIEDS SERVICES

Excite's Classifieds service provides consumers with access to a nationwide database of online classified advertisements in a number of categories. Users can place their own advertisements directly and can search the aggregated classifieds of Excite and its partners. Excite's Classifieds service is featured as the provider of classified advertising, other than career-related advertising, on Netscape's Netcenter.

The Classifieds2000 brand currently includes the following channels:

Collectibles	Personals & Friends	Computers & Software
Real Estate		
Employment	Rentals & Roommates	
General Merchandise	Travel	
Opportunities & Services	Vehicles	

Excite believes it will need to constantly update its service offerings in order to attract and retain users. If any new service is not favorably received, it may adversely affect Excite's reputation, brand and user traffic. Excite may also experience difficulties or delays in developing new services. In addition new services may contain undetected errors. Excite may need to significantly redesign these services to correct any errors. Any difficulty or delays may cause user dissatisfaction or result in lost or delayed advertising revenues. Excite's business may be adversely affected if it does not successfully develop new services that are well received.

The following table indicates the average daily number of page views derived each month during 1998, the number of registered users of the Excite Network and the reach of the Excite Network (Excite.com and Webcrawler.com). "Reach" is defined by Media Metrix as the percentage of Internet users who used the Excite Network at least once during the month.

	AVG. DAILY PAGE VIEWS	REGISTERED USERS(1)	EXCITE REACH(2)	WEBCRAWLER REACH(2)
	(IN MILLIONS)		(%)	
FIRST QUARTER OF 1998				
January	31.6	5.1	19.0	8.5
February	36.1	5.7	20.7	7.6
March	40.0	6.1	22.0	8.8
SECOND QUARTER OF 1998				
April	40.9	7.2	23.8	8.7
May	38.9	5.5	23.3	8.8
June	43.6	8.9	22.9	7.3
THIRD QUARTER OF 1998				

July	45.3	9.0	23.2	6.1
August	45.5	11.8	21.2	5.1
September	50.0	12.8	20.7	5.1
FOURTH QUARTER OF 1998				
October	52.7	14.4	19.8	4.9
November	54.6	15.9	20.8	5.7
December	57.7	20.0	21.3	4.8

(1) The fourth quarter registered users include "opt-in" e-mail registrations. See "Matchlogic - "Opt-in" Electronic-Mail Messaging."

(2) Data is obtained from Media Metrix World Wide Audience Ratings Report home sample.

ADVERTISING AND COMMERCE

Excite currently derives substantially all of its revenues from the sale of advertisements on the Excite Network through sponsorships, banner advertisements and database and, through its MatchLogic subsidiary, direct marketing arrangements. See MatchLogic below. In the future, Excite also intends to pursue revenues from online transactions.

SPONSORSHIP ADVERTISING. During the second quarter of 1997, Excite began selling advertising placements and links outside of the space normally reserved for banner advertisements. These arrangements are known as sponsorships because they typically involve the placement of an advertisement or link in a topical channel as though the advertiser was sponsoring the content on a specific page. The ad or link is programmed to appear prominently in the same spot on the page each time the user calls for that page of channel content. Some of these sponsorships include relationships with Amazon.com, Inc., AT&T, Barnes & Noble, Inc., Foot Locker, Office Depot and Preview Travel, Inc.

Sponsorships have a longer duration than Excite's banner advertisement agreements and typically have a two or three year term. In some instances, Excite has entered into exclusive sponsorship arrangements for certain channels. Some sponsorship arrangements provide that Excite will participate in the revenue or profit margin from a purchase made by a consumer who responded to an ad placed on the Excite Network. Excite has not received any online transaction revenues to date from these sponsorship arrangements and does not anticipate receiving any significant amount of online transaction revenues in 1999. Through December 31, 1998, Excite had entered into approximately 74 sponsorship arrangements, of which approximately 42 included some form of transaction revenue or margin sharing arrangement.

Through Excite's various advertising programs, advertisers can combine multiple advertising packages in order to develop an advertising plan that reaches many audience types and that is designed to maximize reach, frequency of exposure and consumer response. For example, an airline company might utilize a general rotation advertisement as a base for mass exposure. The advertising campaign could be enhanced by using a topical affinity consumer targeting approach, by either sponsoring a section of the Travel Channel or purchasing keywords such as "travel" or "airfare" on any of Excite's related services.

BANNER ADVERTISEMENTS. Banner advertisements are prominently displayed throughout the Excite Network and as the consumer interacts with the Excite Network, new advertisements are displayed. Excite offers a variety of banner advertising programs that enable advertisers to target their audiences at various levels of market segmentation. Mass market placements deliver general rotation banner advertisements throughout the Excite Network but do not have any particular market segmentation. Targeted advertising is for an audience with a specific content interest on one of Excite's services; these advertisers can target general interest topics such as "sports" or can target advertisements to more specific sub-categories such as "college basketball" or a particular team.
Excite charges higher per impression fees for advertising products based upon the specificity of the target audience. Excite's standard rates for advertising range from $24 per thousand impressions, or "CPMs", for general rotation across undifferentiated users, to $170 per thousand impressions for targeted affinity or keyword packages.

Excite's banner advertising agreements generally are for a relatively short term and provide for a minimum number of guaranteed impressions for a fixed fee. Accordingly, actual CPM rates depend upon a variety of factors, including, without limitation, the duration of the advertising contract and the number of impressions purchased. These advertising purchases are also often negotiated on a case-by-case basis. Because of these factors, actual CPM rates experienced by Excite have been lower than its standard rates.

NETCENTER

CO-BRANDED SERVICES. In April 1998, Excite and Netscape Communications Corporation, or "Netscape", entered into a two-year agreement, or the "Netcenter Agreement", with respect to Netscape's "Netcenter" online service. Under the Netcenter Agreement, Excite provides programming and content for certainchannels on Netcenter which are co-branded and provides a Web search and directory service for Netscape, collectively, the "co-branded services". In addition, Excite's Classifieds service is featured as the provider of classified advertising, excluding career and job posting classified ads, for the Netcenter service. Excite is responsible for advertising sales for, and will pay to Netscape a percentage of advertising revenues generated from, the co-branded services and is also required to make payments based upon the amount of traffic generated from the Net Search page and the Netcenter Widget Tool.

DISTRIBUTION. Under the Netcenter Agreement, Excite is featured as a "premier provider" on Netscape's Net Search page and will be similarly featured on the Netcenter Widget Tool accessible from Netscape's Home Page. Excite's services were allocated 25% of the random rotation of premier provider listings

from the Net Search page for the two-year term of the Netcenter Agreement, with
Excite receiving 25% and 50% of the rotation during the first and second years of the term of the agreement, respectively. Netscape guaranteed that Excite will
receive a certain minimum number of impressions from the Net Search page

and a certain minimum number of click-throughs from the Netcenter Widget Tool over the term of the Netcenter Agreement. Netscape also guaranteed that the co-branded search service will receive a certain minimum number of impressions and click-throughs, and that the co-branded channels will receive a certain minimum number of initial page views over the term of the Netcenter Agreement. Excite will be responsible for developing, programming and hosting the co-branded services. Excite will also be responsible for selling advertising on
the co-branded services. Excite will bear all costs incurred by it in connection
with the Netcenter Agreement, without a right of reimbursement. See "Management's Discussion and Analysis of Financial Condition and Results of Operations - Netscape and Sales and Marketing."

TERMINATION. The Netcenter Agreement expires in June 2000 and may be terminated sooner in the event of certain types of changes in control with respect to Excite or Netscape. If the proposed acquisition of Netscape by America Online is consummated, Excite would have the right to terminate the Netcenter Agreement. Excite has not determined whether it will exercise this termination right if that acquisition is consummated. The early termination provisions will not be triggered as a result of the proposed acquisition of Excite by At Home. Neither party is obligated to renew the Netcenter Agreement at the end of its two-year term.

Upon the termination of the Netcenter Agreement, other than a termination in connection with certain acquisitions of or by Netscape, Excite will be obligated to deliver to Netscape certain technology used in connection with the operation, production, development, management and support of the co-branded services for which Excite has granted Netscape a license, or the "Licensed Technology". This license is a perpetual, royalty-free license, including the right to sublicense the Licensed Technology. If Excite elects to terminate the Netcenter Agreement as a result of the proposed acquisition by America Online, Netscape would be required to repay Excite a certain portion of
the $70.0 million cash prepayment Excite previously paid to Netscape, as well as
reimburse Excite for certain costs and expenses. Excite will be required to provide Netscape certain limited engineering support with respect to the Licensed Technology. In addition, if Netscape believes that Excite's own service, or the content provided by Excite for the Netcenter service, contains material that Netscape deems likely to cause it material harm, and if Excite does not revise such objectionable content in a timely manner, Netscape may terminate the Netcenter Agreement with no obligation to repay any portion of the
$70.0 million cash prepayment or to reimburse Excite for any costs or expenses.DISTRIBUTION

Excite believes that maintaining a presence on Web access points and other high-traffic Web sites, known as gateways, is an important factor in obtaining traffic and attracting advertisers. Excite seeks to obtain new consumers by providing multiple gateways into the Excite Network, thereby increasing its visibility on Web access points. Excite has established premier positions on the Web through the Netcenter Agreement, a co-branding relationship with AOL, as well as co-branding relationships with several major personal computer manufacturers, or "OEMs", to make Excite the personal computer's default website for their consumers. In addition, Excite has established a number of distribution relationships under which the Excite brand is typically featured as the default Web navigation network. These distribution relationships include AT&T, Prodigy and PointCast.

Excite also has a five-year distribution agreement with AOL which expires in November 2001 under which a co-branded version of the Excite search and directory service, AOL NetFind Powered by Excite, is designated as the exclusive Web search and directory service for the AOL service.

MATCHLOGIC

In February 1998, Excite acquired MatchLogic, a provider of Internet advertising campaign management and database and direct marketing solutions. Excite operates MatchLogic as an independent subsidiary, in order to assure Web advertisers and agencies of the independence of MatchLogic campaign management services, and of the confidentiality of consumer data collected from these services.

CAMPAIGN MANAGEMENT. Today, there are two methods of delivering advertising messages on the Web, one is via the Web sites themselves, the other is via third party ad servers such as MatchLogic. Prior to third-party ad serving, ads were delivered exclusively by Web sites. For large advertisers planning to place advertisements on multiple sites, this process was inefficient and ineffective, because a single Web site only provides information about its own activity and cannot provide consistent reporting of advertising

results from multiple Web sites. MatchLogic provides campaign management services directly to large advertisers and agencies that are planning targeted ad campaigns across multiple sites. Using MatchLogic's services, individual advertisers or advertising agencies can deliver ads based on a user's particular demographic traits, geographic location, connection capabilities and/or keyword and virtual keyword data input. MatchLogic serves ad campaigns simultaneously to multiple Web sites or e-mail messages to "opt-in" e-mail audiences. MatchLogic measures results immediately, produces consolidated results reports on the success of the entire campaign, and analyzes these results to enable advertisers to quickly assess the effectiveness of the campaign. Changes to the campaign are then made quickly and centrally by MatchLogic in order to maximize the effectiveness of the advertiser's investment.

DATABASE AND DIRECT MARKETING. The principal challenge for direct marketers is to continually increase response rates. In order to accomplish this goal, direct marketers need to have access to a robust, continually refreshed consumer database, which provides them with current, relevant demographic information. MatchLogic acquires, packages and distributes consumer data through digital and land-based data channels. Land-based data channels, such as warranty cards, are costly to create and may require longer periods of time to collect and assemble, and may become obsolete in a short period of time. On the otherhand, the digital Web-based data channels are a new and emerging market from which current demographic information and data on purchase intentions can be gathered and analyzed online and in real time.

