

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2004

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 0-13163

Axiom Corporation

(Exact Name of Registrant as Specified in Its Charter)

DELAWARE

(State or Other Jurisdiction of
Incorporation or Organization)

71-0581897

(I.R.S. Employer
Identification No.)

**P.O. Box 8180, 1 Information Way,
Little Rock, Arkansas**
(Address of Principal Executive Offices)

72203
(Zip Code)

(501) 342-1000

(Registrant's Telephone Number, Including Area Code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant is an accelerated filer (as defined by Rule 12b-2 of the Act).

Yes No

The number of shares of Common Stock, \$ 0.10 par value per share outstanding as of November 1, 2004 was 86,287,525.

ACXIOM CORPORATION AND SUBSIDIARIES
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REPORT ON FORM 10-Q
September 30, 2004

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(Dollars in thousands)

	September 30, 2004	March 31, 2004
<u>ASSETS</u>		
Current assets:		
Cash and cash equivalents	\$ 10,140	\$ 14,355
Trade accounts receivable, net	236,862	212,387
Deferred income taxes	14,288	14,032
Refundable income taxes	915	2,280
Other current assets	48,136	43,272
Total current assets	<u>310,341</u>	<u>286,326</u>
Property and equipment, net of accumulated depreciation and amortization	292,878	267,088
Software, net of accumulated amortization	60,214	64,553
Goodwill	312,168	282,971
Purchased software licenses, net of accumulated amortization	152,206	157,217
Unbilled and notes receivable, excluding current portions	15,675	13,030
Deferred costs, net	84,210	88,096
Data acquisition costs, net	45,009	36,557
Other assets, net	13,273	19,946
	<u>\$ 1,285,974</u>	<u>\$ 1,215,784</u>
<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>		
Current liabilities:		
Current installments of long-term obligations	\$ 79,585	\$ 73,245
Trade accounts payable	50,778	41,527
Accrued expenses:		
Restructuring	190	2,881
Payroll	23,791	23,979
Other	70,902	63,411
Deferred revenue	86,053	91,060
Total current liabilities	<u>311,299</u>	<u>296,103</u>
Long-term obligations:		
Long-term debt and capital leases, net of current installments	265,830	239,327
Software and data licenses, net of current installments	41,268	54,130
Total long-term obligations	<u>307,098</u>	<u>293,457</u>
Deferred income taxes	58,892	39,008
Commitments and contingencies (note 11)		
Stockholders' equity:		
Common stock	9,352	9,226
Additional paid-in capital	384,615	361,256
Retained earnings	332,972	308,487
Accumulated other comprehensive income	3,608	2,940
Treasury stock, at cost	(121,862)	(94,693)
Total stockholders' equity	<u>608,685</u>	<u>587,216</u>
	<u>\$ 1,285,974</u>	<u>\$ 1,215,784</u>

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(Dollars in thousands, except per share amounts)

	For the Three Months ended September 30,	
	2004	2003
Revenue:		
Services	\$ 220,072	\$ 190,098
Data	79,037	50,998
Total revenue	299,109	241,096
Operating costs and expenses:		
Cost of revenue:		
Services	168,950	154,429
Data	49,768	36,556
Total cost of revenue	218,718	190,985
Selling, general and administrative	46,020	27,395
Total operating costs and expenses	264,738	218,380
Income from operations	34,371	22,716
Other income (expense):		
Interest expense	(4,743)	(4,889)
Other, net	205	121
Total other income (expense)	(4,538)	(4,768)
Earnings before income taxes	29,833	17,948
Income taxes	11,337	6,731
Net earnings	\$ 18,496	\$ 11,217
Earnings per share:		
Basic	\$ 0.22	\$ 0.13
Diluted	\$ 0.20	\$ 0.13

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)
(Dollars in thousands, except per share amounts)

	For the Six Months ended September 30,	
	2004	2003
Revenue:		
Services	\$ 427,919	\$ 382,612
Data	160,184	95,166
Total revenue	<u>588,103</u>	<u>477,778</u>
Operating costs and expenses:		
Cost of revenue:		
Services	332,499	313,184
Data	101,587	71,193
Total cost of revenue	<u>434,086</u>	<u>384,377</u>
Selling, general and administrative	94,549	60,459
Gains, losses and nonrecurring items, net	(344)	(1,008)
Total operating costs and expenses	<u>528,291</u>	<u>443,828</u>
Income from operations	<u>59,812</u>	<u>33,950</u>
Other income (expense):		
Interest expense	(9,813)	(9,654)
Other, net	614	886
Total other income (expense)	<u>(9,199)</u>	<u>(8,768)</u>
Earnings before income taxes	50,613	25,182
Income taxes	19,233	2,702
Net earnings	<u>\$ 31,380</u>	<u>\$ 22,480</u>
Earnings per share:		
Basic	<u>\$ 0.36</u>	<u>\$ 0.26</u>
Diluted	<u>\$ 0.34</u>	<u>\$ 0.25</u>

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(Dollars in thousands)

	For the Six Months ended September 30,	
	2004	2003
Cash flows from operating activities:		
Net earnings	\$ 31,380	\$ 22,480
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation, amortization and impairment of long-lived assets	89,099	71,036
Gain on disposal of assets, net	-	(1,008)
Deferred income taxes	19,548	(6,742)
Changes in operating assets and liabilities:		
Accounts receivable	(26,149)	4,810
Other assets	(8,446)	8,827
Accounts payable and other liabilities	(6,285)	(815)
Restructuring and impairment costs	(2,691)	(554)
Net cash provided by operating activities	96,456	98,034
Cash flows from investing activities:		
Proceeds received from the disposition of operations	-	7,684
Proceeds received from the disposition of assets	-	698
Payments received from investments	503	1,360
Capitalized software development costs	(8,828)	(13,631)
Capital expenditures	(6,636)	(4,624)
Deferral of costs	(20,723)	(10,032)
Investments in joint ventures and other investments	-	(5,000)
Net cash paid in acquisitions	(16,741)	-
Net cash used by investing activities	(52,425)	(23,545)
Cash flows from financing activities:		
Proceeds from debt	98,129	82,473
Payments of debt	(135,609)	(110,888)
Dividends paid	(6,895)	-
Sale of common stock	23,671	6,709
Acquisition of treasury stock	(27,368)	(54,697)
Net cash used by financing activities	(48,072)	(76,403)
Effect of exchange rate changes on cash	(174)	72
Net decrease in cash and cash equivalents	(4,215)	(1,842)
Cash and cash equivalents at beginning of period	14,355	5,491
Cash and cash equivalents at end of period	\$ 10,140	\$ 3,649

ACXIOM CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)
(Dollars in thousands)

	For the Six Months ended September 30,	
	2004	2003
Supplemental cash flow information:		
Cash paid (received) during the period for:		
Interest	\$ 9,888	\$ 10,302
Income taxes	497	(1,556)
Noncash investing and financing activities:		
Acquisition of land in exchange for debt	-	2,698
Acquisition of data under long-term obligation	-	18,340
Software licenses acquired under software obligation	5,967	9,212
Acquisition of property and equipment under capital leases and installment payment arrangements	39,070	31,334
Construction of assets under construction loan	13,111	2,610

See accompanying notes to condensed consolidated financial statements.

ACXIOM CORPORATION AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

These condensed consolidated financial statements have been prepared by Acxiom Corporation (“Registrant”, “Acxiom” or “the Company”), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC” or “the Commission”). In the opinion of the Registrant’s management all adjustments necessary for a fair presentation of the results for the periods included have been made and the disclosures are adequate to make the information presented not misleading. All such adjustments are of a normal recurring nature. Certain note information has been omitted because it has not changed significantly from that reflected in notes 1 through 21 of the Notes to Consolidated Financial Statements filed as part of Item 8 of the Registrant’s annual report on Form 10-K for the fiscal year ended March 31, 2004 (“2004 Annual Report”), as filed with the Commission on June 14, 2004. This report and the accompanying condensed consolidated financial statements should be read in connection with the 2004 Annual Report. The financial information contained in this report is not necessarily indicative of the results to be expected for any other period or for the full fiscal year ending March 31, 2005.

Management of the Company has made a number of estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of contingent assets and liabilities to prepare these condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States. Actual results could differ from those estimates. Certain of the accounting policies used in the preparation of these condensed consolidated financial statements are complex and require management to make judgments and/or significant estimates regarding amounts reported or disclosed in these financial statements. Additionally, the application of certain of these accounting policies is governed by complex accounting principles and interpretations thereof. A discussion of the Company’s significant accounting principles and the application thereof is included in note 1 and in Item 7, Management’s Discussion and Analysis of Financial Condition and Results of Operations, to the Company’s 2004 Annual Report.

Certain prior year amounts have been reclassified to conform to the current year presentation. Such reclassifications had no effect on the prior year’s net earnings as previously reported.

2. RESTRUCTURING, IMPAIRMENT AND OTHER CHARGES

During the fourth quarter of fiscal 2004, the Company recorded a charge of \$4.0 million in gains, losses and nonrecurring items related to restructuring. The restructuring charge included \$3.7 million for severance and other associate-related charges due to the termination of approximately 230 associates who were terminated on or prior to March 31, 2004. The remainder of the restructuring charge consisted of \$0.3 million related to termination of a lease at one of the Company’s locations. Approximately \$1.1 million of the charge had been paid as of March 31, 2004 and \$2.9 million was recorded in accrued impairment costs as of March 31, 2004. During the six months ended September 30, 2004 the Company recorded \$0.5 million of additional restructuring charges for associate-related termination cost. The following table shows the balances that were accrued at March 31, 2004 as well as the changes in those balances during the six months ending September 30, 2004 (dollars in thousands):

	Associate-related reserves	Other accruals	Total
Balance at March 31, 2004	\$ 2,581	\$ 300	\$ 2,881
Additional charges	525	-	525
Payments	(2,916)	(300)	(3,216)
September 30, 2004	<u>\$ 190</u>	<u>\$ -</u>	<u>\$ 190</u>

3. ACQUISITIONS AND INVESTMENTS

Subsequent to September 30, 2004 the Company acquired ChinaLOOP, a pioneering business intelligence, customer relationship management and data management company. ChinaLOOP provides data, database management and data services to a number of Asian and international clients from its headquarters in Shanghai and additional operations in Beijing. ChinaLOOP's clients include a number of China-based and multi-national companies, including Diageo, Financial Times, Nokia, Total, Citroen and Johnson & Johnson. The purchase price was approximately \$7.0 million consisting of \$5.5 million paid in cash (net of cash acquired) and warrants with an estimated value of \$1.5 million. The warrants provide for the purchase of 100,000 shares of the Company's stock at a price of \$15 on or after November 1, 2007. Exercise of the warrants is contingent on certain performance criteria of the acquired business. The warrants also provide the warrant holders with the right to sell the warrant stock back to the Company upon exercise of the warrants on or after November 1, 2009 at a price of \$30 per share. The warrants expire October 24, 2014. The operations of the acquired business will be included in the Company's operations beginning November 1, 2004. The acquired company's revenue is currently approximately \$2 million per year.

On March 31, 2004, the Company closed the acquisition of the Consodata companies based in England, France and Spain from Seat P.G. for approximately \$26.9 million, net of cash acquired. The acquisition of the Consodata German operation, formerly known as pan-adress, was closed on April 13, 2004 for approximately \$5.0 million, net of cash acquired. The results of operations of the acquired companies are included in the Company's consolidated results beginning on the purchase date.

On January 6, 2004, the Company completed the acquisition of the Claritas Europe group of companies. The Company paid approximately \$28.7 million for the acquisition, net of cash acquired. The results of operations of the acquired companies are included in the Company's consolidated results beginning January 1, 2004.

The purchase price allocations for the Consodata and Claritas Europe acquisitions are subject to adjustment as the Company makes the final determination of the fair values assigned to assets and liabilities acquired. In the six months ending September 30, 2004, net adjustments to increase goodwill were made relating to the Consodata companies, excluding the German operations, of \$.7 million and relating to the Claritas Europe companies of \$3.5 million.

Additionally, during the six months ended September 30, 2004 the Company made additional payments in the amount of \$7.4 million to the former owners of Claritas Europe, as a result of the preliminary determination of purchased working capital. Also, the Company has made a tender offer to the minority shareholders of Consodata France, under which it has paid approximately \$2.8 million for the minority shareholders' interests. The Company expects to pay up to approximately \$1.2 million for the remaining minority shareholders' interests. In addition, the Company has paid legal and other professional fees related to the two acquisitions of approximately \$1.5 million since March 31, 2004. These additional purchase price payments have been and will be allocated to goodwill in the period of payment.

The purchase price for Claritas Europe continues to be subject to adjustment based on the final determination of purchased working capital.

The following table shows the allocation of Consodata and Claritas Europe purchase prices to assets acquired and liabilities assumed after adjustments and acquisitions made during the six months ending September 30, 2004 (dollars in thousands):

	Consodata	Claritas
Assets acquired:		
Cash	\$ 5,578	\$ 12,097
Goodwill	43,353	40,033
Other Intangible assets	1,734	8,677
Other current and noncurrent assets	22,154	41,707
	<u>72,819</u>	<u>102,514</u>
Accounts payable, accrued expenses and capital leases assumed	30,988	54,347
Net assets acquired	41,831	48,167
Less cash acquired	5,578	12,097
Net cash paid	<u>\$ 36,253</u>	<u>\$ 36,070</u>

As a result of both the Claritas Europe and Consodata acquisitions, management has executed plans to consolidate certain facilities, eliminate duplicative operations, and terminate or relocate certain associates. In the fiscal year ended March 31, 2004, the Company recorded aggregate accruals in other accrued expenses of \$15.4 million as of the purchase date of each acquisition for the estimated costs of the integration process, including lease termination costs, costs of terminating or

relocating associates, and for other contract termination costs. At March 31, 2004 approximately \$0.9 million of these costs had been paid. During the six months ended September 30, 2004 the Company recorded additional accruals and adjustments of \$5.2 million, partially associated with the April 2004 acquisition of the Consodata German operations, and made payments against the accruals of \$4.5 million. Further development and execution of these integration plans may cause further adjustments to these accruals in the future. Any future adjustments will result in adjustments to the goodwill recorded for the acquisitions.

The following table shows changes to the integration accrual included in other accrued expenses during the period (dollars in thousands):

	Total
March 31, 2004	\$ 14,535
Additional accruals	5,173
Payments	<u>(4,549)</u>
September 30, 2004	<u>\$ 15,159</u>

4. OTHER CURRENT AND NONCURRENT ASSETS

Unbilled and notes receivable are from the sales of software, data licenses, and equipment and from the sale of divested operations, net of the current portions of such receivables. Other current assets include the current portion of the unbilled and notes receivable of \$11.1 million and \$15.5 million at September 30, 2004 and March 31, 2004, respectively. The remainder of other current assets consists of prepaid expenses, non-trade receivables and other miscellaneous assets. Except as disclosed below, there are no allowances recorded against any of the unbilled and notes receivable (dollars in thousands).

	September 30, 2004	March 31, 2004
Notes receivable from DMI, net of future credits of \$2.5 million at September 30, 2004 and \$2.7 million at March 31, 2004	\$ 8,055	\$ 8,271
Notes receivable from other divestitures, net of allowance for uncollectible note of \$.9 million at September 30, 2004 and March 31, 2004	<u>3,958</u>	<u>4,160</u>
Notes receivable from divestitures	12,013	12,431
Less current portion	<u>3,596</u>	<u>5,823</u>
Long-term portion	<u>8,417</u>	<u>6,608</u>
Unbilled and notes receivable arising from operations	14,795	16,144
Less current portion	<u>7,537</u>	<u>9,722</u>
Long-term portion	<u>7,258</u>	<u>6,422</u>
Unbilled and notes receivable, excluding current portions	<u>\$ 15,675</u>	<u>\$ 13,030</u>

Other noncurrent assets consist of the following (dollars in thousands):

	September 30, 2004	March 31, 2004
Investments in joint ventures and other investments, net of unrealized gain or loss on available-for-sale marketable securities	\$ 7,837	\$ 8,181
Other, net	<u>5,436</u>	<u>11,765</u>
	<u>\$ 13,273</u>	<u>\$ 19,946</u>

5. GOODWILL

Goodwill represents the excess of acquisition costs over the fair values of net assets acquired in business combinations. Goodwill is reviewed at least annually for impairment under a two-part test. Impairment exists to the extent that the reporting unit's recorded goodwill exceeds the residual fair value assigned to such goodwill. Any impairment that results from the completion of the two-part test is recorded as a charge to operations during the period in which the impairment test is completed. Completion of the Company's most recent annual impairment test during the quarter ended June 30, 2004 indicated that no potential impairment of its goodwill balances exists.

As discussed in note 9 to the condensed consolidated financial statements, during the quarter ended June 30, 2004 the Company changed its organization and, as a result, has changed the presentation of segment information. The new organization is better able to assess the operational performance and resource allocation between US and International operations. The balance at March 31, 2004 in the following table has been restated to be consistent with the current presentation.

The changes in the carrying amount of goodwill, by business segment, for the six months ended September 30, 2004 are as follows (dollars in thousands):

	US Services and Data	International Services and Data	IT Management	Total
Balance at March 31, 2004	\$ 126,565	\$ 82,482	\$ 73,924	\$ 282,971
Acquisitions	-	24,567	-	24,567
Change in foreign currency translation adjustment	-	430	-	430
Adjustment of previously recorded goodwill	-	4,200	-	4,200
Balance at September 30, 2004	<u>\$ 126,565</u>	<u>\$ 111,679</u>	<u>\$ 73,924</u>	<u>\$ 312,168</u>

6. LONG-TERM OBLIGATIONS

Long-term obligations consist of the following (dollars in thousands):

	September 30, 2004	March 31, 2004
Convertible subordinated notes due February 2009; interest at 3.75%	\$ 174,998	\$ 175,000
Revolving credit agreement	22,440	16,203
Capital leases on land, buildings and equipment payable in monthly payments of principal plus interest at rates ranging from approximately 3% to 8%; remaining terms up to fifteen years	96,817	79,448
Other debt and long-term liabilities	31,727	21,539
Total long-term debt and capital leases	325,982	292,190
Less current installments	60,152	52,863
Long-term debt, excluding current installments	<u>\$ 265,830</u>	<u>\$ 239,327</u>
Software license liabilities payable over terms up to seven years; effective interest rates at approximately 7%	\$ 54,416	\$ 62,437
Long-term data license agreement with related party, due over two years; interest at 6%	6,285	12,075
Total license liabilities	60,701	74,512
Less current installments	19,433	20,382
License liabilities, excluding current installments	<u>\$ 41,268</u>	<u>\$ 54,130</u>

The Company maintains a revolving credit facility that provides for aggregate borrowings and letters of credit of up to \$150 million through July 2006. Borrowings under the revolving credit facility of \$22.4 million at September 30, 2004 and \$16.2 million at March 31, 2004 bear interest at LIBOR plus 1.5%, or at an alternative base rate or at the federal funds rate plus 2.0%, depending upon the type of borrowing and are secured by substantially all of the Company's assets. Weighted average interest rates on the September 30, 2004 and March 31, 2004 borrowings under the revolving credit facility were 3.29% and 2.74%, respectively. Outstanding letters of credit at September 30, 2004 and March 31, 2004 were \$2.7 million and \$10.0 million, respectively.

Under the terms of certain of the above borrowings, the Company is required to maintain certain tangible net worth levels, debt-to-cash flow and debt service coverage ratios, among other restrictions. At September 30, 2004, the Company was in compliance with these covenants and restrictions. Accordingly, the Company has classified all portions of its debt obligations due after September 30, 2005, as long-term in the accompanying condensed consolidated financial statements.

7. STOCKHOLDERS' EQUITY

Below is the calculation and reconciliation of the numerator and denominator of basic and diluted earnings per share (in thousands, except per share amounts):

	For the quarter ended September 30,		For the six months ended September 30,	
	2004	2003	2004	2003
Basic earnings per share:				
Numerator - net earnings	\$ 18,496	\$ 11,217	\$ 31,380	\$ 22,480
Denominator - weighted-average shares outstanding	86,010	85,236	86,047	85,839
Basic earnings per share	<u>\$ 0.22</u>	<u>\$ 0.13</u>	<u>\$ 0.36</u>	<u>\$ 0.26</u>
Diluted earnings per share:				
Numerator:				
Net earnings	\$ 18,496	\$ 11,217	\$ 31,380	\$ 22,480
Interest expense on convertible debt (net of tax benefit)	1,017	1,026	2,034	2,051
	<u>19,513</u>	<u>12,243</u>	<u>33,414</u>	<u>24,531</u>
Denominator:				
Weighted-average shares outstanding	86,010	85,236	86,047	85,839
Dilutive effect of common stock options and warrants, as computed under the treasury stock method	3,464	1,937	3,709	1,770
Dilutive effect of convertible debt, as computed under the if-converted method	9,589	9,589	9,589	9,589
	<u>99,063</u>	<u>96,762</u>	<u>99,345</u>	<u>97,198</u>
Diluted earnings per share	<u>\$ 0.20</u>	<u>\$ 0.13</u>	<u>\$ 0.34</u>	<u>\$ 0.25</u>

At September 30, 2004, the Company had options and warrants outstanding providing for the purchase of approximately 20.3 million shares of its common stock. Options and warrants to purchase shares of common stock that were outstanding during the periods reported, but were not included in the computation of diluted earnings per share because the exercise price was greater than the average market price of the common shares are shown below (in thousands, except per share amounts):

	For the quarter ended September 30,		For the six months ended September 30,	
	2004	2003	2004	2003
Excluded number of shares under options and warrants	6,578	12,716	6,257	13,162
Range of exercise prices	<u>\$22.50 - \$62.06</u>	<u>\$16.35 - \$62.06</u>	<u>\$23.10 - \$62.06</u>	<u>\$14.82 - \$62.06</u>

The Company applies the provisions of Accounting Principles Board (“APB”) Opinion No. 25 and related interpretations in accounting for its stock-based compensation plans. Accordingly, no compensation cost has been recognized by the Company in the accompanying consolidated statements of operations for any of the fixed stock options granted. Had compensation cost for options granted been determined on the basis of the fair value of the awards at the date of grant, consistent with the methodology prescribed by Statement of Financial Accounting Standards (“SFAS”) No. 123, as amended, the Company’s net earnings would have been reduced to the following unaudited pro forma amounts for the periods indicated (dollars in thousands, except per share amounts):

	For the quarter ended September 30,		For the six months ended September 30,	
	2004	2003	2004	2003
Net earnings, as reported	\$ 18,496	\$ 11,217	\$ 31,380	\$ 22,480
Less: stock-based employee compensation expense under fair value based method, net of income tax benefit	15,677	3,229	19,138	6,205
Pro forma net earnings	\$ 2,819	\$ 7,988	\$ 12,242	\$ 16,275
Earnings per share:				
Basic – as reported	\$ 0.22	\$ 0.13	\$ 0.36	\$ 0.26
Basic – pro forma	\$ 0.03	\$ 0.09	\$ 0.14	\$ 0.19
Diluted – as reported	\$ 0.20	\$ 0.13	\$ 0.34	\$ 0.25
Diluted – pro forma	\$ 0.03	\$ 0.09	\$ 0.14	\$ 0.19

During the quarter ended September 30, 2004, the Company’s compensation committee voted to vest the unvested 2.1 million options which were out of the money with options prices greater than \$22.33. This action caused the increase in compensation expense noted above under SFAS No. 123 for the quarter ended September 30, 2004.

The per-share weighted-average fair value of stock options granted during the six months ended September 30, 2004 was \$10.38 on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: dividend yield of 1%; risk-free interest rate of 4.30%; expected option life of 10 years and expected volatility of 31%. The per-share weighted-average fair value of stock options granted during the six months ended September 30, 2003 was \$10.11 on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions: dividend yield of 0%; risk-free interest rate of 4.45%; expected option life of 10 years and expected volatility of 51%.

8. ALLOWANCE FOR DOUBTFUL ACCOUNTS

Trade accounts receivable are presented net of allowances for doubtful accounts, returns, and credits of \$6.1 million and \$6.3 million, respectively, at September 30, 2004 and at March 31, 2004.

9. SEGMENT INFORMATION

The Company reports segment information consistent with the way management internally disaggregates its operations to assess performance and to allocate resources. As discussed in note 3 to the condensed consolidated financial statements, acquisitions closed primarily in the fourth quarter of the fiscal year ended March 31, 2004, significantly increased the Company’s International operations. This increase accentuated different economic environments, market maturity and operational needs of the International operations while reducing differentiation between the existing Services segment and the Data and Software Products segment. In the quarter ended June 30, 2004, the Company changed its organization and, as a result, has changed the presentation of segment information. The new organization is better able to assess the operational performance and resource allocation between US and International operations. The IT Management segment was not impacted by this change. Segment information for prior periods has been restated to conform to the current quarter presentation.