MatchLogic operates as an independent subsidiary of Excite with its own sales force, research and development and operations departments; however, Excite intends to utilize the ad serving, "opt-in" e-mail direct marketing and targeting technology of MatchLogic to improve results for advertisers on the Excite Network.

MatchLogic maintains four data centers in the U.S. which served an average of approximately 39 million advertising impressions per day during the quarter ended December 31, 1998 to over 1,200 Web sites for approximately 350 advertisers. MatchLogic's customers include large advertisers, such as General Motors Corporation, Bank One, Schwab, Procter & Gamble, AT&T and leading advertising agencies, such as, DDB Needham, Thunderhouse Online Marketing Communications and Bronner SIG. MatchLogic is based in Westminster, Colorado, and as of December 31, 1998 had 173 full-time employees.

TECHNOLOGY, RESEARCH AND DEVELOPMENT

PERSONALIZATION. Excite has devoted significant resources in developing its personalization technology, which provides users the ability to personalize their Web experience. Excite uses a flexible architecture, which allows the reuse of a user's personalized information throughout the Excite Network. With Excite's dynamic page generation technology, customized and personalized pages can be delivered to each Excite user, allowing for many different types of frequently updated content, such as sports, stock quotes or news, to be displayed each time a user returns to the Excite Network. Modular templates allow Excite to quickly add new types of data to personal pages or produce different appearances for use with different sponsorship arrangements.

AD SERVING. Excite's ad serving technology delivers targeted advertising in a fast, accurate and efficient manner. Scheduling algorithms ensure delivery of ad impressions in the quantities required and support a pool of general rotation ads. Excite's reporting infrastructure provides advertisers with daily online reports of advertising performance.

"OPT-IN" ELECTRONIC-MAIL MESSAGING. MatchLogic offers an e-mail push program called DeliverE which is an "opt-in" e-mail service. DeliverE gives advertisers the ability to distribute their selling offers and branding messages to highly targeted audiences on the Web via e-mail.

EXCITE'S SHOPPING SEARCH. Excite's Shopping Search, which built upon Excite's proprietary programming language, called the Adapter Language, is used to aggregate and homogenize data gathered from various Web sites in response to user queries regarding a particular product.

UNIVERSAL REGISTRATION. Excite has developed a user registration system that allows users to register for the Excite Network and subsequently authenticates them when they access specific services. Excite's universal registration utilizes front-end caching which enables fast read access to user data needed to support the Excite Network's user volume. Users can be authenticated even if they have multiple user names and Excite also stores user demographic information with its universal registration system.

As of December 31, 1998, there were 228 employees on Excite's research and development staff. Excluding charges for purchased in-process technology,research and development costs were $29.6 million, $18.2 million and $8.3 million for the years ended December 31, 1998, 1997, and 1996, respectively. Excite believes that developing new and enhanced services and technology is necessary to remain competitive. Accordingly, Excite intends to continue to make investments in research and development, including developing, licensing or acquiring new technologies.

The market in which Excite competes is characterized by rapidly changing technology, evolving industry standards, frequent new service and product announcements, introductions and enhancements, and changing customer demands. These market characteristics are exacerbated by the emerging nature of the Web and the apparent need of companies from a multitude of industries to offer Web-based products and services. Accordingly, Excite's future success will depend on its ability to adapt to rapidly changing technologies, to adapt its services to evolving industry standards and to continually improve the performance, features and reliability of its network in response to competitive service and product offerings, and evolving demands of the marketplace. The failure of Excite to adapt to such changes and evolution would have a material adverse affect on Excite's business. In addition, if new Internet, networking or telecommunications technologies are adopted or if other technological changes occur, Excite may incur substantial expenses to modify or adapt its services or infrastructure.

SALES AND MARKETING

As of December 31, 1998, Excite had a direct sales organization of 74 professionals located in Chicago, Dallas, Detroit, Los Angeles, New York and San Francisco. This direct sales force sells to advertisers and advertising agencies and is responsible for selling banner advertisements and sponsorships on the Excite Network. Excite believes that an internal sales force dedicated to selling advertising on the Excite Network provides a higher level of customer service and satisfaction to advertisers during both the buying and reporting process. In addition, Excite has a dedicated group of professionals focused on advertising reporting and measurement. Because of the campaign management, digital marketing and data asset management capabilities of MatchLogic, advertisers on the Excite Network can receive one cohesive aggregated report on the placement, analysis and effectiveness of their online advertisements. Excite believes that in order to be a leader in Web advertising and provide the highest level of service, it must continue to develop technologies for the precise and timely placement, targeting and measurement of advertising. As part of the Netcenter Agreement, Excite's sales organization is responsible for selling advertising on the co-branded services and on most of the Netcenter classified advertisement services. Therefore, Excite has significantly expanded its direct sales force.

Excite's marketing goal is to build the brands of the Excite Network and its services into well recognized consumer brands. Excite utilizes a variety of marketing programs, including traditional "off-Web" programs, such as joint marketing programs with strategic partners and television, print, radio and billboard promotions as well as online advertising. In December 1998, Excite launched a national television advertising campaign, which it refers to as the "You Can Too" campaign, designed to raise consumer brand and product benefit awareness.

USER SUPPORT

Excite offers user support via telephone and also offers a comprehensive online help guide, which offers searching tips and provides a complete guide to the Excite Network. As of December 31, 1998, Excite had 23 support personnel. Excite also offers a "New to the Net" section of its help service for Web novices. This service offers an overview of the Web and the Excite Network as well as Excite Seeing Tours, which is a "how to" service designed to instruct a consumer how to perform a particular task using information from the Web. In addition, Excite offers Web and e-mail based support for it's My Excite StartPage, Mail, Excite Chat, Excite PAL and Excite Communities services.

INTERNATIONAL

Excite believes that there are significant opportunities to leverage the Excite service internationally and offers localized versions of the Excite service in Australia, China, France, Germany, Italy, Japan, Sweden, the Netherlands and the United Kingdom. Excite seeks to enter relationships with business partners who offer content, technology and distribution capabilities, as well as marketing and cross-promotional opportunities internationally. Excite has established the following international relationships.

In October 1997, Excite and Itochu Corporation and certain affiliated entities, or collectively "Itochu", entered into a joint venture agreement with respect to Excite's wholly-owned subsidiary, Excite Japan, in order to provide comprehensive localized Excite services in Japan. Advertising sales are made through CTC Create Corporation, a wholly-owned subsidiary of Itochu. Excite currently holds 50% of the outstanding capital stock of Excite Japan.

In August 1998, Excite and Telecom Italia S.p.A. formed Excite Italia BV, which is owned 50% by Excite and 50% by Telecom Italia. Excite Italia will program certain portions of www.tin.lit, the Internet site of TIN, a division of Telecom Italia and one of Italy's Internet access providers, as well as provide an Italian language search directory service under the Excite brand. Telecom Italia has committed to provide the initial start-up capital for the venture, while Excite will provide the core technology, related services and brand name.

In August 1998, Excite and LibertyOne Limited, a publicly listed Australian corporation, formed Excite Asia Pacific Pty Ltd, which is owned 50% by Excite and 50% by LibertyOne. Excite Asia Pacific will build an Excite branded, advertising and commerce supported Web portal for the Australian and the Asia-Pacific Internet markets. Liberty One will contribute cash as its contribution to the venture, while Excite will provide the core technology, related services and brand name.

In January 1999, Excite and BT Holdings Ltd, or "BT", a subsidiary of British Telecommunications, entered into a joint venture agreement whereby BT purchased 50% of the shares of Excite UK Ltd, that had been a wholly-owned subsidiary of Excite. The joint venture company, which will continue to be known as Excite UK Ltd, will be owned 50% by Excite and 50% by BT, and will continue to provide an Excite branded, advertising and commerce supported Web portal for the United Kingdom market. BT will contribute cash as its contribution to the venture and Excite will contribute the core technology, related services and brand name.

Excite has a multi-year agreement with Netscape under which it is producing a local navigation service with topical channels and other features for Netscape's International Netscape Guide for Australia, France, Germany, Japan and the United Kingdom, and is also featured on Netscape's international search page.

During 1998, 1997 and 1996, less than 10% of Excite's user traffic and less than 10% of Excite's total revenues were derived from international sources. See Note 10 of Notes to Consolidated Financial Statements.

Expansion into international markets has required and will continue to require management attention and resources. Excite has limited experience in localizing its services and many of Excite's competitors are also undertaking toexpand into foreign markets. Excite may not succeed in expanding into international markets. In addition to the uncertainty regarding Excite's ability to generate revenues from foreign operations and expands its international presence, there are certain risks inherent in doing business on an international basis. These include, among others:

- regulatory requirements, legal uncertainty regarding liability, tariffs and other trade barriers;
- difficulties in staffing and managing foreign operations;
- longer payment cycles, different accounting practices, problems in collecting accounts receivable;
- and political instability, seasonal reductions in business activity and potentially adverse tax consequences.

To the extent Excite expands its international operations and has additional portions of its international revenues denominated in foreign currencies, Excite may become subject to increased risks relating to foreign currency exchange rate fluctuations. Any one or more of the factors discussed above may adversely affect Excite's future international operations and, consequently, Excite's business.

COMPETITION

The market for Web services and Web advertising is intensely competitive. There are no substantial barriers to entry in these markets and Excite expects competition to intensify. Excite believes that the number of companies relying on fees from Web-based advertising has increased substantially during the past year. Accordingly, Excite may face increased pricing pressure for the sale of advertisements on its network, which may have a material adverse affect on Excite's business. Excite believes the main competitive factors in this market are brand recognition, user base, performance, ease of use, variety of value-added services, features and quality of support.

Excite competes with a number of companies both for users and advertisers. Excite expects this competition will intensify, particularly because there are few barriers to entry in Excite's market. Excite's competitors include:

- Web "portal" companies such as Infoseek's Go Network, Lycos, Netscape's Netcenter, Yahoo!, Alta Vista, and Snap;
- online service providers such as America Online, CompuServe, Microsoft's MSN and Prodigy services;
- Web content broadcasting services, such as PointCast;
- large media companies, such as CBS, NBC and Time-Warner, who have announced initiatives to develop Web services;
- and other smaller companies providing Web-based and advertising supported content.

As Excite increases the content offerings and services on the Excite Network, it will increasingly face competition from a large number of businesses which offer Web services such as e-mail, stock quotes, news and chat features and who publish information and content on the Web.

Excite also expects to compete with Internet and online service providers, Web site operators, providers of Web browser software, such as Netscape or Microsoft, and other Internet services and products that incorporate search and retrieval features into their offerings. Many of these potential competitors have announced plans to offer competing Web services and may take actions that make it more difficult for consumers to find and use the Excite Network. For example, Netscape introduced Netcenter, which competes directly with the Excite Network for traffic and advertisers. Microsoft recently licensed products and services from Inktomi Corporation, a direct competitor of Excite, and has announced that it will feature and promote Inktomi services in the Microsoft Network and other Microsoft online properties. In addition, Microsoft has announced that it will offer personalized Web services through Microsoft's Start service. Such search services may be tightly integrated with Microsoft's operating systems, Internet Explorer Web browser and other software applications, and Microsoft may promote such services within MSN or through other end-user services such as MSNBC or WebTV. As Microsoft's search services may be more conveniently accessed, this may provide Microsoft with significant competitive advantages that may have a material adverse affect on Excite's user traffic.

As the market continues to develop and competition intensifies, Excite's competitors may merge or form strategic alliances that would increase their ability to compete with Excite for traffic and advertisers. Such mergers may also negatively impact Excite's ability to form or maintain strategic relationships with those companies. For example, in November 1998, AOL announced that it will acquire Netscape in a transaction that will extend AOL's services. The merger may strengthen Netscape's Netcenter and AOL as competitors of Excite for traffic and advertisers. In addition, this merger may also reduce the probability of the renewal of any existing or new strategic relationships with either company in the future.

Many providers of Web services have been entering into distribution arrangements, co-branding arrangements, content arrangements and other strategic partnering arrangements with Internet and online service providers, providers of Web browsers, operators of high traffic Web sites and other businesses in an attempt to increase traffic and page views, and thereby making their Web sites more attractive to Web advertisers while also making it more difficult for consumers to utilize Excite's services. In addition, many large media companies have either launched or have announced that they are contemplating developing Internet navigation services and are attempting to become Web "gateway" sites for Web users. For example, Infoseek Corporation and the Walt Disney Company have partnered to launch Go Network, which features ABCNEWS.com for news, ESPN.com for sports, Disney.com for kids and family, Infoseek for search, and Disney and ABC for entertainment and will compete directly with the Excite Network for traffic and advertisers. In addition, both Time-Warner and CBS have announced initiatives to develop Web services in order to have their Web sites become the starting point for users navigating the Web. In the event such companies develop such "gateway" sites, Excite could lose a substantial portion of its user traffic, which would have a material adverse affect on Excite's advertising revenues and on its business.

As a result of Excite's acquisition of MatchLogic in 1998, a portion of its revenues were derived from providing advertisers and advertising agencieswith services designed to manage targeted Internet advertising campaigns. This market is also a new and evolving market which is increasingly competitive and in which there are no substantial barriers to entry. MatchLogic competes in this area primarily with CMG Information Services, Inc., and competes indirectly in this area with DoubleClick Inc., which offers Internet advertising solutions for advertisers and Web sites, and NetGravity, Inc. and AdForce, Inc., which provide advertising management software. MatchLogic expects to face competition in this area from additional companies in the future.

Many of Excite's existing competitors, as well as a number of potential new competitors, have longer operating histories in the Web market, greater name recognition, larger customer bases and significantly greater financial, technical and marketing resources than Excite. Such competitors may be able to undertake more extensive marketing campaigns, adopt more aggressive pricing policies and make more attractive offers to potential employees, distribution partners, advertisers and content providers. Further, these competitors may develop Web search and retrieval services or other online services that are equal or superior to those of Excite or that achieve greater market acceptance than Excite's offerings.

Excite also competes with traditional advertising media, such as print, radio and television, for a share of advertisers' total advertising budgets. If advertisers do not perceive Internet advertising to be as effective as traditional media, Excite's business may be adversely affected.

INTELLECTUAL PROPERTY

Excite regards its technology as proprietary and attempts to protect it with copyrights, trademarks, trade secret laws, restrictions on disclosure and transferring title and other methods, and has been issued a patent with respect to certain aspects of its searching and indexing technology. Excite has filed three patent applications with respect to other aspects of its technology. These applications may not result in a patent being issued. One of these applications relates to additional features of Excite's search technology. Excite anticipates that a patent will be issued from this application no sooner than the end for the second quarter of 1999. Another application relates to Excite's shopping search technology acquired in connection with the acquisition of Netbot. Excite anticipates that a patent will be issued from this application no sooner than the end of 1999. Excite also has a patent application on file with respect to some of the community technology acquired in the Throw acquisition used in its Excite Communities service. At this time, Excite does not know if a patent will be issued with respect to this technology or if a patent is issued, when it may be issued. Excite does not believe that any of its existing patents or the technologies offered by these patent applications are critical to its current business model.

Furthermore, any patents that may be issued from these pending applications, may not be sufficiently broad to protect Excite's technology. In addition, despite having patents, it is possible that Excite's patents may be challenged, invalidated or circumvented. The failure of any patents to protect Excite's technology may make it easier for Excite's competitors to offer technology equivalent or superior to Excite's technology.

Excite also generally enters into confidentiality or license agreements with its employees and consultants, and generally controls access to and distribution of its documentation and other proprietary information. Despite these precautions, it may be possible for a third party to copy or otherwise obtain and use Excite's services or technology without authorization, or to develop similar technology independently. In addition, effective copyright, trademark and trade secret protection may be unavailable or limited in certain foreign countries. Policing unauthorized use of Excite's technology is difficult. The steps taken by Excite may not prevent misappropriation or infringement of its technology. In addition, litigation may be necessary in the future to enforce Excite's intellectual property rights, to protect Excite'strade secrets or to determine the validity and scope of the proprietary rights of others. Such litigation may result in substantial costs and diversion of resources and may have a material adverse affect on Excite's financial condition.

Many parties, including competitors of Excite, are actively developing search, indexing and related Web technologies. Some of these parties have taken, and Excite believes that others will take, steps to protect these technologies, including seeking patent protection and enforcement of such patents through licensing and litigation. As a result, Excite believes that disputes regarding the use of such technologies are likely to arise in the future. Competitors or others may initiate lawsuits against Excite asserting patent infringement. Excite may not be able to defend successfully any such litigation either on the grounds that patents are invalid or that Excite's search technology does not infringe on patents of others. Even if Excite

is successful, there can be no assurance that the costs and resources required to defend any such litigation will not have a material adverse affect on Excite's financial condition.

In addition, from time to time, Excite has received, and may receive in the future, notice of claims of infringement of other parties' proprietary rights, including claims for infringement resulting from users downloading of materials by the service operated by Excite. Although Excite investigates claims and responds as it deems appropriate, there can be no assurance that infringement or invalidity claims, or claims for indemnification resulting from infringement claims, may not be asserted or prosecuted against Excite or that any assertions or prosecutions will not materially and adversely affect Excite's financial condition. Irrespective of the validity or the successful assertion of such claims, Excite would incur significant costs and diversion of resources to defend any such claims which may have a material adverse affect on Excite's financial condition. If any claims or actions were asserted against Excite, Excite might seek to obtain a license under a third party's intellectual property rights. Such a license may not be available on commercially reasonable terms, or at all.

Excite also licenses from third parties certain of its technologies as well as developing them internally. For example, Excite licenses commercially available technology for many of its internal systems such as accounting and human resources. Excite also licensed other technology for certain features offered on the Excite Network. For example, Excite licensed Software.com's InterMail electronic messaging product during 1998 as part of its electronic mail service and licensed Total Entertainment Networks online game service during 1998. Excite also licensed a variety of content for the Excite Network during 1998. Excite does not believe that any one of these licenses is material to its business as a whole. However, if a license were to terminate or if the licensed software did not function properly, Excite may incur additional expenses by having to obtain replacement licenses, having to integrate the new technology in the Excite Network and causing a diversion of resources from other projects. As it continues to introduce new services that incorporate new technologies, it may be required to license additional technology from others. These third-party technology licenses may not be available on commercially reasonable terms, if at all. If Excite does not obtain any of these technology

licenses it may experience delays or reductions in the introduction of new services or may materially and adversely affect the performance of its services
until equivalent technology could be identified, licensed and integrated. Any such delays or reductions in the introduction of services or adverse impact on service quality may materially and adversely affect Excite's business. During 1998, Excite also entered into the Netcenter Agreement with Netscape, which provides for the license of Excite's search technology to Netscape. See " - Netcenter."

GOVERNMENT REGULATION

There are currently few laws or regulations that specifically regulate communications or commerce on the Internet or other online services. However, laws and regulations may be adopted in the future that address issues such as user privacy, pricing and other aspects of the sale of products or services. Any
new laws or regulations may increase the costs of conducting business or transmitting data over the Internet or online services or may otherwise affect Excite's business.

EMPLOYEES

As of December 31, 1998, Excite had 711 full-time employees, including 228 in research and development, 370 in sales and marketing, 74 in finance and administration and 39 in operations and support. Excite's employees are not represented by any collective bargaining unit, and Excite has never experienced
a work stoppage. Excite believes its relations with its employees are good.

Excite depends on the performance and continued performance of its executive officers and other key employees. Excite must also attract, train, retain and motivate high quality personnel, especially its management and engineering and development teams. Competition for such personnel is intense, particularly in the San Francisco Bay Area. The loss of the services of any of Excite's executive officers or other key employees or the failure of Excite to attract, integrate, motivate and retain additional key employees may adversely affect Excite's business. Excite does not have "key person" life insurance policies on any of its employees.

PART II

ITEM 6: SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with the Consolidated Financial Statements and notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Annual Report on Form 10-K/A.

FINANCIAL SUMMARY (1):

	AS OF OR FOR THE YEAR ENDED DECEMBER 31,				
(IN THOUSANDS, EXCEPT PER SHARE DATA)	1998	1997	1996	1995	1994
Revenues	$155,360	$55,826	$14,823		

				$ 953	$293
Gross Profit	125,874	34,225	10,654	725	205
Operating Expenses (2)	160,062	80,429	55,888	7,115	851
Net loss	(37,559)	(46,814)	(44,179)	(6,435)	(650)
Net loss per share (3)	(0.79)	(1.57)	(2.37)	(3.08)	(0.94)
Total assets	220,673	79,156	48,810	3,801	157
Working capital (deficit)	89,480	24,097	8,761	(878)	(442)
Long-term obligations	18,236	9,689	4,073	995	100
Stockholders' equity (net capital deficiency)	143,399	36,450	25,886	(4,034)	(542)

(1) Reflects restatements for all pooling of interests. See Note 2 of Notes to Consolidated Financial Statements. Also reflects, the Company's July 1998 two-for-one stock split. See Note 1 of Notes to Consolidated Financial Statements.

(2) Includes charges of $6.2 million, $2.3 million, $3.5 million and $331,000 for the years ended December 31, 1998, 1997, 1996 and 1995, respectively, for in-process technology charges. For the years ended December 31, 1998, 1997 and 1996, merger and acquisition related costs, including amortization of goodwill and other purchased intangibles of $4.9 million, $4.0 million and $3.1 million, respectively, were included. In addition, amortization of prepaid Netscape service of $17.7 million was included for the year ended December 31, 1998.

(3) The net loss per share amounts prior to 1997 have been restated as required to comply with Statement of Financial Standards No. 128, "Earnings Per Share" and Staff Accounting Bulletin No. 98. For further discussion of loss per share and the impact of Statement No. 128 and Staff Accounting Bulletin No. 98, see Note 1 of Notes to Consolidated Financial Statements.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD LOOKING STATEMENTS

The following Management's Discussion and Analysis of Financial Condition and Results of Operations contains forward-looking statements, which involve risks and uncertainties. Excite's actual results may differ materially from those anticipated in these forward-looking statements as a result of the Merger with At Home, which is expected to close during the second quarter of 1999, and certain other factors, including, without limitation, those risk factors set forth under "Risk Factors that May Affect Future Results" included in this Management's Discussion and Analysis of Financial Condition and Results of Operations. The following discussion should be read in conjunction with the consolidated financial statements and notes thereto included elsewhere in this Report.

OVERVIEW

Excite, Inc., or "Excite", operates the Excite Network, which includes the Excite and WebCrawler brands, and provides a gateway to the Web that organizes, aggregates and delivers information to meet the needs of individual consumers. Excite was formed in June 1994 and first launched its Excite search and directory service in October 1995.