The Company’s business segments consist of US Services and Data, International Services and Data and IT Management. The Services and Data segments for both the US and International segments substantially consist of consulting, database and data warehousing, list processing services, the Company’s data content and software products. IT Management includes information technology outsourcing and facilities management for data center management, network management,

client/server management and other complementary IT services. The Company evaluates performance of the segments based on segment operating income, which excludes certain gains, losses and nonrecurring items. Certain information technology outsourcing and facilities management revenue is accounted for in both the IT Management segment and the US Services and Data segment where the client is billed. These revenues are eliminated in consolidation.

Substantially all of the nonrecurring and impairment charges incurred by the Company and discussed in note 2 to the condensed consolidated financial statements have been recorded in Corporate and other, since the Company does not hold the individual segments responsible for these charges. The following tables present information by business segment (dollars in thousands):

	For the quarter ended September 30,		For the six months ended September 30,	
	2004	2003	2004	2003
Revenue:				
US Services and Data	\$ 188,105	\$ 169,031	\$ 362,321	\$ 331,141
International Services and Data	47,893	15,037	101,335	28,620
IT Management	69,325	60,967	133,342	122,912
Intercompany eliminations	(6,214)	(3,939)	(8,895)	(4,895)
Total revenue	\$ 299,109	\$ 241,096	\$ 588,103	\$ 477,778
Income from operations:				
US Services and Data	\$ 28,300	\$ 18,295	\$ 45,133	\$ 27,225
International Services and Data	(607)	603	2,201	541
IT Management	7,548	4,028	13,300	5,552
Intercompany eliminations	(870)	(210)	(1,166)	(376)
Corporate and other	-	-	344	1,008
Income from operations	\$ 34,371	\$ 22,716	\$ 59,812	\$ 33,950

10. COMPREHENSIVE INCOME

The balance of accumulated other comprehensive income, which consists of foreign currency translation adjustments and unrealized gains and losses, net of reclassification adjustments and income tax benefit, on marketable securities classified as available-for-sale, was \$3.6 million at September 30, 2004 and \$2.9 million at March 31, 2004. Total comprehensive income was \$20.0 million and \$11.2 million for the quarters ended September 30, 2004 and 2003 respectively and \$32.0 million and \$24.7 million for the six months ended September 30, 2004 and 2003 respectively

11. COMMITMENTS AND CONTINGENCIES

In early August 2003 management determined that the Company had experienced unlawful security breaches of its file transfer protocol ("FTP") server. Unauthorized access to certain files occurred as a result of information being exchanged between the Company and a number of clients via the FTP server. Acxiom was among several companies whose security was breached. Law enforcement authorities have arrested and charged a former employee of one of Acxiom's clients. That person eventually pled guilty to various computer crimes and is currently incarcerated. As a result of that investigation a second set of unauthorized intrusions of the same FTP server was discovered. Those intrusions were traced to another company, Snipermail.com, Inc. of Boca Raton, Florida. On July 21, 2004 a 144-count Federal indictment was issued against the former leader of that company. Six other persons formerly associated with Snipermail have agreed to cooperate with the government and have entered into agreements with the government.

In both sets of intrusions only FTP files on a server located outside of the Company's firewall were compromised and not all FTP files nor all clients were affected. No internal systems or databases were accessed, and there was no breach that penetrated the Acxiom security firewall. Based on the facts known to management, the Company does not believe that there is any risk of harm to individuals, and the Company does not expect any material adverse effect from this incident. The investigating government agencies have publicly stated that there is no evidence to indicate that consumers were subjected to any instances of harm as a result of these incidents. The United States Department of Justice has complimented the Company on its response to the incidents and its cooperation with the government.

The Company has a longstanding commitment to systems and network security. The Company undergoes internal security audits on a regular basis, and many clients perform audits on the Company's systems as well. The Company initiated a comprehensive review of its systems and procedures to guard against similar incidents in the future. Management is continuing to implement improvements to the security systems, practices and procedures.

The Company leases data processing equipment, software, office furniture and equipment, land and office space under noncancellable operating leases. Additionally, the Company has entered into synthetic operating leases for computer equipment, furniture and aircraft ("Leased Assets"). These synthetic operating lease facilities are accounted for as operating leases under generally accepted accounting principles and are treated as capital leases for income tax reporting purposes. Initial lease terms under the synthetic computer equipment and furniture facility range from two to six years, with the Company having the option at expiration of the initial lease to return the equipment, purchase the equipment at a fixed price, or extend the term of the lease. The lease term of one aircraft expires in January 2011, with the Company having the option to purchase the aircraft, renew the lease for an additional twelve months, or return the aircraft to the lessor. In December 2003 the Company entered into a lease for an additional aircraft which expires in December 2013, with the Company having the option at expiration to purchase the aircraft at a fixed price or return the aircraft to the lessor.

Since the inception of the facility, the total amount drawn under these synthetic operating lease facilities was \$214.5 million and the Company has a future commitment for lease payments of \$34.0 million over the next ten years. In the event the Company elects to return the Leased Assets, the Company has guaranteed a portion of the residual value to the lessors. Assuming the Company elects to return the Leased Assets to the lessors at its earliest opportunity under the synthetic lease arrangements and assuming the Leased Assets have no significant residual value to the lessors, the maximum potential amount of future payments the Company could be required to make under these residual value guarantees was \$8.8 million at September 30, 2004.

The Company also has an aircraft leased from a business controlled by an officer and director of the Company. Should the Company elect early termination rights under the lease or not extend the lease beyond the initial term and the lessor sells the aircraft, the Company has guaranteed a residual value of 70% of the then outstanding indebtedness of the lessor, or \$3.6 million at September 30, 2004.

In connection with certain of the Company's facilities, the Company has entered into 50/50 joint ventures with local real estate developers. In each case, the Company is guaranteeing portions of the loans for the buildings. In addition, in connection with the disposal of certain assets, the Company has guaranteed loans for the buyers of the assets. These guarantees were made by the Company primarily to facilitate favorable financing terms for those third parties. Should the third parties default on this indebtedness, the Company would be required to perform under its guarantee. Substantially all of the third-party indebtedness is collateralized by various pieces of real property. At September 30, 2004, the Company's maximum potential future payments under all of these guarantees of third-party indebtedness were \$5.5 million.

The Company is involved in various claims and legal actions in the ordinary course of business. In the opinion of management, the ultimate disposition of all of these matters will not have a material adverse effect on the Company's consolidated financial position, results of operations or cash flows.

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

Introduction and Overview

Acxiom Corporation ("Acxiom" or "the Company") integrates data, services and technology to create and deliver customer and information management solutions for many of the largest and most respected companies in the world. The core components of Acxiom's innovative solutions are customer data integration ("CDI") technology and services, data, database services, information technology ("IT") outsourcing, consulting and analytics, and privacy leadership. Founded in 1969, Acxiom is headquartered in Little Rock, Arkansas, with locations throughout the United States ("US") and Europe, and in Australia, China and Japan.

The Company is aligned into three operating segments: US Services and Data, International Services and Data, and IT Management. (See note 9 to the condensed consolidated financial statements.) The Services and Data segments for both US and International provide data and database services, data integration, consulting and analytic services, data content and software, and customer marketing activities to large corporations in a number of vertical industries. The IT Management segment provides outsourcing services primarily in the areas of data center, client/server and network management.

Highlights of the most recently completed fiscal quarter are identified below.

- Revenue of \$299.1 million, up 24 percent from \$241.1 million in the second quarter a year ago. Acquisitions contributed 12 percentage points of this 24 percentage-point growth in revenue.
- Income from operations of \$34.4 million, an increase of 51 percent compared to \$22.7 million in the second quarter a year ago.
- Pre-tax earnings of \$29.8 million, an increase of 66 percent compared to \$17.9 million in the second quarter a year ago.
- Diluted earnings per share of \$0.20, up 54 percent from \$0.13 the year before.
- For the six months ended September 30, 2004, operating cash flow of \$96.5 million and free cash flow of \$60.3 million. The free cash flow of \$60.3 million is a non-GAAP financial measure and a reconciliation to the comparable GAAP measure, operating cash flow, is provided in the discussion of Capital Resources and Liquidity - Working Capital and Cash Flow.
- New contracts that are expected to deliver \$43 million in annual revenue and renewals that are expected to deliver a total of \$71 million in annual revenue.

The highlights above are intended to identify to the reader some of the more significant events and transactions of the Company during the quarter ended September 30, 2004. However, these highlights are not intended to be a full discussion of the Company's results for the quarter or the six months ended September 30, 2004. These highlights should be read in conjunction with the following discussion of Results of Operations and Capital Resources and Liquidity and with the Company's condensed consolidated financial statements and footnotes accompanying this report.

Results of Operations

A summary of selected financial information for each of the periods reported is presented below (dollars in millions, except per share amounts):

	For the quarter ended September 30			For the six months ended September 30,		
	2004	2003	% Change	2004	2003	% Change
Revenue						
Services	\$ 220.1	\$ 190.1	+ 15.8%	\$ 427.9	\$ 382.6	+ 11.8%
Data	79.0	51.0	+ 55.0	160.2	95.2	+ 68.3
	\$ 299.1	\$ 241.1	+ 24.1%	\$ 588.1	\$ 477.8	+ 23.1%
Total operating costs and expenses	264.7	218.4	+ 21.2	528.3	443.8	+ 19.0
Income from operations	34.4	22.7	+ 51.3	59.8	34.0	+ 76.2
Diluted earnings per share	0.20	0.13	+ 53.8	0.34	0.25	+ 36.0

Revenues

For the quarter ended September 30, 2004, the Company's revenue was \$299.1 million, compared to revenue of \$241.1 million in the quarter ended September 30, 2003, reflecting an increase of \$58.0 million or 24.1%. The acquisitions of Claritas Europe and Consodata completed in the fourth quarter of fiscal 2004 and the first quarter of fiscal 2005 contributed 12.0 percentage points of the 24.1% increase while revenue from existing business accounted for the rest of the growth. Services revenue increased \$30.0 million, or 15.8%, while data revenue increased \$28.0 million, or 55.0%. The increase in services revenue is primarily attributable to increases in revenue of \$11.2 million from clients in the financial services, media and publishing, automotive and background screening industries, an increase of \$8.4 million in IT Management revenue, an increase of \$2.5 million in the UK fulfillment operation, and an increase in revenue of \$3.1 million related to the Claritas Europe and Consodata acquisitions. All other industries combined resulted in a net \$4.8 million increase. The industry revenue figures do not include revenue from the European acquisitions, as these revenues are not broken out by industry. The increase in data revenue is primarily attributable to the acquisitions of Claritas Europe and Consodata, which together contributed \$25.9 million of data revenue during the second quarter, with additional increases from the Infobase suite of products and from Allstate Insurance Company.

For the six months ended September 30, 2004, the Company's revenue of \$588.1 million, increased \$110.3 million, or 23.1%, when compared to revenue of \$477.8 million in the six months ended September 30, 2003. Acquisitions, net of divestitures, contributed 12.7% of this 23.1% increase. Services revenue for the six months ended September 30, 2004 increased \$45.3 million, or 11.8%, while data revenue increased \$65.0 million, or 68.3%. The increase in services revenue is primarily attributable to increases in revenue of \$17.0 million from clients in the financial services, media and publishing, automotive, background screening and healthcare industries, an increase of \$10.4 million in IT Management revenue, an increase of \$5.4 million in the UK fulfillment operation, and an increase in revenue of \$7.7 million related to the acquisitions. All other industries combined resulted in a net \$4.8 million increase. The increase in data revenue is primarily attributable to the acquisitions, which together contributed \$57.5 million of data revenue, with additional increases from the Infobase suite of products and from Allstate Insurance Company.

During the quarter ended September 30, 2004 new contracts were signed which are expected to contribute annual revenue of \$43 million and contract renewals are expected to generate \$71 million in annual revenue. The Company renewed substantially all contracts which came up for renewal during the quarter.