Historically, Excite's advertising revenues have been derived principally from short-term advertising contracts in which Excite guarantees a minimum number of impressions, a view of an advertisement banner by a consumer, for a fixed fee. Such banner advertising revenue is dependent upon both the number of impressions and the rate per thousand impressions, or "CPMs", charged. Excite generally charges higher rates for advertisements focused on targeted groups, either by keyword associations or affiliations with specific content, than for general rotation advertisements. During its limited operating history, Excite has experienced seasonal fluctuations in the amount of banner advertisements sold on its network, with advertisers historically purchasing fewer advertisements in the first calendar quarter of each year. Because the market for Web advertising is an emerging market, additional seasonal patternsin Web advertising may develop in the future as the market matures.

In 1997, Excite also began entering into longer-term advertising and commerce sponsorship agreements. These agreements generally involve more integration with the Excite Network and provide for more varied sources of revenue to Excite over the term of the agreements, which average from two to three years. Under these agreements, Excite earns fees for generating impressions that in some instances are guaranteed. Sponsorship customers accounted for approximately 25% and 24% of advertising revenues for 1998 and 1997, respectively. Revenues are generally recognized ratably over the term of the agreement, provided that Excite does not have any significant remaining obligations and collection of the resulting receivable is probable. To the extent that impression deliveries are falling short of the guarantees, Excite defers recognition of the corresponding revenues. A number of these agreements also provide that revenues or gross margins from advertising and electronic commerce transactions are to be shared between the advertiser and Excite as realized. Revenues or margin sharing recognized from such electronic commerce transactions were insignificant through 1998, and are expected to be insignificant through 1999. See "Risk Factors that May Affect Future Results - Excite Depends on Sponsorship Agreements for Revenues" and " - Risks Associated with Banner Advertising."

Over the past several years, Excite has grown by both developing new products and services, and by acquiring a number of businesses, technologies, services and content through mergers and acquisitions. During the three years ended December 31, 1998, Excite completed the following acquisitions:

COMPANY OR TECHNOLOGY ACQUIRED	DATE ACQUIRED	SHARES OF EXCITE COMMON STOCK ISSUED	SHARES OF SERIES E CONVERTIBLE PREFERRED STOCK ISSUED	SHARES OF EXCITE OPTIONS AND WARRANTS ASSUMED

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(IN THOUSANDS)

McKinley	August	1996	1,700	-	-	28
AOL's WebCrawler	November	1996	--		1,950	--
Netbot	November	1997	1,708	-	-	422
MatchLogic	February	1998	6,122	-	-	1,049
Classifieds2000	April	1998	1,730	-	-	50
Throw	April	1998	330	-	-	318

All of the above acquisitions were accounted for as pooling of interests, except for the acquisition of Throw and WebCrawler which were accounted for as purchases. Excite's financial information has been restated to reflect all pooling of interests. See "Risk Factors that May Affect Future Results - Acquisition Strategy; Integration of Past and Future Acquisitions" and Note 2 of Notes to Consolidated Financial Statements.

Excite has incurred significant operating losses since inception, and as of December 31, 1998, Excite had an accumulated deficit of approximately $135.6 million. Although Excite experienced significant revenue growth during 1998 and 1997, Excite may not be able to sustain the growth of its revenues. Excite's historical operating results may not be indicative of future operating results. In addition, as Excite has grown, its operating expenses have increased, andExcite expects that its operating expenses will continue to increase as a result of its acquisitions, the performance of its obligations under the Netcenter Agreement, its increased sales and marketing efforts, its increased funding for development activities and the increased general and administrative staff needed to support Excite's growth. To the extent that revenues do not grow at anticipated rates or that increases in such operating expenses precede or are not subsequently followed by commensurate increases in revenues, Excite's financial condition will be materially and adversely affected. Excite may never attain profitability on a quarterly or annual basis.

NETSCAPE AGREEMENT

In April 1998, Excite and Netscape Communications Corporation, or "Netscape", entered into a two-year agreement, or the "Netcenter Agreement", under which Excite will, among other things, provide, host and sell advertising for certain co-branded services for Netscape's Netcenter service. In connection with the Netcenter Agreement, Excite has paid to Netscape a total of $70.0 million, or the "Cash Payment". Also in connection with the Netcenter Agreement, Excite has issued to Netscape a warrant to purchase 846,158 shares of Excite's Common Stock at an exercise price of approximately $29.55 per share, or the "First Warrant", and a second warrant to purchase shares of Excite's Common Stock at an aggregate exercise price of $10.0 million, or the "Second Warrant".

The First Warrant is exercisable for a two-year period commencing on April 30, 1998. The Second Warrant will be exercisable for a two-year period commencing April 30, 1999. The exercise price per share of Common Stock covered by the Second Warrant will be determined by dividing $10 million by the average closing
price of Excite's Common Stock for the 30 most recent trading days ending on the
third trading day preceding April 30, 1999. The fair value of the First Warrant
and the aggregate $10.0 million exercise price of the Second Warrant was valued
at $19.9 million. The Cash Payment and the value assigned to the warrants totaling $89.9 million were capitalized as Prepaid Netscape Distribution Costs and Trademarks during the second quarter of 1998 and are being amortized ratably
over the two-year term of the Netcenter Agreement. The unamortized amount to be
expensed under the Netcenter Agreement as of December 31, 1998, is separated into two components as follows: the amount which represents the anticipated future net revenues from the Netcenter Agreement, or $23.5 million, will be charged to Distribution License Fees and Data Acquisition Costs; and the remaining amount, or $42.9 million, representing the combined value of marketing
and distribution rights, trademarks and other exclusive benefits derived from the agreement will be charged ratably over the term of the agreement to Amortization of Prepaid Netscape Service.

Under the Netcenter Agreement, Excite will only recognize revenues generated from the co-branded services and not from any other part of Netcenter.
A portion of the revenues will be credited against Excite's revenue-sharing obligation to Netscape until Excite recoups a specified amount of the Cash Payment. Thereafter, Excite must pay Netscape a portion of additional revenues generated from the co-branded services. Excite does not expect that the revenue
generated from the co-branded services will exceed 10% of Excite's total revenue
over the term of the Netcenter Agreement. Excite has incurred expenses for the start-up and development of the services contemplated in the Netcenter Agreement, including the costs of personnel, content creation, facilities and depreciation of assets purchased for Netcenter. Unless Netscape generates impressions significantly greater than the guaranteed amount as specified in the
agreement, the increased revenues to Excite resulting from the co-branded services under the Netcenter Agreement will not be sufficient to recover the combined costs of the prepayment, the warrant value and the incremental operating costs that will be incurred by Excite as a result of the agreement. Onthis basis, Excite anticipates that the Netcenter Agreement will serve to generate losses for Excite during its term.

Netscape has made guarantees for the number of times a link to Excite is
displayed on the NetSearch page. The actual delivery of impressions between the
launch of the Netcenter co-branded service in June 1998 to September 1998 were significantly below expectations. However, during the fourth quarter of 1998, the delivery of impressions improved from the previous quarter due to the implementation of certain changes made by Netscape and Excite. Such improvements
include: Excite's search rotation increased on Netscape's home page search and Netscape added another slot to its list of providers on the NetSearch page,

which is dedicated to Excite and has the same prominence as all the "premier providers". There are no interim, month to month or quarterly performance milestones to the agreement. If Netscape does not achieve its impression guarantees within the two-year term of the agreement, then the term would be extended until the guarantees are met. To the extent the impression flow from Netscape falls short of the guaranteed level, Excite's ability to recover the prepayment within the term of the agreement may be impaired. See "Risk Factors that May Affect Future Results - Significant Risks Associated with the Netcenter Agreement" and see Note 13 of Notes to Consolidated Financial Statements.

RESULTS OF OPERATIONS

REVENUES

Revenues increased 178% to $155.4 million in 1998 as compared to $55.8 million in 1997 and $14.8 million in 1996. The increase in 1998 revenue compared to 1997 and 1996 revenue resulted primarily from a $40.0 million increase in advertising revenues, which was due to both an increase in the number of advertisers purchasing advertising banners on Excite's Web sites, and to a lesser extent, an increase in sales of targeted advertisements with higher rates. Also contributing to the increase was a $24.0 million increase in sponsorship advertising revenue and a $25.0 million increase in revenues attributable to MatchLogic, which began operations in May 1997.

No one customer accounted for more than 10% of revenues for 1998 and 1997. One customer accounted for approximately 12% of revenues for 1996. Revenues generated from international operations was approximately 3% and 2% of revenues in 1998 and 1997, respectively. There were no revenues generated from international operations in 1996. See Notes 1 and 11 of Notes to Consolidated Financial Statements.

Excite expects to continue to derive a substantial majority of its total revenues from selling advertisements. Because the market for advertising on the Web is intensely competitive, advertising rates may be subject to pricing pressures in the future. If Excite is forced to reduce its advertising rates or experiences lower CPMs as a result of such competition or otherwise, future revenues may be adversely affected. Beginning in the second quarter of 1997, Excite started to sell a combination of sponsorship and banner advertising contracts in addition to the banner advertising contracts historically sold by Excite. Excite does not expect revenue growth relating to sponsorship advertising revenues to continue at the current rate in future periods as availability of exclusive sponsorships may be limited.

COST OF REVENUES

Cost of revenues consists primarily of hosting costs; royalties and other cost of revenues; and amortization of purchased technology. Hosting costs relate to the maintenance and technical support of the Excite Network, and are comprised principally of personnel costs, telecommunications costs, equipment depreciation and overhead allocations. Royalties and other cost of revenues include expenses related to

royalties, license agreements and revenue sharing agreements for content and other services such as e-mail and chat room services. In 1997 and 1996, Excite recognized, as a component of cost of revenues, amortization of purchased developed technology of $8.2 million and $186,000, respectively, related to the

WebCrawler acquisition. There were no corresponding costs for 1998 as the cost of this technology was fully amortized at December 31, 1997.

Total cost of revenues increased in absolute dollars by $7.9 million to $29.5 million, or 19% of revenues in 1998 from $21.6 million, or 39% of revenues in 1997 and by $17.4 from $4.2 million, or 28% of revenues for 1996 as compared with 1997. Hosting costs for 1998 increased in absolute dollars to $16.2 million, or 10% of revenues, from $8.6 million, or 15% of revenues for 1997 and from $3.3 million, or 22% of revenues for 1996. The increase in hosting costs is due primarily to an increase in personnel expenses and equipment costs relating to maintenance and support of Excite's Web sites and services. Royalties and other cost of revenues increased in absolute dollars to $13.3 million, or 9% of revenues for 1998, from $4.7 million, or 8% of revenues for 1997, and from $687,000, or 5% of revenues for 1996. The increase in royalties and other cost of revenues was primarily due to increased royalties and margin sharing payments from revenue sharing agreements.

Cost of revenues in future periods is expected to increase in absolute dollars and may increase as a percentage of revenues as Excite increases costs to support expanded services and content.

GROSS PROFIT

Gross profit was $125.9 million or 81% of revenues, $34.2 million or 61% of revenues and $10.7 million or 72% of revenues for 1998, 1997 and 1996, respectively. The increase in gross profit in absolute dollars and as a percentage of revenues in 1998 compared to 1997 was primarily due to the fact that revenues grew at a faster rate than hosting costs and royalties and other cost of revenues, a favorable mix of advertising services, and the elimination of amortization of purchased technology. The decline in gross profit as a percentage of revenues from 1997 compared to 1996 was due primarily to the amortization of purchased technology discussed above, as well as increased hosting costs to support expanded Web site offerings and increased royalties and margin sharing costs, offset in part by increased revenues. In the future, gross profit may be affected by the types of advertisements sold and revenue sharing provisions of distribution and content agreements.

These items have negatively affected gross profit in the past and may continue to negatively affect it in the future. Furthermore, pursuant to the provisions of certain agreements with operators of Web access points and with content providers, Excite shares advertising revenues based upon the number of consumers directed to its network. A low level of targeted advertising as a percentage of total advertising sold, a decrease in targeted or mass Web advertising rates or an increase in Excite's advertising revenue sharing obligations may adversely affect gross margins in the future.

OPERATING EXPENSES

Excite's operating expenses have generally increased in absolute dollar amounts since inception. This trend reflects Excite's rapid transition from the product development stage to marketing and offering its services. Excite believes that continued expansion of its operations is essential to achieving and maintaining market leadership. As a consequence, Excite intends to continue to increase expenditures in all operating areas for the foreseeable future.

RESEARCH AND DEVELOPMENT. Research and development expenses consist principally of engineering and editorial personnel costs, equipmentdepreciation, consulting fees, supplies and allocation of overhead. Research and development expenses increased to $29.6 million or 19% of revenue in 1998, from $18.2 million or 33% of revenues in 1997 and $8.3 million or 56% of revenues in 1996. The increase in absolute dollars in 1998 compared to 1997 and in 1997 compared to 1996 was due to an increase in engineering and editorial headcount to support Excite's channels format and personalization capabilities for the Excite Network. Research and development headcount increased to 227 employees in 1998 from 164 in 1997 and 83 in 1996. In addition, an increase in expenses in 1997 compared to 1996 was due to the commencement of operations of Matchlogic in May 1997. Matchlogic's research and development expenses contributed $7.0 million to the increase from 1997 to 1998.

Excite believes that a significant level of research and development expense is required to remain competitive and, accordingly, Excite anticipates that it will continue to devote substantial resources to

research and development and that these costs will increase in absolute dollars in future periods. Excite also expects to continue to experience increased research and development expenses in order to integrate any technologies acquired in the future and provide programming and content for the co-branded services of Netcenter.

SALES AND MARKETING. Sales and marketing expenses consist principally of sales and marketing personnel costs, agency and consulting fees, commissions, promotional and advertising expenses and allocation of overhead. Sales and marketing expenses were $63.1 million or 41% of revenue in 1998, compared to $34.3 million or 61% of revenue in 1997 and $21.4 million or 144% of revenue in 1996. The increase in absolute dollars in 1998 compared to 1997 was primarily due to the hiring of additional sales and marketing personnel, increased sales and marketing expenses and to a lesser extent, a national television advertising campaign that launched in December 1998. The increase in absolute dollars in 1997 from 1996 was primarily due to the continuation of a significant media advertising campaign that launched in the fourth quarter of 1996 and continued into the first quarter of 1997, and the hiring of additional sales and marketing personnel and the launching of the redesigned WebCrawler brand. Sales and marketing headcount increased by 183 employees to 376 in 1998 from 193 in 1997 and 81 in 1996. In addition, other sales and marketing expenses increased, such as commissions, advertising expenses and Matchlogic sales and marketing expenses in 1998 by $16.2 million and in 1997 by $2.2 million.

Excite expects to continue to incur significant promotional and advertising expenses and anticipates that these costs will increase in absolute dollars in future periods as Excite promotes its brands and introduces new services in order to create and maintain brand loyalty among consumers. Excite

also expects to continue to experience increased sales and marketing expenses as
it is responsible for all advertising sales on the co-branded services of Netcenter. Excite may also seek to enter into additional third party relationships which it believes will help promote its brand. As a result, Excite
may need to divert resources from other areas. These brand building efforts may
not be successful, which may adversely affect Excite's business.

DISTRIBUTION LICENSE FEES AND DATA ACQUISITION COSTS. Distribution license fees and data acquisition costs consist principally of fees paid to third-party Internet companies such as Netscape to provide entry points to the Excite Network and costs to update and maintain the ad targeting and tracking database which is continually being updated by Excite's MatchLogic subsidiary. Distribution license fees and data acquisition costs increased to $21.7 million
in 1998 from $9.4 million in 1997 and $11.9 million in 1996. The 1998 and 1997costs included distribution license fees related to agreements previously entered into with Netscape in March 1997, which have expired, as well as data acquisition costs incurred by MatchLogic during 1998 of $6.8 million and $1.8 million in 1997. In addition, during 1998, a total of $5.8 million was amortized
to Distribution License Fees and Data Acquisition Costs relating to the April 1998 Netcenter Agreement. See "Risk Factors that May Affect Future Results - Significant Risks Associated with the Netcenter Agreement."

In June 1997, Excite entered into a co-marketing services agreement and
a trademark license agreement with Netscape. Under these agreements, Excite is responsible for the programming, production, operations and advertising sales of
"International Netscape Guide by Excite", a service being made available in Australia, France, Germany, Japan and the United Kingdom. In connection with these agreements, Excite made a payment of $4.0 million to Netscape in July 1997, which is being amortized over the terms of these agreements to distribution license fees expense. In March 1997, Excite entered into an agreement with Netscape to continue the premier provider arrangement for the Excite brand, and entered into a marquee provider agreement for the WebCrawler brand. Under the terms of these agreements, Excite made a payment of $8.3 million.

In 1996, distribution license fees included a one-time, non-cash charge
of approximately $1.6 million related to the issuance of a warrant to AOL during
the first quarter of 1996, and a $10.0 million charge relating to Excite's premier provider agreements with Netscape in the second quarter of 1996.

In the future, high traffic Web sites, Internet service providers, providers of Web browsers or other distribution channels may require cash payments or other types of consideration as compensation for listing or promoting the Excite Network, which may result in increased distribution license
fees.

GENERAL AND ADMINISTRATIVE. General and administrative expenses consist
principally of administrative and executive personnel costs, provision for doubtful accounts, fees for professional services and allocation

of overhead. General and administrative expenses increased in absolute dollars to $16.9 million or 11% of revenue in 1998, from $12.2 million or 22% of revenue in 1997 and $7.8 million or 52% of revenue in 1996. The increase in absolute dollars in 1998 compared to 1997 is primarily due to increased personnel costs to support the expansion and infrastructure of Excite's operations and international expansion efforts. In particular, the growth in Excite's finance and administrative departments contributed to this increase. The increase in absolute dollars in 1997 compared to 1996 was primarily due to increased personnel, professional service fees and relocation to new facilities to support Excite's growth. General and administrative headcount increased to 71 employees in 1998 from 54 in 1997 and 16 in 1996. Professional service fees, provision for doubtful accounts and facilities costs increased during 1998 by $2.9 million and 1997 by $0.7 million. General and administrative expenses attributable to Matchlogic increased $0.8 million from 1997 to 1998.

Excite anticipates that its general and administrative expenses may continue to increase in absolute dollars as Excite expands its administrative and executive staff, adds infrastructure and integrates acquired technologies and businesses. In addition, Excite plans to continue to run MatchLogic as an independent subsidiary with its own administrative function.

IN-PROCESS TECHNOLOGY. During 1998, 1997 and 1996, Excite incurredcharges for in-process technology of $6.2 million, $2.3 million and $3.5 million respectively.

In April 1998, Excite acquired all of the assets of Throw, Inc., including an Internet-based community technology that creates environments, centered around common themes, where users can interact on both an asynchronous as well as a synchronous basis. These communities are being developed to contain numerous linked features that facilitate communication amongst multiple users, including event calendars, photo albums, address books, chat rooms and threaded discussions.

The purchase price approximated $17.0 million, which consisted of $16.2 million of stock issued and $800,000 of direct acquisition costs. In connection with the acquisition, Excite accounted for the transaction as a purchase and allocated $6.2 million to in-process technology and $10.8 million to goodwill. Purchased in-process technology represents the present value of the estimated after-tax cash flows expected to be generated by the purchased technology, which, at the acquisition date, had not yet reached technological feasibility and does not have alternative future uses. The goodwill is being amortized on a straight-line basis over three years.

The technology projects in-process as of the acquisition date consisted of the development of the system's Solaris 2.6 platform, the Oracle database, and the objects, areas and applications that will comprise the templates and supporting feature applets.

These projects were grouped into three categories as of the acquisition date:

PROJECT	PERCENT COMPLETE
Standard templates and features	35%
First generation templates and features	65%
Second generation templates and features	55%

The expected costs to complete these projects in aggregate as of the acquisition date totaled approximately $1.5 million. The standard templates and features were completed in the third quarter of 1998 and had reached technological feasibility. The first and second generation templates and features are projected by Excite's management to be completed by May 1999.

The cash flow projections for revenues were based on the projected incremental increase in revenue attributable to the in-process technology that Excite will receive as a result of the acquisition. Revenues derived from the in-process technology were expected to increase through 2000 and then decrease in 2001. No revenue was assigned to in-process technology in 2002 or beyond because 2001 is estimated to be the end of the in-process technology's economic life. Estimated operating expenses and income taxes were deducted from estimated revenue projections to arrive at estimated after-tax cash flows. Projected operating expenses include:

- cost of revenues;
- general and administrative expenses;

- sales and marketing expenses;
- and research and development, including estimated costs to maintain the technology once it has achieved technological feasibility.

Operating expenses were estimated as a percentage of revenue and were based primarily on projections prepared Excite's management and industry averages.

The discount rate used to discount the net cash flows back to their present values is based on the weighted average cost of capital, or "WACC". A discount rate of 35% was used for valuing the in-process technology. This discount rate is higher than the implied WACC due to the inherent uncertainties surrounding the successful development of the purchased in-process technology, the useful life of such technology, the profitability levels of such technology, and the uncertainty of technological advances that are unknown at this time. As is standard in the appraisal of high growth markets, projected revenues, expenses and discount rates reflect the probability of technical and marketing success.

The 1997 charge of $2.3 million related to the value of acquired in-process technology that had not reached technological feasibility at the time of MatchLogic's formation in May 1997. The 1996 charge of $3.5 million for purchased in-process technology related to the acquisition of the WebCrawler search and directory technology. See Note 2 of Notes to Consolidated Financial Statements.

OTHER MERGER AND ACQUISITION RELATED COSTS, INCLUDING AMORTIZATION OF GOODWILL AND OTHER INTANGIBLE ASSETS. During 1998, 1997 and 1996, Excite incurred merger and acquisition related costs of $4.9 million, $4.0 million and $3.1 million respectively. In 1998, Excite incurred charges of approximately $700,000 and $743,000 for the acquisition of MatchLogic and Classifieds2000, respectively, which primarily related to legal and other professional fees. In addition, Excite incurred charges during 1998 of approximately $2.7 million relating to the amortization of goodwill and other purchased intangibles resulting from the acquisition of Throw and approximately $800,000 relating to the amortization of goodwill and other purchased intangibles resulting from the WebCrawler acquisition. In 1997, Excite incurred other merger and acquisition costs of $1.8 million resulting from the amortization of other WebCrawler intangible assets, $1.5 million from the Netbot merger and $700,000 from the amortization of other acquired intangible assets. The 1996 charge included approximately $2.2 million associated with the merger with McKinley, and approximately $769,000 related to the amortization of goodwill and other intangible assets resulting from the WebCrawler acquisition and the acquisition of City.Net.

AMORTIZATION OF PREPAID NETSCAPE SERVICE. During 1998, Excite incurred costs of $17.7 million related to the amortization of the Prepaid Netscape Service associated with the April 1998 Netcenter Agreement, which has an original term of two-years. Excite anticipates incurring a total amortization charge of approximately $7.6 million per quarter relating to the Netcenter Agreement for the duration of the agreement, which is currently scheduled to expire in June 2000.