The following table shows the Company's revenue by business segment for each of the periods presented below (dollars in millions):

	For the quarter ended September 30,			For the six months ended September 30,		
	2004	2003	% Change	2004	2003	% Change
US Services and Data	\$ 188.1	\$ 169.0	+ 11.3%	\$ 362.3	\$ 331.2	+ 9.4%
International Services and Data	47.9	15.0	+ 218.5	101.3	28.6	+ 254.1
IT Management	69.3	61.0	+ 13.7	133.4	122.9	+ 8.5
Intercompany eliminations	(6.2)	(3.9)	+ 57.8	(8.9)	(4.9)	+ 81.7
Total Revenue	\$ 299.1	\$ 241.1	+ 24.1%	\$ 588.1	\$ 477.8	+ 23.1%

US Services and Data segment revenue for the quarter ended September 30, 2004 increased \$19.1 million or 11.3% over the quarter ended September 30, 2003 and includes increases of \$12.3 million from clients in the financial services, media and publishing, automotive and background screening industries. All other industries combined resulted in a net \$6.8 million increase. US Services and Data segment revenue for the six months ended September 30, 2004 increased \$31.2 million or 9.4% over the six months ended September 30, 2003 and includes increases of \$22.5 million from clients in the financial services, media and publishing, automotive, background screening, insurance, healthcare and government industries. All other industries combined resulted in a net \$8.7 million increase.

International Services and Data segment revenue for the quarter ended September 30, 2004 increased \$32.9 million or 218.5% over the quarter ended September 30, 2003. The increase is primarily attributable to the acquisitions of Claritas Europe and Consodata, which contributed \$29.0 million of revenue during the quarter. Additionally, the Company's United Kingdom fulfillment operation had an increase in revenue of \$2.5 million. International Services and Data segment revenue for the six months ended September 30, 2004 increased \$72.7 million or 254.1% over the six months ended September 30, 2003. The increase is primarily attributable to the acquisitions of Claritas Europe and Consodata, which contributed \$65.3 million of revenue during the six month period. Additionally, the company's United Kingdom fulfillment operation had an increase in revenue of \$5.4 million.

IT Management segment revenue for the quarter ended September 30, 2004 increased \$8.4 million or 13.7% over the quarter ended September 30, 2003. The IT Management increase included \$2.3 million in revenue which was also reported as revenue by the US Services and Data segment, related mostly to new contracts with Services clients. Additionally, the IT Management segment increased revenue due to a significant new contract signed during the quarter, as well as increased revenue from existing clients. IT Management segment revenue for the six months ended September 30, 2004 increased \$10.4 million or 8.5% over the six months ended September 30, 2003. The increase included \$4.0 million in revenue which was also reported as revenue by the US Services and Data segment, related mostly to new contracts with Services clients. Additionally, the IT Management segment increased revenue due to a significant new contract signed during the second quarter, as well as increased revenue from existing clients. These revenue gains were net of a decrease of \$4.3 million due to the disposal of the Company's Los Angeles outsourcing data center operation.

Operating Costs and Expenses

The following table presents the Company's operating costs and expenses for each of the periods reported (dollars in millions):

	For the quarter ended September 30,			For the six months ended September 30,		
	2004	2003	% Change	2004	2003	% Change
Cost of revenue						
Services	\$ 169.0	\$ 154.4	+ 9.4%	\$ 332.5	\$ 313.2	+ 6.2%
Data	49.7	36.6	+ 36.1	101.6	71.2	+ 42.7
Total cost of revenue	218.7	191.0	+ 14.5	434.1	384.4	+ 12.9
Selling, general and administrative	46.0	27.4	+ 68.0	94.5	60.4	+ 56.4
Gains, losses and nonrecurring items, net	-	-	-	(.3)	(1.0)	- (65.9)
Total operating costs and expenses	\$ 264.7	\$ 218.4	+ 21.2%	\$ 528.3	\$ 443.8	+ 19.0%

The cost of services for the quarter ended September 30, 2004 of \$169.0 million increased \$14.5 million or 9.4% over the quarter ended September 30, 2003. Cost of services as a percent of services revenue decreased to 76.8% in the quarter ended September 30, 2004 compared to 81.2% in the quarter ended September 30, 2003. The cost of services increase during the quarter included \$3.8 million of expense related to the Claritas Europe and Consodata acquisitions.

Additionally, cost of services was up related to the increase in the IT Management segment revenue, and to the increase in the UK fulfillment operation revenue. Cost of services for the six months ended September 30, 2004 increased \$19.3 million or 6.2% compared to the six months ended September 30, 2003. Cost of services as a percent of services revenue decreased to 77.7% in the six months ended September 30, 2004 compared to 81.9% in the six months ended September 30, 2003. The cost of services increase during the six-month period included \$8.2 million of expense related to the Claritas Europe and Consodata acquisitions. Additionally, cost of services was up related to the increase in the IT Management segment revenue, and to the increase in the UK fulfillment operation revenue. Additional cost increases in both the US and Europe were partially offset by a decrease due to the disposal of the Company's Los Angeles outsourcing data center operations.

Cost of data includes acquired data, data royalties, compilation costs and the costs of building the Company's various data products. The cost of data for the quarter ended September 30, 2004 of \$49.7 million increased \$13.2 million or 36.1% over the quarter ended September 30, 2003. Cost of data as a percent of data revenue was 63.0% and 71.7% in the quarters ended September 30, 2004 and 2003, respectively. The increase in these costs was primarily attributable to the acquisitions of Claritas Europe and Consodata, which accounted for \$11.6 million of the increase. During the six months ending September 30, 2004 cost of data increased \$30.4 million or 42.7% as compared to the six months ending September 30, 2003. Cost of data as a percent of data revenue was 63.4% and 74.8% in the six months ending September 30, 2004 and 2003, respectively. The acquisitions of Claritas Europe and Consodata accounted for \$26.4 million of the increase in the cost of data, while the cost of data.

Gross profit margin for services improved to 23.2% in the quarter ended September 30, 2004 which compares with 18.8% for the quarter ended September 30, 2003. Gross profit margin for services of 22.3% in the six months ended September 30, 2004 improved by 4.2% compared to the gross margin of 18.1% for the six months ended September 30, 2003. The improvement in the gross profit margins is primarily attributable to revenue growth and to continued focus on cost controls.

The gross profit margin for data was 37.0% in the quarter ended September 30, 2004 which compares with 28.3% for the quarter ended September 30, 2003. In the six months ended September 30, 2004 the gross profit margin for data of 36.6% increased by 11.4% over gross profit margin of 25.2% for the six months ended September 30, 2003. The increase in the data gross profit margin is primarily due to the higher margin data business of the recently acquired operations of Claritas Europe and Consodata.

In the quarter ended September 30, 2004 total cost of revenue increased \$27.7 million or 14.5% as compared to an increase of \$58.0 million or 24.1% in total revenue. This resulted in a 26.9% total company gross profit margin for the quarter ended September 30, 2004 which is a sizable 6.1% margin improvement when compared to a total company gross profit margin of 20.8% for the quarter ended September 30, 2003. For the six months ending September 30, 2004 total cost of revenue increased \$49.7 million or 12.9% as compared to an increase of \$110.3 million or 23.1% in total revenue. The

26.2% total company gross profit margin for the six months ended September 30, 2004 resulted in a 6.7% margin improvement when compared to a total company gross profit margin of 19.5% for the six months ended September 30, 2003.

Selling, general and administrative expenses for the quarter ended September 30, 2004 of \$46.0 million increased \$18.6 million or 68.0% over the quarter ended September 30, 2003. In the quarters ended September 30, 2004 and 2003 selling, general and administrative expense as a percent of total revenue was 15.4% and 11.4%, respectively. In the six months ended September 30, 2004 and 2003 selling, general and administrative expense as a percent of total revenue was 16.1% and 12.7%, respectively. The selling, general and administrative increase included \$12.8 million and \$25.6 million of expenses related to the Claritas Europe and Consodata acquisitions during the quarter and six months ending September 30, 2004, respectively.

Gains, losses and nonrecurring items of \$0.3 million for the six months ended September 30, 2004 consisted of a recovery from the Montgomery Wards bankruptcy of \$0.9 million offset by restructuring charges and a small loss relating to a divestiture. Gains, losses and nonrecurring items of \$1.0 million for the six months ended September 30, 2003 consisted of the gain on disposal of the Company's Los Angeles outsourcing data center operations.

Operating Margins

Operating margin for the quarter ended September 30, 2004 was 11.5% compared to 9.4% for the quarter ended September 30, 2003. Operating margins for the six months ended September 30, 2004 and September 30, 2003 were 10.2% and 7.1%, respectively reflecting higher gross profit margins partially mitigated by higher selling, general and administrative expenses noted above and by a gain on sale in the prior year.

Other Income (Expense), Income Taxes and Other Items

Interest expense for both the quarter and six months ended September 30, 2004 were about the same as in the comparable period in the prior year. The Company's weighted-average interest rate on long-term debt was 4.7% at both September 30, 2004 and at September 30, 2003.

Other, net of \$.2 million for the quarter ended September 30, 2004 increased \$.1 million compared to the quarter ended September 30, 2003. In the six months ended September 30, 2004 Other, net decreased \$.3 million to \$.6 million from \$.9 million in the six months ended September 30, 2003. Other, net consists primarily of interest income on notes receivable.

The effective tax rate for the quarter and six months ended September 30, 2004 was 38%. Management expects the effective tax rate for the year ended March 31, 2005 to also be approximately 38%. Tax expense for the six months ended September 30, 2003 was impacted by a \$6.7 million release of a liability for previously reserved tax uncertainties due to the completion of an audit by the Internal Revenue Service.

The Company is regularly audited by federal and state tax authorities, which, from time to time, results in proposed assessments and/or adjustments to certain of the Company's tax positions. As a result of certain tax deductions and exclusions taken by the Company in recent years for which no specific or clear guidance is included in the Internal Revenue Code and the possibility that the Company's position with respect to these deductions and/or exclusions could be challenged and disallowed by tax authorities, the Company has established a deferred tax liability to cover its potential exposure from these tax uncertainties.

Capital Resources and Liquidity

Working Capital and Cash Flow

Working capital at September 30, 2004 totaled a negative \$1.0 million, compared to a negative \$9.8 million at March 31, 2004. The increase in working capital is due primarily to an increase in accounts receivable and other current assets and a decrease in deferred revenue offset by an increase in accounts payable, accrued expenses and current installments of long-term obligations.

Cash provided by operating activities was \$96.5 million in the six months ended September 30, 2004 as compared to \$98.0 million in the six months ended September 30, 2003. The impact of net changes in operating assets and liabilities decreased in the six months ended September 30, 2004 by \$55.8 million compared to the impact in the prior year primarily as a result of increases in accounts receivable and other assets in the current year compared to decreases in the prior year.

Accounts receivable days sales outstanding (“DSO”) was 73 days at September 30, 2004 and 70 days at March 31, 2004 and is calculated as follows (dollars in thousands):

	September 30, 2004	March 31, 2004
Numerator – trade accounts receivable, net	\$ 236,862	\$ 212,387
Denominator:		
Quarter revenue	299,109	277,837
Number of days in quarter	92	91
Average daily revenue	\$ 3,251	\$ 3,053
Days sales outstanding	73	70

Investing activities used \$52.4 million in the six months ended September 30, 2004 compared to \$23.5 million in the corresponding prior period. Investing activities in the six months ended September 30, 2004 included capitalized software development costs of \$8.8 million compared to \$13.6 million in the six months ended September 30, 2003. Cost deferrals were \$20.7 million in the six months ended September 30, 2004 compared to \$10.0 million in the six months ended September 30, 2003. Deferral of costs, which include both salaries and benefits and other direct and incremental third party costs incurred in connection with setup activities on client contracts, as well as capitalization of costs related to data acquisition, increased \$10.7 million in fiscal 2005 primarily due to increases related to capitalization of data.

Investing activities in the six months ended September 30, 2004 reflected net cash paid for acquisitions of \$5.0 million related to the acquisition in April 2004 of the Consodata German operations, \$7.4 million paid to the former owners of Claritas Europe as a result of the preliminary determination of purchased working capital, \$2.8 million paid to acquire minority interests in Consodata France, and \$1.5 million in fees related to the acquisitions. Investing activities in the six months ended September 30, 2003 reflected the receipt of \$7.7 million of proceeds from the disposition of operations, which included \$6.7 million related to the sale of the Company’s Los Angeles outsourcing data center operation and \$1.0 million collections on a note from the sale of the DMI operation in a prior year, and \$1.2 million cash received from the Company’s health care joint venture, which had been liquidated. Investing activities in the six months ended September 30, 2003 also included an investment of \$5.0 million in Battleaxe, LLC, a limited liability company formed for the purpose of owning and managing real property in Illinois.

With respect to certain of its investments in joint ventures and other companies, Acxiom has provided cash advances to fund losses and cash flow deficits. Although the Company has no commitment to continue to do so, it expects to continue funding such losses and deficits until such time as these investments become profitable. Acxiom may, at its discretion, discontinue providing financing to these investments during future periods. In the event that Acxiom ceases to provide funding and these investments have not achieved profitable operations, the Company may be required to record an impairment charge up to the amount of the carrying value of these investments (\$7.7 million at September 30, 2004).

As shown below, during the six months ending September 30, 2004 and 2003 the Company generated operating cash flow of \$96.5 million and \$98.0 million respectively and free cash flow was \$60.3 million and \$70.4 million respectively.

(Dollars in thousands)	For the quarter ended September 30,		For the six months ended September 30,	
	2004	2003	2004	2003
Operating cash flow	\$ 61,742	\$ 49,909	\$ 96,456	\$ 98,034
Proceeds from the disposition of assets	-	192	-	698
Capitalized software development costs	(4,721)	(7,296)	(8,828)	(13,631)
Capital expenditures	(4,813)	(3,036)	(6,636)	(4,624)
Deferral of costs	(11,113)	(4,006)	(20,723)	(10,032)
Free cash flow	<u>\$ 41,095</u>	<u>\$ 35,763</u>	<u>\$ 60,269</u>	<u>\$ 70,445</u>

Free cash flow is not a generally accepted accounting principle (“GAAP”) financial measure. A “non-GAAP financial measure” is defined as a numerical measure of the Company’s financial performance, financial position or cash flow that excludes (or includes) amounts that are included in (or excluded from) the most directly comparable measure calculated and presented in accordance with GAAP in the Company’s condensed consolidated financial statements. The Company defines free cash flow as cash provided by operating activities less cash used by investing activities excluding the impact of investments in joint ventures and other business alliances and cash paid and/or received in acquisitions and dispositions. Free cash flow, as defined by the Company, may not be comparable to similarly titled measures reported by other companies. Management of the Company has included free cash flow in this filing because although free cash flow does not represent the amount of money available for the Company’s discretionary spending since certain obligations of the Company must be funded out of free cash flow, management believes that it provides investors with a useful additional measure of liquidity by allowing an assessment of the amount of cash available for general corporate and strategic purposes, including debt payments, after funding operating activities and capital expenditures, capitalized software expenses and deferred costs. The above table reconciles free cash flow to cash provided by operating activities, the nearest comparable GAAP measure.

Financing activities in the six months ended September 30, 2004 used \$48.1 million as compared to \$76.4 million in the six months ending September 30, 2003 primarily due to reduced levels of treasury stock acquisition and increased sales of common stock. Proceeds from the sale of common stock through stock options and the employee stock purchase plan were \$23.7 million during the current period compared to \$6.7 million in the six months ended September 30, 2003. The Company also paid dividends of \$6.9 million during the current fiscal year.

The Company also incurred long-term obligations through non-cash investing and financing activities during the six months ended September 30, 2004 of \$39.1 million for the acquisition of property and equipment under capital leases and installment payment arrangements to service customers, \$13.1 million for the construction of assets under construction loans, and \$6.0 million for software licenses acquired under software obligations. The majority of property and equipment acquired under capital leases is tied to customers’ contracts, matching the cash inflows from the customers with the cash outflows for the leases.

The Company intends to use its future free cash flow to repay debt, to buy back shares of its common stock, for possible future acquisitions, for payments of dividends, and for other general corporate purposes.

Credit and Debt Facilities

The Company had available credit lines of \$150 million of which \$22.4 million was outstanding at September 30, 2004 compared to \$16.2 million at March 31, 2004. The Company's debt-to-capital ratio, as calculated below, was 34% at September 30, 2004 and 33% at March 31, 2004 (dollars in thousands).

	September 30, 2004	March 31, 2004
Numerator - long-term obligations, net of current installments	\$ 307,098	\$ 293,457
Denominator:		
Long-term obligations, net of current installments	307,098	293,457
Stockholders' equity	608,685	587,216
	\$ 915,783	\$ 880,673
Debt-to-capital ratio	34%	33%

The foregoing calculation of the debt-to-capital ratio excludes current maturities of long-term obligations in the amounts of \$79.6 million and \$73.2 million at September 30, 2004 and March 31, 2004, respectively.

Included in long-term obligations at September 30, 2004 and at March 31, 2004 are the Company's 3.75% convertible notes ("3.75% Notes") in the amount of \$175 million. The conversion price for the 3.75% Notes is \$18.25 per share. If the Company's common stock price remains above the conversion price, the 3.75% Notes may be converted to equity.

Off-Balance Sheet Items and Commitments

The Company has entered into synthetic operating lease facilities for computer equipment, furniture and aircraft ("Leased Assets"). These synthetic operating lease facilities are accounted for as operating leases under GAAP and are treated as capital leases for income tax reporting purposes. Lease terms under the computer equipment and furniture facility range from two to six years, with the Company having the option at expiration of the initial term to return, or purchase at a fixed price, or extend or renew the term of the leased equipment. The synthetic lease term for one aircraft expires in January 2011, with the Company having the option at expiration to either purchase the aircraft at a fixed price, enter into a lease for an additional twelve-month period (with a nominal purchase price paid at the expiration of the renewal period), or return the aircraft in the condition and manner required by the lease. In December 2003 the Company entered into a synthetic lease for an additional aircraft which expires in November 2013, with the Company having the option at expiration to purchase the aircraft at a fixed price or return the aircraft to the lessor. In the event the Company elects to return the Leased Assets, the Company has guaranteed a portion of the residual value to the lessors. Assuming the Company elects to return the Leased Assets to the lessors at its earliest opportunity under the synthetic lease arrangements and assuming the Leased Assets have no significant residual value to the lessors, the maximum potential amount of future payments the Company could be required to make under these residual value guarantees was \$8.8 million at September 30, 2004. Since the inception of the facility, the total amount drawn under these synthetic operating lease facilities was \$214.5 million, and as of September 30, 2004 the Company has a future commitment for lease payments of \$34.0 million over the next ten years.

The Company is near completion and has now occupied a new 97,000 sq. ft. office building and data center in Phoenix, Arizona. Total construction costs of this facility are expected to be approximately \$15.5 million and construction is expected to be completed in the third quarter of fiscal 2005. The Company also has begun construction on an additional 30,000 sq. ft data center in Little Rock, Arkansas and it is expected to be completed in early fiscal 2006. Total construction cost of this facility is expected to be \$16 million to \$17 million.

In connection with certain of the Company's other buildings and facilities, the Company has entered into 50/50 joint ventures with local real estate developers. In each case, the Company is guaranteeing portions of the loans for the buildings. Additionally, in connection with the disposal of certain assets, the Company has guaranteed loans for the buyers of the assets. Substantially all of the third party indebtedness for which the Company has provided guarantees is collateralized by various pieces of real property. The aggregate amount of the guarantees at September 30, 2004 was \$5.5 million.

Outstanding letters of credit, which reduce the borrowing capacity under the Company's revolving credit facility, were \$2.7 million at September 30, 2004 and \$10.0 million at March 31, 2004.

Contractual Commitments

The following table presents Acxiom's contractual cash obligations and purchase commitments at September 30, 2004 (dollars in thousands). The column for 2005 represents the six months ending March 31, 2005. All other columns represent fiscal years ending March 31.

	For the years ending March 31						Total
	2005	2006	2007	2008	2009	Thereafter	
Long-term obligations							
Capital lease obligations	\$ 28,810	\$ 29,548	\$ 18,011	\$ 5,335	\$ 2,201	\$ 12,912	\$ 96,817
Software and data license liabilities	5,875	20,067	14,082	13,745	6,932	-	60,701
Other long-term debt	17,554	1,749	23,360	920	185,582	-	229,165
Total long-term obligations	<u>52,239</u>	<u>51,364</u>	<u>55,453</u>	<u>20,000</u>	<u>194,715</u>	<u>12,912</u>	<u>386,683</u>
Operating lease and software license obligations							
Synthetic aircraft leases	1,511	3,022	3,022	3,022	3,022	11,389	24,988
Synthetic equipment and furniture leases	4,663	3,000	964	402	-	-	9,029
Total synthetic operating leases	6,174	6,022	3,986	3,424	3,022	11,389	34,017
Equipment operating leases	10,999	12,022	4,730	831	110	-	28,692
Building operating leases	9,174	16,667	15,914	14,512	11,648	65,075	132,990
Partnerships building leases	1,065	2,123	2,134	2,144	2,155	43	9,664
Related party aircraft lease	677	902	376	-	-	-	1,955
Total operating lease payments	28,089	37,736	27,140	20,911	16,935	76,507	207,318
Operating software license obligations	5,027	4,995	3,561	3,515	3,515	3,515	24,128
Total operating lease and software license obligations	<u>33,116</u>	<u>42,731</u>	<u>30,701</u>	<u>24,426</u>	<u>20,450</u>	<u>80,022</u>	<u>231,446</u>
Total contractual cash obligations	<u>\$ 85,355</u>	<u>\$ 94,095</u>	<u>\$ 86,154</u>	<u>\$ 44,426</u>	<u>\$ 215,165</u>	<u>\$ 92,934</u>	<u>\$ 618,129</u>

	For the years ending March 31						Total
	2005	2006	2007	2008	2009	Thereafter	
Purchase commitments on synthetic aircraft leases	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 18,397	\$ 18,397
Purchase commitments on synthetic equipment and furniture leases	1,644	2,497	464	1,862	-	-	6,467
Other purchase commitments	71,799	28,113	23,296	18,244	5,551	9,707	156,710
Total purchase commitments	<u>\$ 73,443</u>	<u>\$ 30,610</u>	<u>\$ 23,760</u>	<u>\$ 20,106</u>	<u>\$ 5,551</u>	<u>\$ 28,104</u>	<u>\$ 181,574</u>

The related party aircraft lease relates to an aircraft leased from a business owned by an officer and director. The Company has also agreed to pay the difference, if any, between the sales price of the aircraft and 70% of the related loan balance (approximately \$3.6 million at September 30, 2004) should the Company elect to exercise its early termination rights or not extend the lease beyond its initial term and the lessor sells the equipment as a result.

The purchase commitments on the synthetic equipment, furniture and aircraft leases assume the leases terminate and are not renewed, and the Company elects to purchase the assets. The other purchase commitments include contractual commitments for the purchase of data and open purchase orders for equipment, paper, office supplies, construction of buildings and other items. Other purchase commitments in some cases will be satisfied by entering into future operating leases, capital leases, or other financing arrangements, rather than payment of cash.

The following table shows contingencies or guarantees under which the Company could be required, in certain circumstances, to make cash payments as of September 30, 2004 (dollars in thousands):

Residual value guarantee on the synthetic computer equipment and furniture lease	\$	2,201
Residual value guarantee on synthetic aircraft lease		6,639
Residual value guarantee on related party aircraft lease		3,588
Guarantees on certain partnership and other loans		5,518
Outstanding letters of credit		2,673

The total of loans “on certain partnerships and other loans,” of which the Company guarantees the portion noted in the above table, are \$13.6 million.

While the Company does not have any other material contractual commitments for capital expenditures, minimum levels of investments in facilities and computer equipment continue to be necessary to support the growth of the business. It is the Company’s current intention generally to lease any new required equipment to better match cash outflows with customer inflows. In some cases, the Company also sells software and hardware to clients. In addition, new outsourcing or facilities management contracts frequently require substantial up-front capital expenditures to acquire or replace existing assets. Management believes that the Company’s existing available debt facilities and cash flow from operations will be sufficient to meet the Company’s working capital and capital expenditure requirements for the foreseeable future. The Company also evaluates acquisitions from time to time, which may require up-front payments of cash. Depending on the size of the acquisition it may be necessary to raise additional capital. If additional capital becomes necessary as a result of any material variance of operating results from projections or from potential future acquisitions, the Company might use available borrowing capacity under its revolving credit agreement, followed by the issuance of other debt or equity securities. However, no assurance can be given that the Company would be able to obtain funding through the issuance of debt or equity securities at terms favorable to the Company, or that such funding would be available.

For a description of certain risks that could have an impact on results of operations or financial condition, including liquidity and capital resources, see the “Risk Factors” contained in Part I, Item 1. Business, of the Company’s annual report on Form 10-K for the fiscal year ended March 31, 2004.