INTEREST INCOME (EXPENSE) AND OTHER. Interest income was $1.6 million, $1.3 million and $1.5 million for 1998, 1997 and 1996, respectively. The increase in interest income for 1998 was primarily due to interest earned on cash received in June 1998 from Excite's public offering, which was used to fund operations and to satisfy Excite's obligations under the Netcenter Agreement. The decrease in 1997 was primarily the result of the use of cash received from the 1996 initial public offering to fund operations, offset in part by interest earned on the proceeds of approximately $38.4 million from the sale of Common Stock to Intuit in the second quarter of 1997. The increase in 1996 reflected interest earned on investments from cash received from Excite's Series D Preferred Stock financing and its initial public offering. Interest expense and other increased to $2.9 million for 1998, from $1.5 million for 1997 and $409,000 for 1996. The increase in 1998 was due primarily to an increase in interest expense resulting from the $50 million note payable due to Intuit, as well as additional capital lease obligations, non-lease financing obligations and interest on the convertible note issued to Itochu Corporation in October 1997. The increases in 1997 from 1996 were due primarily to increased expenses associated with an increased amount of capital lease obligations and bank borrowings.

INVESTMENT PORTFOLIO. Excite does not use derivative financial instruments in its investment portfolio. Excite considers investments in highly liquid instruments purchased with an original maturity of 90 days or less to be cash equivalents. Excite places its investments in instruments that meet high credit quality standards, as specified in Excite's investment policy guidelines; the policy also limits the amount of credit exposure to any one issue, issuer, and type of instrument. All of Excite's cash equivalents and short-term investments, consisting principally of commercial paper, equity securities and governmental securities, are

classified as available-for-sale as of December 31, 1998. Excite does not expect any material loss with respect to its investment portfolio.

The table below provides information about Excite's investment portfolio. For investment securities, the table presents principal cash flows for 1999 and the related average interest rates. Excite maintains its cash and cash equivalents in short-term investment-grade interest-bearing securities until required for other purposes. Excite's investment policy requires that all investments mature in one year or less.

Principal (Notional) Amounts by Expected Maturity in U.S. Dollars:

(IN THOUSANDS, EXCEPT INTEREST RATES)	1999	FAIR VALUE AT DECEMBER 31, 1998
Cash Equivalents	$11,382	$11,389
Average Interest Rate	4.00%	
Investments	$11,265	$11,270
Average Interest Rate	6.63%	
Total Portfolio, excluding Equity Securities	$22,647	$22,659
Average Interest Rate	6.34%	
Equity Securities		$4,411

EQUITY SHARE OF LOSSES OF AFFILIATED COMPANY. In October 1997, Excite and Itochu Corporation and certain affiliated entities, or collectively "Itochu", entered into a joint venture agreement with respect to Excite's wholly-owned subsidiary, Excite Japan, in order to provide Web-based information services to the Japanese market. Excite currently holds, and intends to retain, a 50% equity interest in Excite Japan. As of December 31, 1998, Excite held a 50% equity interest in Excite Japan. Excite's share of the losses of Excite Japan for 1998 and 1997 was $2.1 million and $477,000, respectively. Excite expects that it will record increased losses from Excite Japan during 1999. See Note 10 of Notes to Consolidated Financial Statements.

INCOME TAXES. At December 31, 1998, Excite had federal and state net operating loss carryforwards of approximately $143.4 million and $71.0 million, respectively. The federal net operating loss carryforwards will expire beginning in 2009 through 2013, if not utilized. The state net operating loss carryforwards will expire at various dates beginning in 1999 through 2003. An ownership change, as defined in the Tax Reform Act of 1986, may restrict the utilization of carryforwards. A valuation allowance has been recorded for the entire deferred tax asset as a result of uncertainties regarding the realization of the asset due to the lack of earnings history of Excite. See Note 9 of Notes to Consolidated Financial Statements.

YEAR 2000 IMPLICATIONS

Many currently installed computer systems, hardware and software products are coded to accept only two digit entries in the date code field and cannot distinguish 21st century dates from 20th century dates. These date code fields will need to distinguish 21st century dates from 20th century dates and, as a result, many companies' software and computer systems may need to be upgraded or replaced in order to comply with such "Year 2000" requirements. Excite's business is dependent on the operation of numerous systems that may potentially be adversely impacted by Year 2000 related problems. Those systems include, among others:

- hardware and software systems used by Excite to deliver services to its consumers, including Excite's proprietary software systems as well as hardware and software supplied by third parties;
- communications networks, such as the Internet, which Excite depends on to provide services;
- the internal systems of Excite's consumers, users and suppliers;
- the hardware and software systems used internally by Excite in the management of its business;
- and non-information technology systems and devices used by Excite in its business, such as telephone and building systems.

STATE OF READINESS

Excite has implemented a six-phase plan to mitigate possible Year 2000 affects on Excite's business and systems. Excite has designated a Year 2000 project team to develop and implement that plan. This plan has

executive sponsorship and is regularly reviewed by senior management. This six-phase plan includes the following:

- Phase one, awareness: involves increasing company awareness by educating and involving all appropriate levels of management regarding the need to address Year 2000 issues.
- Phase two, inventory: consists of identifying all of Excite's systems, technology, services and relationships that may be impacted by Year 2000.
- Phase three, assessment: involves determining Excite's current state of Year 2000 readiness for those areas identified in the inventory phase and prioritizing areas that need to be addressed.
- Phase four, remediation: consists of developing a plan and repairing, replacing or retiring those systems identified as needing correction

in
the assessment phase.

o Phase five, validation: involves developing test plans, conducting tests
and analyzing the results of these tests to assure all key systems are Year 2000 compliant.

o Phase six, implementation and contingency planning: consists of moving compliant systems back into the production environment and to assure systems' Year 2000 status remains unaffected by subsequent changes. The
contingency plan includes developing Excite's response to failure of mission critical systems, and other major risks related to Year 2000 compliance.

CONTINGENCY PLAN

Excite's business planning for year 2000 is currently being implemented.
The plan includes the creation of contingency plans in the second half of 1999.
Excite currently has no contingency plans.

Excite has completed phase one, awareness and currently is in phase two,
inventory, which is scheduled to be substantially complete by the end of the first quarter of 1999. Phase three, assessment, and phase four, remediation, are
scheduled to be substantially complete by the end of the second quarter of 1999.
Phase five, validation, is scheduled to be substantially complete by the third quarter of 1999 and phase six, implementation and contingency planning, is scheduled to be substantially complete early in the fourth quarter of 1999.

In addition to the systems used by Excite in its business, Excite utilizes third-party equipment and software in the delivery of its services and
in the management of its business that may not be Year 2000 compliant. Excite has made preliminary contacts with some of its key vendors, which have informally indicated that their products are Year 2000 compliant. As part of phase two, inventory, Excite will make formal inquiries of other equipment and software vendors and take steps to monitor vendor compliance. Failure of such third-party equipment or software, or of non-information technology systems and
devices used by Excite, to operate properly with regard to the Year 2000 and thereafter may require Excite to incur unanticipated expenses to remedy problems, which may have a material adverse affect on Excite's financial condition.

Excite also relies, both domestically and internationally, upon various
vendors, governmental agencies, utility companies, telecommunication service companies, including Internet service and online service providers, delivery service companies and other service providers who are outside Excite's control.
Further, Excite has not fully determined the progress of its joint venture partners and content partners in identifying and addressing systems that may potentially be impacted by Year 2000 related problems. Failure of such parties to operate properly with regards to the onset of Year 2000 and thereafter, may have a material adverse affect on Excite's business.RISKS RELATED TO YEAR 2000 ISSUES

In the event any third parties cannot timely provide Excite with content, products, services or systems that are Year 2000 ready or if there are
remediated problems with Excite's proprietary systems, the content on Excite's

services, access to Excite's services, the ability to offer page views, products, services and the ability to recognize or process sales may be materially adversely affected. Further, consumers may experience outages, delays and other difficulties due to system failures unrelated to Excite's services or systems which may have a material adverse affect on the satisfaction of Excite's consumers and advertisers. In addition, any failure of the equipment or systems utilized by consumers of Excite's services as a result of failure to be Year 2000 compliant may result in decreased utilization of Excite's services and adversely affect Excite's advertising relationships.

Any failure of Excite to address Year 2000 issues may have a material adverse affect on Excite's business. These affects may include, but are not be limited to:

- a reduction in Excite's ability to provide services for Excite's customers such as having specific content or services available;
- a reduction in Excite's ability to deliver, track and measure Internet advertisements;
- outservice could experience outages, delays and other difficulties due to system failures, which would make the Excite Network unavailable for consumers.

Excite is also subject to external forces that generally affect similarly situated business over which it has no control, such as possible interruptions of utility or Internet-related data network services as a result of Year 2000 failures, any of which may have similar material affects.

Furthermore, the purchasing patterns of advertisers may be affected by Year 2000 issues as companies expend significant resources to correct their current systems for Year 2000 readiness. These expenditures may result in reduced funds available for Internet advertising or sponsorship of Internet services, which may have a material adverse affect on Excite's financial condition.

The results of Excite's Year 2000 compliance plan's testing and implementation phase activities and responses received from third-party vendors and service providers will be taken into account in determining the nature and extent of any contingency plans.

COSTS

While Year 2000 costs incurred through 1998 by Excite have not been material, Excite does expect to incur internal staff costs and expenditures to remedy any Year 2000 related problems. Based on current and partial information derived from pre-inventory/assessment activities, Excite estimates for 1999 it will incur approximately $2.5 million in support of its Year 2000 compliance initiative. Excite does not expect to incur additional material operational costs such as diverted employee time. Such costs have been and will be funded through current operations or available lines of credit and Excite has not separately accounted for these costs. There is risk that additional costs could be incurred, but based on management's current knowledge it is unable to fullyascertain those costs. Excite believes that its further research through inventory, assessment, remediation and testing activities will enable it to determine the costs with greater certainty.

The above discussion regarding costs, risks and estimated completion dates for the Year 2000 is based on Excite's best estimates given information that is currently available, and is subject to change.

LIQUIDITY AND CAPITAL RESOURCES

At December 31, 1998 Excite had $61.0 million in unrestricted cash, cash
equivalents and short-term investments, an increase of $29.3 million from December 31, 1997. Excite maintains its cash and cash equivalents in short-term
and medium-term investment-grade interest-bearing securities until required for
other purposes.

Excite's operating activities used cash of $54.1 million, $44.3 million,
$27.0 million in 1998, 1997, and 1996, respectively. The increased use of cash in 1998 was mainly attributable to the $70.0 million cash prepayment to Netscape
under the Netcenter Agreement, see Note 13 of Notes to Consolidated Financial Statements. Excite borrowed $50.0 million from Intuit, which is a principal stockholder of Excite, in April 1998 to fund a portion of this payment to Netscape. In June 1998, Excite repaid the loan in full, plus interest of approximately $410,000, with proceeds from Excite's public offering, which closed in June 1998. Excite's cash flows from operating activities was positive
for the third and fourth quarters of 1998. The increased use of cash in 1997 was
primarily attributable to the payment of previously accrued expenses, including
but not limited to, payments to Netscape and to Excite's advertising agency for
an advertising campaign launched during the fourth quarter of 1996, a $4.0 million license fee payment to Netscape in July 1997, see Note 14 of Notes to Consolidated Financial Statements, and an increase in accounts receivable resulting from the sales of sponsorship advertising contracts, offset in part by
a decrease in net losses and an increase in accrued liabilities. The increased use of cash in 1996 was primarily attributable to increased operating expenses and increases in accounts receivable and prepaid expenses, reduced in part by increases in accrued distribution license fees, accounts payable and other accrued

liabilities. Excite has in the past, and may in the future, acquire businesses which result in significant increases in headcount and overhead, as well as the
assumption and payment of additional liabilities, resulting in an increase in the use of cash to support operations.