Acquisitions and Divestitures

Subsequent to September 30, 2004 the Company acquired ChinaLOOP, a pioneering business intelligence, customer relationship management and data management company. ChinaLOOP provides data, database management and data services to a number of Asian and international clients from its headquarters in Shanghai and additional operations in Beijing. ChinaLOOP’s clients include a number of China-based and multi-national companies, including Diageo, Financial Times, Nokia, Total, Citroen and Johnson & Johnson. The purchase price was approximately \$7.0 million consisting of \$5.5 million paid in cash (net of cash acquired) and warrants with an estimated value of \$1.5 million. The warrants provide for the purchase of 100,000 shares of the Company’s stock at a price of \$15 on or after November 1, 2007. Exercise of the warrants is contingent on certain performance criteria of the acquired business. The warrants also provide the warrant holders with the right to sell the warrant stock back to the Company upon exercise of the warrants on or after November 1, 2009 at a price of \$30 per share. The warrants expire October 24, 2014. The operations of the acquired business will be included in the Company’s operations beginning November 1, 2004. The acquired company’s revenue is currently approximately \$2 million per year.

On March 31, 2004, the Company closed the acquisition of the Consodata companies based in England, France and Spain, from Turin-based Seat P.G., one of the world’s leading multi-platform directories companies. The acquisition of the Consodata German operation was completed on April 13, 2004. Both acquisitions were accounted for as purchases. The total net consideration was approximately \$32.5 million, net of cash acquired. The acquired Consodata companies are expected to add approximately \$63 million to \$69 million to the Company’s revenue for fiscal 2005, which began April 1, 2004.

On January 6, 2004, the Company announced the completion of the acquisition of the Claritas Europe group of companies from VNU N.V. The acquisition is accounted for as a purchase and was effective January 1, 2004. Management believes this acquisition, along with the Consodata acquisition noted above, will provide the Company with significant European data assets that will be complementary to the Company’s service offerings and will give the Company an expanded presence in Europe. The Company paid approximately \$28.7 million for the acquisition, net of cash acquired, which includes offices in England, France, The Netherlands, Germany, Spain, Portugal and Poland. The acquired Claritas

companies are expected to add approximately \$100 million in annual revenue in fiscal 2005. The results of operations of the acquired companies are included in the Company's consolidated results beginning January 1, 2004. (See note 3 to the condensed consolidated financial statements.)

Subsequent to March 31, 2004 the Company has made additional payments in the amount of \$7.4 million to the former owners of Claritas Europe, as a result of the preliminary determination of purchased working capital. In addition, the Company has made a tender offer to the minority shareholders of Consodata France, under which it has paid approximately \$2.8 million for the minority shareholders' interests. The Company expects to pay up to approximately \$1.2 million for the remaining minority shareholders' interests. In addition, the Company has paid legal and other professional fees related to the two acquisitions of \$1.5 million since March 31, 2004. These additional purchase price payments have been and will be allocated to goodwill in the period of payment.

Other Information

In accordance with a data center management agreement dated July 27, 1992 between Acxiom and TransUnion, Acxiom (through its subsidiary, Acxiom CDC, Inc.) acquired all of TransUnion's interest in its Chicago data center and agreed to provide TransUnion with various data center management services. In a 1992 letter agreement, Acxiom agreed to use its best efforts to cause one person designated by TransUnion to be elected to Acxiom's board of directors. TransUnion designated its CEO and President, Harry C. Gambill, who was appointed to fill a vacancy on the board in November 1992 and was elected at the 1993 annual meeting of stockholders to serve a three-year term. He was elected to serve additional three-year terms at the 1996, 1999 and 2002 annual stockholders meetings. Under a second letter agreement, executed in 1994 in connection with an amendment to the 1992 agreement, which continued the then-current term through 2002, Acxiom agreed to use its best efforts to cause two people designated by TransUnion to be elected to Acxiom's board of directors. During the quarter ended September 30, 2004, the agreement was extended to run through December 31, 2010. In conjunction with the latest amendment, Acxiom is now only required to use its best efforts to cause one designate by TransUnion to be elected to the board. Effective September 30, 2004 the Company amended a previous data supply agreement with TransUnion under which it will acquire data from TransUnion through December 31, 2010. The Company will pay TransUnion \$5.5 million per year for data over the contract period. In addition to these agreements, the Company has other contracts with TransUnion related to data, software and other services. Acxiom recorded revenue from TransUnion of \$43.0 million and \$34.8 million for the six months ending September 30, 2004 and September 30, 2003, respectively.

See note 14 to the consolidated financial statements contained in the Company's annual report on Form 10-K for additional information on certain relationships and related transactions.

Non-US Operations

With the acquisitions of the Claritas Europe group of companies, the Consodata acquisition, and the ChinaLOOP acquisition the Company now has a larger presence in the United Kingdom and France, and a new presence in The Netherlands, Germany, Spain, Portugal, Poland and China. Most of the Company's exposure to exchange rate fluctuation is due to translation gains and losses as there are no material transactions that cause exchange rate impact. In general, each of the foreign locations is expected to fund its own operations and cash flows, although funds may be loaned or invested from the U.S. to the foreign subsidiaries subject to limitations in the Company's revolving credit facility. These advances are considered to be long-term investments, and any gain or loss resulting from changes in exchange rates as well as gains or losses resulting from translating the foreign financial statements into U.S. dollars are included in accumulated other comprehensive income. Exchange rate movements of foreign currencies may have an impact on the Company's future costs or on future cash flows from foreign investments. The Company has not entered into any foreign currency forward exchange contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

Critical Accounting Policies

We prepare our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America. These accounting principles require management to make certain judgments and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Consolidated financial statements in the Company's 2004 annual report include a summary of significant accounting policies used in the preparation of Acxiom's consolidated financial statements. In addition, the Management's Discussion and Analysis filed as part of the 2004 annual report contains a discussion of the policies which management has identified as the most critical because they require management's use of complex and/or significant judgments. The following paragraphs are intended to update that discussion only for the critical accounting policies or estimates which have materially changed since the date of the last annual report.

Revenue Recognition – The Company provides database management and IT outsourcing services under long-term arrangements. These arrangements may require the Company to perform setup activities such as the design and build of a database for the customer under the database management contracts and migration of the customer's IT environment under IT outsourcing contracts. In the case of database management contracts, the customer does not acquire any ownership rights to the Company's intellectual property used in the database and the database itself provides no benefit to the customer outside of the utilization of the system during the term of the database management arrangement. In some cases, the arrangements also contain provisions requiring customer acceptance of the setup activities prior to commencement of the ongoing services arrangement. Up-front fees billed during the setup phase are deferred and setup costs that are direct and incremental to the contract are capitalized and amortized on a straight-line basis over the service term of the contract. Revenue recognition does not begin until after customer acceptance in cases where contracts contain acceptance provisions. Once the setup phase is complete and customer acceptance occurs, the Company recognizes revenue over the remaining service term of the contract. In situations where the arrangement does not require setup activities or customer acceptance before the Company begins providing services, revenue is recognized over the contract period and no costs are deferred.

The Company accounts for all elements under its database management and IT outsourcing arrangements as a single unit, since the initial setup activities performed under the arrangements do not have stand-alone value to the client and the Company is unable to determine the relative fair values of the delivered elements and the undelivered elements. Therefore, when third party software, hardware and certain other equipment are sold along with services, the Company records such sales over the related service period. Additionally, the Company evaluates revenue from the sale of software, hardware and equipment in accordance with the provisions of Emerging Issues Task Force ("EITF") Issue 99-19, "Reporting Revenue Gross as a Principal versus Net as an Agent," to determine whether such revenue should be recognized on a gross or a net basis over the term of the related service agreement. All of the factors in EITF 99-19 are considered with the primary factor being whether the Company is the primary obligor in the arrangement. "Out-of-pocket" expenses incurred by, and reimbursed to, the Company in connection with customer contracts are recorded as gross revenue in accordance with EITF Issue 01-14, "Income Statement Characterization of Reimbursements Received for 'Out-of-Pocket' Expenses Incurred."

Many of the Company's database management and IT outsourcing arrangements include the provision of computer servers or other equipment which is used in performing the services under the arrangement. The Company evaluates its database management and IT outsourcing arrangements using the criteria in EITF 01-08, "Determining Whether an Arrangement Contains a Lease." EITF 01-08 became effective for new arrangements or modifications to existing arrangements occurring on or after July 1, 2003. EITF 01-08 requires the Company to determine whether an arrangement contains a lease within a services arrangement and, if so, requires the lease component to be accounted for separately from the remaining components of the arrangements. The Company evaluates the provisions of EITF 01-08 to determine first whether the equipment is the subject of a lease. If the equipment is determined to be the subject of a lease, then the Company must separate the revenue under the arrangement into the amounts related to the leased equipment and the amounts related to the other services to be provided, using management's best estimate of the relative fair values of the lease component and the services component. The Company then determines whether the implicit lease to the customer is a capital lease or an operating lease. If it is a sales-type capital lease the lease revenue is recognized up front, along with the related cost of sales. In the case of an operating lease, the revenue is recognized on a straight-line basis over the lease term.

The Company also performs services on a project basis outside of, or in addition to, the scope of long-term arrangements. The Company recognizes revenue from these services as the services are performed.

Revenues from the licensing of data are recognized upon delivery of the data to the customer in circumstances where no update or other obligations exist. Revenue from the licensing of data in which the Company is obligated to provide future updates on a monthly, quarterly or annual basis is recognized on a straight-line basis over the license term. Revenue from the licensing of data to the customer in circumstances where the license agreement contains a volume cap is recognized in proportion to the total records to be delivered under the arrangement.

The Company accounts for revenue arrangements with multiple elements in accordance with EITF Issue No. 00-21, "Revenue Arrangements with Multiple Elements." EITF 00-21 provides guidance on (a) how arrangement consideration should be measured, (b) whether the arrangement should be divided into separate units of accounting, and (c) how the arrangement consideration should be allocated among the separate units of accounting. EITF 00-21 also requires disclosure of the accounting policy for recognition of revenue from multiple-deliverable arrangements and the description and nature of such arrangements. The guidance of EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. There has been no material impact to the Company from adoption of EITF 00-21.

In certain multiple element arrangements, including database management and IT outsourcing arrangements, the Company is unable to assign fair values to the multiple elements. Therefore, when third-party software, hardware and certain other equipment are sold along with services, the Company records such sales over the related service period. Included in the Company's consolidated balance sheets are deferred revenues resulting from billings and/or client payments in advance of revenue recognition.

In certain cases, such as hardware or software upgrades sold and/or licensed to existing clients where the Company has no further obligations with respect to such upgrades or project work, management has determined that revenue recognition upon delivery of the hardware or software to the client or upon completion of the project work is appropriate. The Company evaluates revenue from the sale of software, hardware and equipment in accordance with the provisions of Emerging Issues Task Force ("EITF") Issue 99-19, "Reporting Revenue Gross as a Principal versus net as an Agent," to determine whether such revenues should be recognized on a gross or a net basis over the term of the related service agreement. Each factor in EITF 99-19 is evaluated, with the primary factor being whether the Company is the primary obligor in the arrangement.

In general, the Company provides services rather than products and, therefore, does not provide end-users with price-protection or rights of return. The Company's contracts provide a warranty that the services will meet the agreed-upon criteria or any necessary modifications will be made. The Company ensures that services or products delivered meet the agreed-upon criteria prior to recognition of revenue.

Valuation of Long-Lived Assets and Goodwill – Long-lived assets and certain identifiable intangibles are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the undiscounted cash flows expected to result from the use and eventual disposition of the asset. In cases where cash flows cannot be associated with individual assets, assets are grouped together in order to associate cash flows with the asset group. If such assets or asset groups are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Goodwill represents the excess of acquisition costs over the fair values of net assets acquired in business combinations treated as purchase transactions. Under the provisions of SFAS No. 142, "Goodwill and Other Intangible Assets," goodwill is not amortized, but is reviewed annually for impairment under a two-part test. In the event that part one of the impairment test indicates potential impairment of goodwill, performance of part two of the impairment test is required. Any impairment that results from the completion of the two-part test is recorded as a charge to operations during the period in which the impairment test is completed. The Company performs its annual goodwill impairment evaluation as of the beginning of its fiscal year. The Company has completed part one of an annual, two-part impairment analysis of its goodwill and has determined that no impairment of its goodwill existed as of April 1, 2004. Accordingly, step two of the goodwill impairment test was not required for fiscal 2005. Changes in circumstances may require the Company to perform impairment testing on a more frequent basis. No assurance can be given by the Company that additional impairment tests will not require an impairment charge during future periods should circumstances indicate that the Company's goodwill balances are impaired.