Investing activities used cash of $15.9 million, $6.3 million and $19.6
million in 1998, 1997 and 1996, respectively. In 1998 and 1997, cash was used for purchases of short-term investments, property and equipment, and contributions towards its investment in Excite Japan, offset by the sales of short-term investments. The decrease in cash used in 1997 was primarily the result of cash being invested in cash equivalents rather than short-term

investments and net sales of short-term investments, partially offset by increased purchases of property and equipment. The 1996 increase was primarily attributable to net purchases of short-term investments as well as property and equipment from cash proceeds of Excite's initial public offering in April 1996. Capital expenditures have been, and future expenditures are anticipated to be, primarily for facilities and equipment to support expansion of Excite's operations and management information systems. Excite expects that its capital expenditures will increase as its employee base grows. As of December 31, 1998, Excite did not have any material commitments for capital expenditures, althoughExcite anticipates that its planned purchases of capital equipment and leasehold improvements will require additional expenditures during 1999, a portion of which may be financed through equipment leases and bank borrowings. At December 31, 1998 Excite had $5.5 million available on equipment lease lines, and Excite believes that additional lease financing will be available to it if necessary.

Financing activities generated cash of $99.3 million, $61.9 million and $50.7 million in 1998, 1997 and 1996, respectively. Financing activities for 1998 primarily consisted of cash received in connection with the issuance of stock through Excite's public offering which was completed in June 1998 for net proceeds of $84.3 million and, to a lesser extent, option exercises under Excite's equity incentive plan and warrants exercised by Netscape in July 1998. Financing activities for 1997 primarily consisted of a bank line of credit borrowing of $6.0 million, a convertible promissory note of $5.0 million, the sale of convertible preferred stock by acquired companies for net proceeds of $14.0 million, and the sale of Common Stock for net proceeds of $41.1 million, of which $38.4 million represented net proceeds from the sale of Common Stock to Intuit. Financing activities in 1996 primarily consisted of the sale of Redeemable Convertible Preferred Stock and debt securities totaling $14.2 million and the sale of Excite's Common Stock for net proceeds of $37.2 million, of which $35.4 million represented net proceeds from Excite's initial public offering.

In January and February 1999, Netscape exercised a portion of the warrant issued under the Netcenter Agreement and paid approximately $19.1 million to purchase 646,158 shares of Excite's Common Stock.

Excite's commitments at December 31, 1998 consisted of obligations under operating leases, capital leases and other non-lease financings of $45.0 million, $21.8 million and $3.4 million, respectively, as well as bank and other borrowings. See Note 5 of Notes to Consolidated Financial Statements.

In March 1997, Excite entered into and borrowed on a $6.0 million line of credit. This line of credit bears interest at the bank's prime rate, approximately 7.75% at December 31, 1998, and is secured by substantially all of Excite's assets. This line of credit agreement also contains certain financial covenants, including minimum requirements for tangible net worth, quick ratio and accounts receivable balances, as well as prohibiting the declaration and payment of cash dividends on capital stock. Excite was in compliance with these covenants at December 31, 1998. This line of credit expired in 1998 and Excite has subsequently received extensions through February 15, 1999, which is the current maturity of the note. Excite is currently negotiating a new line of credit. See Note 4 of Notes to Consolidated Financial Statements.

The joint venture agreement with respect to Excite Japan obligates Excite and Itochu to make capital contributions in the aggregate amount of $10.0 million by March 31, 1999. In 1997, Excite entered into a convertible promissory note with Itochu for the principal amount of $5.0 million. The note bears interest at the London Interbank Offered Rate plus 1%, approximately 6.1% at December 31, 1998, is payable in United States dollars, and matures on October 17, 2002, although earlier payment is permitted. The entire unpaid principle amount at the maturity date, or earlier in the event Excite elects to prepay the note, is convertible, in whole but not in part, at the option of the holder, into fully paid shares of Excite Common Stock at a conversion price equal to the average closing price of the shares for the 30 trading day period ending on the date of conversion. See Note 6 of Notes to Consolidated Financial Statements.

To date, Excite has had limited international operations and itsexposure to foreign currency exchange rate fluctuations has been minimal. Excite evaluates its foreign currency exchange rate exposure on an ongoing basis.

Excite believes the existing working capital balance together with cash flows generated from advertising revenues will be sufficient to meet its anticipated cash needs for working capital, capital expenditures and business expansion for at least the next twelve months. Excite may need to raise additional funds sooner in order to fund more rapid expansion, to develop new or enhanced services or products, to respond to competitive pressures or to acquire complementary products, businesses or technologies. If additional funds are raised through the issuance of equity or convertible debt securities, the percentage ownership of the stockholders of Excite will be reduced, stockholders may experience additional dilution and such securities may have rights, preferences or privileges senior to those of the holders of Excite's Common Stock.

RISK FACTORS THAT MAY AFFECT FUTURE RESULTS

LIMITED OPERATING HISTORY; NO ASSURANCE OF PROFITABILITY. Excite generated only limited revenues prior to 1996. Accordingly, Excite has a limited operating history upon which to evaluate its current business. In addition, Excite's business model is evolving and relies substantially upon the sale of advertising on the Web, which is a developing industry. Excite's business must be considered in light of the risks, expenses and problems frequently encountered by companies in their early stages of development, particularly companies in new and rapidly evolving markets such as Web advertising. Specifically, such risks include, without limitation:

- the inability of Excite to maintain and increase levels of traffic on the Excite Network;
- the failure of the market to adopt the Web as an advertising and commercial medium;
- reductions in market prices for Web advertising as a result of competition or otherwise;
- the inability of Excite to achieve higher cost per thousand impression,

or "CPM", rates for targeted advertising or to increase the percentage of its advertising inventory sold;

- the inability of Excite to derive sufficient revenues from the co-branded services of Netcenter and the additional costs Excite expects to incur in order to perform its obligations under the Netcenter Agreement;

- the inability of Excite to effectively integrate the technology and operations of acquired businesses or technologies with its operations, increased operating expenses as a result of Excite's recent acquisitions;

- the inability of Excite to expand its international operations, particularly in light of Excite's limited operating experience in the international market;

- the failure by Excite to continue to develop and extend the Excite Network brands;

- the inability of Excite to meet minimum guaranteed impressions under sponsorship agreements;

- the inability of Excite to develop or acquire content for its services;

- the inability of Excite to generate commerce-related revenues;

- the failure of Excite to anticipate and adapt to a developing market;

- the introduction and development of equal or superior services or products by competitors, particularly in light of the fact that Microsoft and Netscape, operators of two of the most heavily-trafficked Web sites, offer competitive services;

- government regulation;

- the inability of Excite to identify, attract, retain and motivate qualified personnel;

- and general economic conditions. Excite may not be able to succeed in addressing such risks.

POTENTIAL FLUCTUATIONS IN QUARTERLY RESULTS. Excite's operating results have varied on a quarterly basis during its limited operating history and Excite expects to experience significant fluctuations in future quarterly operating results. Such fluctuations have been and may in the future be caused by numerous factors, many of which are outside Excite's control, including but not limited to:

- specific economic conditions relating to the Internet and the Web;

- usage of the Web and demand for Excite's services;

- demand for advertising on the Excite Network as well as demand for Web-based advertising in general;

- changes in advertising rates as a result of competition or otherwise, seasonal trends in advertising sales and the advertising budgeting cycles of advertisers;

- mix of types of advertisements sold, such as the amount of targeted advertising, which generally has higher CPM rates, sold as a percentage of total advertising sold;

- incurrence of charges in connection with the Netcenter Agreement;

- Excite's distribution relationships and acquisitions;

- incurrence of costs relating to acquisitions of businesses or technologies; introduction or enhancement of new or existing services by Excite and its competitors;
- market acceptance of new services;
- delays in the introduction of services or enhancements by Excite or its competitors;
- capacity constraints and dependencies on computer infrastructure;
- and general economic conditions.

Due to all of the foregoing factors, Excite's quarterly revenues and operating results are difficult to forecast. Excite believes that period-to-period comparisons of its results of operations will not necessarily be meaningful and should not be relied upon as an indication of future performance. Also, it is likely that in some future quarter or quarters Excite's operating results will be below the expectations of public market analysts and investors. In such event, the price of Excite's Common Stock would be materially and adversely affected.

SIGNIFICANT RISKS ASSOCIATED WITH THE NETCENTER AGREEMENT. Excite's Netcenter services agreement with Netscape has many substantial risks and uncertainties including:

REVENUE RISKS

Excite will only receive revenues from the portions of Netcenter that are co-branded with Excite. Excite will not receive any revenues from other areas of the Netcenter service. If Netscape-programmed channels, such as News,Sports and Entertainment, are more popular than co-branded channels with users and advertisers, Excite's revenues may be adversely affected.

EXCITE MAY NOT RECOVER ITS INITIAL INVESTMENT

Excite paid Netscape a cash payment of $70.0 million when it signed the Netcenter Agreement. A substantial portion of this amount represented a prepayment of Excite's royalty obligations under this agreement. If the co-branded portions of the Netcenter service does not generate enough revenues over the two-year term of the agreement, Excite would not be able to realize a sufficient return on its investment. Netscape has not guaranteed any minimum revenues to Excite. The ability of Netcenter to generate revenues involves a number of risks, including:

- general risks relating to an advertising supported service discussed elsewhere in this section;
- pricing competition from Netscape;
- Netscape's ability to attract users to Netcenter, particularly in light of the fact that while Netscape's Web browser features Netcenter, Microsoft's Web browser does not;
- risks that Netscape-programmed channels will have more user traffic;
- risks that the "premier provider" placements of Excite will not generate sufficient traffic to Excite;

o and risks that Excite may not be able to sell a sufficient number of advertisements on the co-branded portions of Netcenter.

NETSCAPE HAS A LICENSE TO USE EXCITE'S SEARCH TECHNOLOGY

At the end of the term of the Netcenter Agreement, Netscape will retain
a license to use Excite's Internet search technology. Therefore, after the term
of the Netcenter Agreement, Netscape will be able to operate a competitive service without paying Excite. Netscape may also sublicense this technology to a
third party. As a result, Excite may face increased competition.

NON-RENEWAL AND TERMINATION RISKS

Netscape has no obligation to renew the Netcenter Agreement. In addition, if Netscape believes that Excite is delivering objectionable content on Netcenter, it could elect to terminate the agreement if Excite

does not remove that content. If this occurred, Netscape would not be required to refund Excite any amounts it prepaid or costs it incurred in performing under
the Netcenter Agreement.

DISTRIBUTION RISKS

As part of the Netcenter Agreement, Excite will also be featured on the
Net Search page as well as on the Netcenter Widget Tool. Netscape has guaranteed
Excite that it will deliver only a specified number of "impressions", rather than users who "click-through" to Excite's services from the Net Search page. Therefore, despite this featured position, Excite may not receive a substantial
amount of user traffic from the Net Search page. Although Netscape has guaranteed the number of times users "click-through" from the Widget Tool,Netscape is under no obligation to maintain this tool on Netcenter after December 1998. Therefore, Excite may not receive substantial amounts of traffic
from this tool either.

Excite had assumed that it would experience similar "click-through" rates as it had under its previous agreements with Netscape. This rate is influenced not only by the brand strength of the search service provider, but also by the layout and programming of the Netcenter pages. Thus user traffic from these sources will also depend on Netscape's ability to program the site and maintain the historical "click-through" rates. Any failure of Netcenter to gain acceptance may also adversely affect Excite's business, as there would be a
smaller pool of users who would be exposed to the Net Search page and the Widget
Tool.

The distribution of traffic from Netcenter over the term of the agreement also affects Excite's ability to recoup the amount it has paid under the Netcenter Agreement. Netscape may not be able to meet the exposure guarantees over the term of the agreement. In addition, there is no guarantee as
to the timing and delivery over the term of the agreement. If the fulfillment of

these guarantees is more heavily weighted towards the end of the contract term than Excite had anticipated, its expectations as to the present value of the agreement, as well as Excite's future operating results, would be negatively impacted.

NETCENTER COMPETES WITH EXCITE

Most of the services offered on Netcenter compete directly with Excite's services. Therefore, Excite faces additional competition for both users and advertisers from Netcenter. If Excite devotes significant resources towards programming or selling and marketing the co-branded portions of Netcenter, these efforts may adversely affect Excite's ability to perform similar activities for the Excite services.

AMERICA ONLINE'S ACQUISITION OF NETSCAPE

America Online is a competitor of Excite. In November, 1998, America Online agreed to acquire Netscape. Excite does not know what effect this acquisition by America Online will have on its current relationship with Netscape or on any future potential relationship with Netscape.

ACQUISITIONS MAY AFFECT EXCITE'S BUSINESS. Excite has in the past acquired, and may in the future acquire, businesses, technologies, services, product lines, content databases, or access to content databases. Acquisitions involve a number of special risks, including, among other things:

- the difficulty of assimilating the technologies, operations and personnel of acquired companies with those of Excite;
- the potential disruption of Excite's business;
- the diversion of resources, the incurrence of acquisition-related expenses, the write-off or amortization of intangible assets, the assumption of unknown liabilities;
- and the inability to maintain uniform standards, controls, procedures and policies and the impairment of relationships with employees and strategic partners as a result of such acquisitions or the integration of new personnel.

Any failure to successfully address these acquisition-related risks may have a material adverse affect on Excite's business.

EXCITE DEPENDS ON SPONSORSHIP AGREEMENTS FOR REVENUES. Excite derives a substantial portion of its revenues from third parties to provide sponsoredservices and placements on Excite's Web sites. These sponsorships typically last for a longer period of time than traditional banner advertisement purchases. If

these sponsorship arrangements do not meet the advertisers' expectations as to new customers or increased sales or brand awareness, the sponsors may not renew their arrangements with Excite. If Excite does not renew its existing sponsorships or obtain new sponsors, for any reason, its business would be adversely affected.

Excite also typically grants exclusivity provisions to certain of its sponsors. These provisions may prevent Excite from accepting additional sponsors
or advertisers with respect to all or a portion of a channel or across the entire Excite Network. Certain of these provisions could also conflict with similar provisions in At Home's sponsorship agreements.

RISKS ASSOCIATED WITH BANNER ADVERTISING. Excite derives a significant portion of its revenues from the sale of banner advertisements on the Excite Network. A majority of Excite's customers purchasing banner advertisements purchase these advertisements on a short-term basis, and many of these customers
may terminate their advertising commitments at any time without penalty. Consequently, there can be no assurance that these customers will continue or increase their level of advertising on the Excite Network or that these customers will not move their advertising to competing Web sites or to other traditional media. Therefore, there can be no assurance that Excite will be successful in maintaining or increasing the amount of banner advertising on the
Excite Network, and the failure to do so would have a material adverse affect on
Excite's business.

EXCITE'S BUSINESS DEPENDS ON THE CONTINUED GROWTH IN INTERNET USE. Excite operates in a new and rapidly evolving market. Excite's business may be adversely affected if usage of the Internet or other online services does not continue to grow. This growth could be hindered by a number of factors including: the adequacy of the Internet's infrastructure to meet increased usage
demands; privacy and security concerns; and availability of cost-effective service. Any of these issues could cause Internet's performance or level of usage to decline.

RISKS ASSOCIATED WITH DEVELOPING WEB ADVERTISING MARKETS. The Web as an
advertising medium has not been available for a sufficient period of time to gauge its effectiveness as compared with traditional advertising media. Therefore the Web is an unproven medium for advertising-supported services. Accordingly, Excite's future operating results will depend substantially upon the increased use of the Web for information, publication, distribution and commerce and the emergence of the Web as an effective advertising medium.

Excite's ability to generate significant advertising revenues will also
depend on, among other things, the development of a large base of users of Excite's services possessing demographic characteristics attractive to advertisers, the ability of Excite to accurately measure its user base and the ability of Excite to develop or acquire effective advertising delivery and measurement systems. Many of Excite's advertisers have only limited experience with the Web as an advertising medium, have not yet devoted a significant portion of their advertising expenditures to Web-based advertising, and may not
find such advertising to be effective for promoting their products and services
relative to traditional print and broadcast media. The adoption of Web advertising, particularly by those entities that have historically relied upon traditional media for advertising, requires the acceptance of a new way of conducting business and exchanging information. Entities that already haveinvested substantial resources in other methods of conducting business may be
reluctant to adopt a new strategy that may limit or compete with their existing
efforts. The market for Web advertising may not continue to emerge or become sustainable. If the market fails to develop or develops more slowly than expected, Excite's business may be materially and adversely affected. No standards have been widely accepted for the measurement of the effectiveness

of
Web-based advertising, and there can be no assurance that such standards will develop sufficiently to support the Web as an effective advertising medium. Advertisers may not continue to accept Excite's or other third-party measurements of impressions, and such measurements may contain errors. In such event, Excite's advertising revenues may be materially adversely affected, which
may have a material adverse affect on Excite's business.

In addition, there is intense competition in the sale of advertising on
the Web, resulting in a wide range of rates quoted and a variety of pricing models. This makes it difficult to project future levels of advertising revenues
and rates. It is also difficult to predict which pricing models will be adopted
by the industry or advertisers. For example, advertising rates based on the number of "click-throughs", or user requests for additional information made by
clicking on the advertisement from Excite's network to the advertiser's Web pages, instead of rates based solely on the number of impressions displayed on users' computer screens, would materially adversely affect Excite's revenues. As
a result of these risks, Excite may not succeed in

generating significant future advertising revenues from Web-based advertising. The failure to do so may have a material adverse affect on Excite's business.

Advertisers may also determine that banner advertising, is not an effective or attractive advertising medium. Excite may not be able to effectively transition to any other forms of Web advertising should they develop
and achieve market acceptance. Moreover, "filter" software programs that limit or prevent advertising from being delivered to a Web user's computer are available. Widespread adoption of such software by users may have a material adverse affect upon the commercial viability of Web advertising.

EXCITE WILL DEPEND ON A NUMBER OF THIRD PARTY RELATIONSHIPS. Excite will
depend on a number of third party relationships to provide users and content for
its services. Examples of some of these important relationships include:

- relationships with respect to the positioning of Excite's service on Web browsers or other high-traffic Web sites or;
- arrangements under which third parties provide content for Excite's services;
- arrangements under which third parties provide services such as games or e-mail;
- and relationships with Internet and online service providers and other third parties to provide communications infrastructure for Excite.

If Excite cannot renew these relationships on favorable terms, or if these relationships terminate, Excite would have to enter into new relationships. Excite may not be able to replace any of its important third party relationships on reasonable terms, if at all. If Excite cannot replace any important relationship, it could lose users or advertisers, which may adversely affect Excite's revenues. Even if Excite replaces any relationships or enters into new relationships, Excite may incur increased costs such as distributionlicense fees or selling and marketing expenses in order to pay for these relationships.

These third parties may not regard their relationship with Excite as important to their business. Therefore, they could elect to reassess their commitment to their relationship with Excite in the future or develop competitive services. Furthermore, the services offered by third parties with whom Excite has relationships may not be successful. Therefore, Excite's existing or future relationships may not result in increased user traffic or revenues.

RISK OF CAPACITY CONSTRAINTS; SYSTEM FAILURES. Excite is dependent on its ability to generate a high volume of traffic to the Excite Network. Accordingly, the performance of the Excite Network is critical to Excite's reputation, its ability to attract advertisers and to achieve market acceptance of the Excite Network. Any system failure that causes interruptions in the availability of or that increases response time of Excite's services could reduce user satisfaction and traffic to the Excite Network and, if sustained or repeated, would reduce the attractiveness of the Excite Network to advertisers and consumers. An increase in the volume of searches conducted through the Excite Network could strain the capacity of the software or hardware deployed by Excite, which could lead to slower response time or system failures. In addition, as the amount of Web pages and traffic on Excite's services increases, there can be no assurance that the Excite Network will be able to scale proportionately. Excite is also dependent upon timely feeds and downloads of information from content providers and is dependent upon providers of Web browsers and on Internet and online service providers and other Web site operators, which have experienced significant outages in the past, for access to its network. In the past, Web consumers have experienced outages, delays and other difficulties due to system failures unrelated to Excite's systems and services. Additional difficulties may also materially and adversely affect consumer and advertiser satisfaction. To the extent that the capacity constraints described above are not effectively addressed by Excite, such constraints may have a material adverse affect on Excite's business.

Substantially all of Excite's communications hardware and certain of its computer hardware operations are located at leased facilities in Redwood City, California, an area susceptible to earthquakes. Excite has experienced system failures or outages from time to time in the past, which have disrupted the operation of the Excite Network. A system failure at this location may adversely affect the performance of the Excite Network. These systems are also vulnerable to damage from fire, floods, earthquakes, power loss, telecommunications failures, break-ins and similar events. In the event that Excite seeks to replicate its systems at other locations, it would face a number of technical challenges, particularly with respect to database replication and the need to constantly update distributed databases, Excite may not be able to successfully address these challenges. Although Excite carries property and business interruption insurance, its low coverage limits likely will not be adequate to compensate Excite for all losses that may occur. Excite's servers are also vulnerable to computer viruses, physical or electronic break-ins and similar disruptive problems. Computer viruses, break-ins or other problems caused by third parties could lead to interruptions, delays or cessations in service to users of the Excite Network. The occurrence of any of these risks may have a material adverse affect on Excite's business.

ITEM 8: FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

The Board of Directors and Stockholders
Excite, Inc.

We have audited the accompanying consolidated balance sheets of Excite, Inc. as of December 31, 1998 and 1997, and the related consolidated statements of operations, stockholders' equity (net capital deficiency) and cash flows for each of the three years in the period ended December 31, 1998. Our audits also included the financial statement schedule listed in the Index at Item 14(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Excite, Inc. at December 31, 1998 and 1997, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 1998, in conformity with generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1, the consolidated financial statements of Excite, Inc. have been restated.

/s/ ERNST & YOUNG LLP

Palo Alto, California
January 19, 1999 (March 22, 1999 as to Note 1 - Summary of Significant Accounting Policies, paragraph 4 and Note 2 - Business Combinations and Purchased Product Rights, paragraph 3 and 6).

EXCITE, INC.

CONSOLIDATED BALANCE SHEETS
(IN THOUSANDS, EXCEPT PAR VALUE AMOUNTS)

	DECEMBER 31, 1998	1997 (RESTATED-SEE NOTE 1)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 45,366	$ 16,073
Short-term investments	15,681	17,193
Restricted investments	558	302
Accounts receivable, net of allowance for doubtful accounts of $1,422 in 1998 and $1,120 in 1997	36,592	21,397
Prepaid Netscape distribution costs and trademarks, current portion	45,473	--
Other prepaid and current assets	4,848	2,149
Total current assets	148,518	57,114
Property and equipment, net	35,937	15,581
Investment in affiliated company	2,243	--
Prepaid Netscape distribution costs and trademarks	20,954	--
Intangible assets, net	8,792	1,771
Other assets	4,229	4,690
Total assets	$ 220,673	$ 79,156

LIABILITIES AND STOCKHOLDERS' EQUITY