In completing step one of the test and making the assessment that no potential impairment of the Company's goodwill existed, management has made a number of estimates and assumptions. In particular, the growth and discount rates used by management in determining the fair value of each of the Company's reporting units through a discounted cash flow analysis significantly affect the outcome of the impairment test, as well as numerous other factors. In performing step one of the impairment analysis, management has used growth rates ranging from 5 percent up to 300 percent for the International segment and 5 percent up to 15 percent for all other segments and used a discount rate of 12 percent for all segments, representing an approximation of the Company's weighted-average cost of capital, which resulted in a sizable excess of fair value over the net assets of each of the Company's reporting units. Assuming the same growth rates, a discount rate of greater than 20 percent would be necessary to indicate potential impairment of at least a portion of the Company's goodwill balances, resulting in the need to proceed to step two of the impairment test. Alternatively, assuming the 12 percent discount rate but assuming no growth for the US segments and only 3 percent growth for the International segment would also not indicate impairment. Additionally, the Company has determined that its reporting units should be aggregated up to reportable segments for use in analyzing its goodwill and assessing any potential impairment thereof, on the basis of similar economic characteristics in accordance with the guidance in SFAS No. 131 and SFAS No. 142. However, should a determination be made that such aggregation of some or all of the Company's reporting units is not appropriate, the results of step one of the goodwill impairment test might indicate that potential impairment does exist, requiring the Company to proceed to step two of the test and possibly recording an impairment of its goodwill.

Forward-looking Statements

This document and other written reports and oral statements made from time to time by the Company and its representatives contain forward-looking statements. These statements, which are not statements of historical fact, may contain estimates, assumptions, projections and/or expectations regarding the Company's financial position, results of operations, market position, product development, growth opportunities, economic conditions, and other similar forecasts and statements of expectation. The Company generally indicates these statements by words or phrases such as "anticipate," "estimate," "plan," "expect," "believe," "intend," "foresee," and similar words or phrases. These forward-looking statements are not guarantees of future performance and are subject to a number of factors and uncertainties that could cause the Company's actual results and experiences to differ materially from the anticipated results and expectations expressed in such forward-looking statements.

The factors and uncertainties that could cause actual results to differ materially from those expressed in, or implied by, the forward-looking statements include but are not limited to the following:

- the possibility that certain contracts may not be closed or close within the anticipated time frames;
- the possibility that certain contracts may not generate the anticipated revenue or profitability;
- the possibility that negative changes in economic or other conditions might lead to a reduction in demand for the Company's products and services;
- the possibility that the recovery from the previous three years' economic slowdown may take longer than expected or that economic conditions in general will not be as expected;
- the possibility that significant clients may experience extreme, severe economic difficulty;
- the possibility that the fair value of certain assets may not be equal to the carrying value of those assets now or in future time periods;
- the possibility that sales cycles may lengthen;
- the possibility that the Company may not be able to attract and retain qualified technical and leadership associates, or that we may lose key associates to other organizations;
- the possibility that the Company won't be able to properly motivate the sales force or other associates;
- the possibility that the Company won't be able to achieve cost reductions and avoid unanticipated costs;
- the possibility that the Company won't be able to continue to receive credit upon satisfactory terms and conditions;
- the possibility that competent, competitive products, technologies or services will be introduced into the marketplace by other companies;
- the possibility that the Company may be subjected to pricing pressure due to market conditions and/or competitive products and services;
- the possibility that there will be changes in consumer or business information industries and markets;
- the possibility that changes in accounting pronouncements (including the proposed accounting pronouncement changes which will require expensing of stock options grants and other equity compensation awards) may occur and may impact these projections;
- the possibility that the Company won't be able to protect proprietary information and technology or to obtain necessary licenses on commercially reasonable terms;
- the possibility that the Company may encounter difficulties when entering new markets or industries;
- the possibility that there will be changes in the legislative, accounting, regulatory and consumer environments affecting the business, including but not limited to litigation, legislation, regulations and customs relating to the Company's ability to collect, manage, aggregate and use data;
- the possibility that data suppliers might withdraw data from the Company, leading to an inability to provide certain products and services;
- the possibility that the Company may enter into short-term contracts which would affect the predictability of revenues;
- the possibility that the amount of ad hoc, volume-based and project work will not be as expected;
- the possibility that the Company may experience a loss of data center capacity or interruption of telecommunication links or power sources;
- the possibility that we may experience failures or breaches of our network and data security systems, leading to potential adverse publicity, negative customer reaction, or liability to third parties;
- the possibility that postal rates may increase, thereby leading to reduced volumes of business;

- the possibility that clients may cancel or modify or not renew their agreements with the Company;
- the possibility that we will not successfully complete customer contract requirements on time or meet the service levels specified in the contracts, which may result in contract penalties or lost revenue;
- the possibility that we experience processing errors which result in credits to customers, re-performance of services or payment of damages to customers;
- the possibility that the services of the United States Postal Service, their global counterparts and other delivery systems may be disrupted;
- the possibility that the integration of any recently acquired businesses may not be successful;
- with respect to the provision of products or services outside the Company's primary base of operations in the U. S., all of the above factors apply, along with fluctuations in currency exchange rates and the difficulty of doing business in numerous sovereign jurisdictions due to differences in culture, laws and regulations;
- the other risks described under the caption "Risk Factors" in the "Business" section of the Company's Annual Report on Form 10-K; and
- the possibility that the Company may be affected by other competitive factors.

In light of these risks, uncertainties and assumptions, the Company cautions readers not to place undue reliance on any forward-looking statements. The Company undertakes no obligation to publicly update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information or otherwise.

Item 3. Quantitative and Qualitative Disclosure about Market Risk

Acxiom's earnings are affected by changes in short-term interest rates primarily as a result of its revolving credit agreement, which bears interest at a floating rate. Acxiom does not use derivative or other financial instruments to mitigate the interest rate risk. Risk can be estimated by measuring the impact of a near-term adverse movement of 10% in short-term market interest rates. If short-term market interest rates average 10% more during the next four quarters than during the previous four quarters, there would be no material adverse impact on Acxiom's results of operations. Acxiom has no material future earnings or cash flow expenses from changes in interest rates related to its other long-term debt obligations as substantially all of Acxiom's remaining long-term debt instruments have fixed rates. At both September 30, 2004 and March 31, 2004, the fair value of Acxiom's fixed rate long-term obligations approximated carrying value.

As noted in note 3 to the condensed, consolidated financial statements, the Company completed the acquisition of Claritas Europe in January 2004 and Consodata in March and April, 2004. Subsequent to September 30, 2004 the Company completed the acquisition of ChinaLOOP. As a result of these acquisitions, the Company now has a larger presence in the United Kingdom and France and new presence in The Netherlands, Germany, Spain, Portugal, Poland and China. In general, each of the foreign locations is expected to fund its own operations and cash flows, although funds may be loaned or invested from the U.S. to the foreign subsidiaries. Therefore, exchange rate movements of foreign currencies may have an impact on Acxiom's future costs or on future cash flows from foreign investments. Acxiom has not entered into any foreign currency forward exchange contracts or other derivative instruments to hedge the effects of adverse fluctuations in foreign currency exchange rates.

Item 4. Controls and Procedures

(a) Evaluation of Disclosure Controls and Procedures.

An evaluation as of the end of the period covered by this quarterly report was carried out under the supervision and with the participation of the Company's management, including the Company Leader (Chief Executive Officer) and Financial Operations Leader (Chief Financial Officer), of the effectiveness of the design and operation of the Company's "disclosure controls and procedures," which are defined under SEC rules as controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files under the Exchange Act is recorded, processed, summarized and reported within required time periods. Based upon that evaluation, the Company Leader and Financial Operations Leader concluded that the Company's disclosure controls and procedures were effective.

(b) Changes in Internal Control over Financial Reporting

The Company's management, including the Company Leader (Chief Executive Officer) and the Financial Operations Leader (Chief Financial Officer), has evaluated any changes in the Company's internal control over financial reporting that occurred during the quarterly period covered by this report, and has concluded that there was no change during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various claims and litigation matters that arise in the ordinary course of the business. None of these, however, are believed to be material in their nature or scope.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The table below provides information regarding purchases by Acxiom of its Common Stock during the periods indicated.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
7/1/01 -- 7/31/04	503,157	\$ 22.33	503,157	\$ 11,587,480
8/1/04 -- 8/31/04	237,963	21.69	237,963	81,425,081
9/1/04 -- 9/30/04	-	-	-	81,425,081
Total	741,120	\$ 22.13	741,120	\$ 81,425,081

The repurchases listed above were made pursuant to a repurchase program adopted by the Board of Directors on October 30, 2002, at which time the Board authorized the repurchase of up to \$50 million worth of shares of Acxiom's Common Stock. On February 5, 2003 the Board increased the cap to \$75 million; on May 21, 2003 the Board increased the cap to \$125 million; and on May 26, 2004 the Board increased the cap to \$200 million, subject to lender approvals. Lender approval limitations for repurchases was increased effective August 17, 2004 from \$125 million to \$200 million. The amount used in the table above to calculate the value of stock that may yet be purchased reflects the lower of board or lender approval effective at the end of the reporting period. The repurchase program has no designated expiration date.

Item 4. Submission of Matters to a Vote of Security Holders

The Annual Meeting of Shareholders of the Company was held on August 4, 2004. At the meeting, the shareholders voted on the following two proposals:

- 1) A proposal for the election of four directors - Voting results for each individual nominee were as follows: Dr. Mary L. Good, 72,884,532 votes for and 4,932,044 votes withheld; Rodger S. Kline, 60,940,703 votes for and 16,875,879 votes withheld; Stephen M. Patterson, 73,387,130 votes for and 4,429,452 votes withheld; and James T. Womble, 60,929,362 votes for and 16,887,220 votes withheld. These four elected directors will serve with the other current Board members: William T. Dillard II, Harry C. Gambill, and Thomas F. (Mack) McLarty, III, whose terms will expire at the 2005 annual meeting, and Dr. Ann Die Hasselmo, William J. Henderson, and Charles D. Morgan, whose terms will expire at the 2006 Annual Meeting.
- 2) A proposal to increase the number of shares available to be issued under the Company's 2000 Associate Stock Option Plan by 950,000 shares - Voting results for this proposal were as follows: 48,016,280 votes for; 19,875,708 votes against and 341,835 votes abstained.

Item 6. Exhibits

(a) The following exhibits are filed with this Report:

- 31.1 Certification of Company Leader (principal executive officer) pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Company Financial Operations Leader (principal financial and accounting officer) pursuant to SEC Rule 13a-14(a)/15d-14(a), as adopted pursuant to Sections 302 and 404 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Company Leader (principal executive officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Company Financial Operations Leader (principal financial and accounting officer) pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 10(a) Fourth Amendment to Second Amended and Restated Credit Agreement, dated as of August 17, 2004

ACXIOM CORPORATION AND SUBSIDIARIES

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Acxiom Corporation

Dated: November 8, 2004

By: /s/ Jefferson D. Stalaker
(Signature)
Jefferson D. Stalaker
Company Financial Operations Leader
(principal financial and accounting officer)

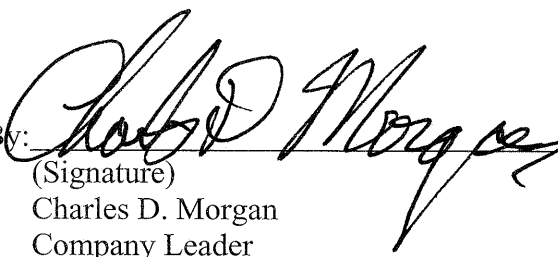
CERTIFICATION

I, Charles D. Morgan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acxiom Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 8th, 2004

By: 
(Signature)
Charles D. Morgan
Company Leader
(principal executive officer)

CERTIFICATION

I, Jefferson D. Stalnaker, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Acxiom Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
 - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

- b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: November 8th, 2004

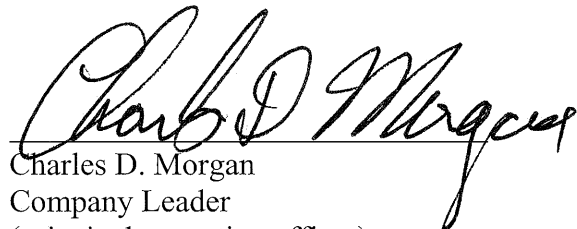
By: Jefferson D. Stalnaker
(Signature)
Jefferson D. Stalnaker
Company Financial Operations Leader
(principal financial and accounting officer)

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report of Acxiom Corporation (the Company) on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Charles D. Morgan, Company Leader (principal executive officer) of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.



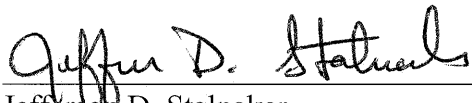
Charles D. Morgan
Company Leader
(principal executive officer)
November 8th, 2004

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the accompanying Quarterly Report of Acxiom Corporation (the Company) on Form 10-Q for the period ending September 30, 2004 as filed with the Securities and Exchange Commission on the date hereof (the Report), I, Jefferson D. Stalnaker, Company Financial Operations Leader (principal financial and accounting officer), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, to my knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.



Jefferson D. Stalnaker
Company Financial Operations Leader
(principal financial and accounting officer)
November 8th, 2004

FOURTH AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

THIS FOURTH AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (the "Amendment"), dated as of August 17, 2004 is among ACXIAM CORPORATION, a Delaware Corporation (the "Borrower"), the lenders party hereto, and JPMORGAN CHASE BANK, as the agent (the "Agent").

RECITALS:

A. The Borrower, the Agent, and the lenders party thereto have entered into that certain Second Amended and Restated Credit Agreement dated as of February 5, 2003 (as amended by that certain First Amendment to Second Amended and Restated Credit Agreement dated as of August 11, 2003, that certain Second Amendment to Second Amended and Restated Credit Agreement dated as of December 5, 2003, that certain Third Amendment to Second Amended and Restated Credit Agreement and Modification of Loan Documents dated March 31, 2004, and as the same may be further amended from time to time, the "Agreement").

B. The Borrower has requested that the Agent and the Lenders amend certain provisions of the Agreement and the Agent and the Lenders party hereto are willing to amend the Agreement as herein set forth.

NOW, THEREFORE, in consideration of the premises herein contained and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows effective as of the date hereof unless otherwise indicated:

ARTICLE I.

Definitions

Section 1.1. Definitions. Capitalized terms used in this Amendment, to the extent not otherwise defined herein, shall have the same meanings as in the Agreement, as amended hereby.

ARTICLE II.

Amendments

Section 2.1. Amendment to Section 6.01 – Indebtedness; Certain Equity Securities. The reference to "\$35,000,000" in subclause (iii) of Section 6.01(a) of the Agreement is hereby amended in its entirety to mean "\$45,000,000".

Section 2.2. Amendment to Section 6.08 – Restricted Payments; Synthetic Purchase Agreements. The references to "\$125,000,000" in subclauses (viii) and (ix) of Section 6.08(a) of the Agreement are hereby amended in their respective entireties to mean "\$200,000,000".

ARTICLE III.

Conditions Precedent

Section 3.1. Conditions. The effectiveness of Article II of this Amendment is subject to the satisfaction of the following conditions precedent:

(a) The Agent shall have received, each in form and substance reasonably satisfactory to the Agent, the following:

(i) this Amendment duly executed by the Borrower, the Guarantors and the Required Lenders;

(ii) such additional documentation and information as the Agent or its legal counsel, Jenkens & Gilchrist, a Professional Corporation, may request;

(b) Each Lender who has executed this Amendment by August 17, 2004 shall have received an amendment fee equal to 0.05% of its Revolving Commitment in effect as of the date of this Amendment;

(c) The representations and warranties contained herein and in all other Loan Documents, as amended hereby, shall be true and correct in all material respects as of the date hereof as if made on the date hereof, except for such representations and warranties limited by their terms to a specific date;

(d) No Default shall exist; and

(e) All proceedings taken in connection with the transactions contemplated by this Amendment and all documentation and other legal matters incident thereto shall be satisfactory to Agent and its legal counsel, Jenkens & Gilchrist, a Professional Corporation.

ARTICLE IV.

Miscellaneous

Section 4.1. Ratifications. The terms and provisions set forth in this Amendment shall modify and supersede all inconsistent terms and provisions set forth in the Agreement and except as expressly modified and superseded by this Amendment, the terms and provisions of the Agreement and the other Loan Documents are ratified and confirmed and shall continue in full force and effect. The Borrower, the Agent and the Lenders agree that the Agreement as amended hereby and the other Loan Documents shall continue to be legal, valid, binding and enforceable in accordance with its terms. For all matters arising prior to the effective date of this Amendment, the Agreement (as unmodified by this Amendment) shall control.

Section 4.2. Representations and Warranties; Release. The Borrower hereby represents and warrants to the Agent and the Lenders as follows: (a) no Default exists and (b) the representations and warranties set forth in the Loan Documents are true and correct on and as of the date hereof with the same effect as though made on and as of such date except with respect to any representations and warranties limited by their terms to a specific date. IN ADDITION, TO INDUCE THE AGENT AND THE LENDERS TO AGREE TO THE TERMS OF THIS AMENDMENT, THE BORROWER AND EACH GUARANTOR (BY ITS EXECUTION BELOW) REPRESENTS AND WARRANTS THAT AS OF THE DATE OF ITS EXECUTION OF THIS AMENDMENT THERE ARE NO CLAIMS OR OFFSETS AGAINST OR RIGHTS OF RECOUPMENT WITH RESPECT TO OR DEFENSES OR COUNTERCLAIMS TO ITS OBLIGATIONS UNDER THE LOAN DOCUMENTS AND IN ACCORDANCE THEREWITH IT:

(A) WAIVER. WAIVES ANY AND ALL SUCH CLAIMS, OFFSETS, RIGHTS OF RECOUPMENT, DEFENSES OR COUNTERCLAIMS, WHETHER KNOWN OR UNKNOWN, ARISING PRIOR TO THE DATE OF ITS EXECUTION OF THIS AMENDMENT AND

(B) RELEASE. RELEASES AND DISCHARGES THE AGENT AND THE LENDERS, AND THEIR RESPECTIVE OFFICERS, DIRECTORS, EMPLOYEES, AGENTS, SHAREHOLDERS, AFFILIATES AND ATTORNEYS (COLLECTIVELY THE "RELEASED PARTIES") FROM ANY AND ALL OBLIGATIONS, INDEBTEDNESS, LIABILITIES, CLAIMS, RIGHTS, CAUSES OF ACTION OR DEMANDS WHATSOEVER, WHETHER KNOWN OR UNKNOWN, SUSPECTED OR UNSUSPECTED, IN LAW OR EQUITY, WHICH THE BORROWER OR ANY GUARANTOR EVER HAD, NOW HAS, CLAIMS TO HAVE OR MAY HAVE AGAINST ANY RELEASED PARTY ARISING PRIOR TO THE DATE HEREOF AND FROM OR IN CONNECTION WITH THE LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY.

Section 4.3. Survival of Representations and Warranties. All representations and warranties made in this Amendment shall survive the execution and delivery of this Amendment, and no investigation by Agent or any Lender or any closing shall affect the representations and warranties or the right of the Agent or any Lender to rely upon them.

Section 4.4. Reference to Agreement. Each of the Loan Documents, including the Agreement and any and all other agreements, documents, or instruments now or hereafter executed and delivered pursuant to the terms hereof or pursuant to the terms of the Agreement as amended hereby, are hereby amended so that any reference in such Loan Documents to the Agreement shall mean a reference to the Agreement as amended hereby.

Section 4.5. Expenses of Lender. As provided in the Agreement, Borrower agrees to pay on demand all costs and expenses incurred by the Agent in connection with the preparation, negotiation, and execution of this Amendment, including without limitation, the costs and fees of the Agent's legal counsel.

Section 4.6. Severability. Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

Section 4.7. Applicable Law. This Amendment shall be governed by and construed in accordance with the laws of the State of Texas and the applicable laws of the United States of America.

Section 4.8. Successors and Assigns. This Amendment is binding upon and shall inure to the benefit of the Agent, each Lender, the Borrower, each Guarantor and their respective successors and assigns, except neither Borrower nor any Guarantor may assign or transfer any of its rights or obligations hereunder without the prior written consent of the Lenders.

Section 4.9. Counterparts. This Amendment may be executed in one or more counterparts and on telecopy counterparts, each of which when so executed shall be deemed to be an original, but all of which when taken together shall constitute one and the same agreement.

Section 4.10. Effect of Waiver. No consent or waiver, express or implied, by the Agent or any Lender to or for any breach of or deviation from any covenant, condition or duty by the Borrower or any Guarantor shall be deemed a consent or waiver to or of any other breach of the same or any other covenant, condition or duty.

Section 4.11. Headings. The headings, captions, and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 4.12. ENTIRE AGREEMENT. THIS AMENDMENT EMBODIES THE FINAL, ENTIRE AGREEMENT AMONG THE PARTIES HERETO AND SUPERSEDE ANY AND ALL PRIOR COMMITMENTS, AGREEMENTS, REPRESENTATIONS AND UNDERSTANDINGS, WHETHER WRITTEN OR ORAL, RELATING TO THIS AMENDMENT, AND MAY NOT BE CONTRADICTED OR VARIED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OR DISCUSSIONS OF THE PARTIES HERETO. THERE ARE NO ORAL AGREEMENTS AMONG THE PARTIES HERETO.

Section 4.13. Required Lenders. The Agreement may be modified as provided in this Amendment with the agreement of the Required Lenders which means Lenders having fifty-one percent (51%) of the sum of the total Revolving Exposures and unused Revolving Commitment (such percentage applicable to a Lender, herein such Lender's "Required Lender Percentage"). For purposes of determining the effectiveness of this Amendment, each Lender's Required Lender Percentage is set forth on Schedule 4.13 hereto.

Executed as of the date first written above.

ACXIOM CORPORATION, as the Borrower

By: _____
Dathan A. Gaskill, Corporate Finance Leader

JPMORGAN CHASE BANK, as the Agent, the Issuing Bank, the Swingline Lender and as a Lender

By: _____
Michael J. Lister, Vice President

BANK OF AMERICA, N.A., as syndication agent and as a Lender

By: _____
Name: _____
Title: _____

U.S. BANK NATIONAL ASSOCIATION (formerly Firststar Bank N.A.), as documentation agent and as a Lender

By: _____
Name: _____
Title: _____

SUNTRUST BANK, as a Lender

By: _____
Name: _____
Title: _____

WACHOVIA BANK, N.A., as a Lender

By: _____
Name: _____
Title: _____

ABN AMRO BANK N.V., as a Lender

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

UNION PLANTERS BANK, N.A., as a Lender

By: _____
Name: _____
Title: _____

Guarantor Consent

Each of the undersigned Guarantors: (i) consent and agree to this Amendment, including, without limitation, Section 4.2, and (ii) agree that the Loan Documents to which it is a party shall remain in full force and effect and shall continue to be the legal, valid and binding obligation of such Guarantor enforceable against it in accordance with their respective terms.

GUARANTORS:

ACXIOM CDC, INC.
ACXIOM / MAY & SPEH, INC.
ACXIOM RM-TOOLS, INC.
ACXIOM E-PRODUCTS, INC.
ACXIOM TRANSPORTATION SERVICES, INC.
ACXIOM / DIRECT MEDIA, INC.
GIS INFORMATION SYSTEMS, INC.
ACXIOM UWS, LTD.
ACXIOM INFORMATION SECURITY SERVICES, INC.
ACXIOM INTERIM HOLDINGS, INC.

By: _____
Dathan Gaskill, Authorized Officer of each
Guarantor

SCHEDULE 4.13
to
FOURTH AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT

Required Lenders

Lender	Required Lender Percentage Held	Lenders Agreeing to Fourth Amendment (insert % from prior column if Lender signs Amendment then total % in this column)
JPMorgan Chase Bank	20.00000000%	20.00000000%
U.S. Bank National Association	16.66666666%	16.66666666%
Bank of America, N.A.	16.66666666%	16.66666666%
ABN AMRO Bank, N.V.	13.33333333%	13.33333333%
SunTrust Bank	13.33333333%	13.33333333%
Wachovia Bank, N.A.	13.33333333%	13.33333333%
Union Planters Bank, N.A.	6.66666666%	6.66666666%
TOTAL	100.00%	100.00%