

UNITED ONLINE, INC.
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

Quarter Ended	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Revenues	\$ 131,417	\$ 129,851	\$ 130,786	\$ 129,636	\$ 134,900
Operating expenses:					
Cost of revenues ^(a)	30,409	29,247	29,967	29,046	31,146
Sales and marketing ^(a)	42,712	46,025	43,976	43,487	46,137
Product development ^(a)	13,065	13,471	13,231	13,501	13,385
General and administrative ^(a)	16,900	15,489	16,537	17,504	17,422
Amortization of intangible assets	3,204	3,495	4,486	4,213	4,552
Restructuring charges	394	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	13,285	-	-
Total operating expenses	<u>106,684</u>	<u>107,727</u>	<u>121,482</u>	<u>107,751</u>	<u>112,642</u>
Operating income	24,733	22,124	9,304	21,885	22,258
Interest and other income, net	1,881	1,700	1,549	1,457	1,354
Interest expense	<u>(372)</u>	<u>(360)</u>	<u>(245)</u>	<u>(199)</u>	<u>(411)</u>
Income before income taxes	26,242	23,464	10,608	23,143	23,201
Provision for income taxes	<u>10,034</u>	<u>10,436</u>	<u>6,049</u>	<u>9,707</u>	<u>11,616</u>
Net income	<u>\$ 16,208</u>	<u>\$ 13,028</u>	<u>\$ 4,559</u>	<u>\$ 13,436</u>	<u>\$ 11,585</u>
Basic net income per share	<u>\$ 0.24</u>	<u>\$ 0.20</u>	<u>\$ 0.07</u>	<u>\$ 0.21</u>	<u>\$ 0.18</u>
Diluted net income per share	<u>\$ 0.23</u>	<u>\$ 0.19</u>	<u>\$ 0.07</u>	<u>\$ 0.20</u>	<u>\$ 0.18</u>
Shares used to calculate basic income per share	<u>66,685</u>	<u>65,627</u>	<u>65,102</u>	<u>64,573</u>	<u>63,782</u>
Shares used to calculate diluted income per share	<u>69,351</u>	<u>68,080</u>	<u>67,616</u>	<u>66,583</u>	<u>65,955</u>
Shares outstanding at end of period	<u>67,462</u>	<u>66,420</u>	<u>65,805</u>	<u>65,214</u>	<u>64,835</u>
(a) Stock-based compensation was allocated as follows:					
Cost of revenues	\$ 254	\$ 194	\$ 148	\$ 176	\$ 256
Sales and marketing	943	892	714	727	1,072
Product development	1,211	1,245	1,119	1,137	1,645
General and administrative	366	1,716	2,050	2,264	2,891
Total stock-based compensation	<u>\$ 2,774</u>	<u>\$ 4,047</u>	<u>\$ 4,031</u>	<u>\$ 4,304</u>	<u>\$ 5,864</u>

UNITED ONLINE, INC.

Reconciliation of Operating Income to Adjusted Operating Income Before Depreciation and Amortization (OIBDA)⁽¹⁾
(in thousands)

Quarter Ended	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
Operating income	\$ 24,733	\$ 22,124	\$ 9,304	\$ 21,885	\$ 22,258	\$ 20,572	\$ 22,082	\$ 22,634	\$ 20,859	\$ 20,985
Depreciation	5,234	4,745	5,501	5,737	5,345	4,707	4,503	3,720	3,784	3,474
Amortization	3,204	3,495	4,486	4,213	4,552	4,389	4,915	5,252	5,654	5,978
Operating income before depreciation and amortization	33,171	30,364	19,291	31,835	32,155	29,668	31,500	31,606	30,297	30,437
Stock-based compensation	2,774	4,047	4,031	4,304	5,864	4,969	3,120	2,837	2,920	1,075
Restructuring charges	394	-	-	627	-	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	13,285	-	-	-	-	-	-	-
Adjusted OIBDA	\$ 36,339	\$ 34,411	\$ 36,607	\$ 36,766	\$ 38,019	\$ 34,637	\$ 34,620	\$ 34,443	\$ 33,217	\$ 31,512
Adjusted OIBDA as a % of revenues	27.7%	26.5%	28.0%	28.4%	28.2%	27.2%	26.6%	25.9%	25.3%	24.1%

Reconciliation of Segment Income from Operations to Adjusted OIBDA⁽¹⁾

Quarter Ended	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006	March 31, 2006	December 31, 2005	September 30, 2005	June 30, 2005	March 31, 2005
Content & Media:										
Segment income from operations	\$ 7,844	\$ 5,765	\$ (725)	\$ 4,987	\$ 7,357	\$ 6,294	\$ 8,969	\$ 4,324	\$ 53	\$ 3,195
Restructuring charges	394	-	-	8	-	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	8,781	-	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization	\$ 8,238	\$ 5,765	\$ 8,056	\$ 4,995	\$ 7,357	\$ 6,294	\$ 8,969	\$ 4,324	\$ 53	\$ 3,195
Segment adjusted OIBDA as a % of segment revenues	16.6%	13.1%	18.5%	13.3%	19.0%	23.3%	34.3%	17.7%	0.2%	15.6%
Communications:										
Segment income from operations	\$ 32,787	\$ 32,834	\$ 28,360	\$ 35,437	\$ 35,574	\$ 33,468	\$ 30,292	\$ 34,872	\$ 37,301	\$ 32,821
Restructuring charges	-	-	-	619	-	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	4,504	-	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization	\$ 32,787	\$ 32,834	\$ 32,864	\$ 36,056	\$ 35,574	\$ 33,468	\$ 30,292	\$ 34,872	\$ 37,301	\$ 32,821
Segment adjusted OIBDA as a % of segment revenues	40.1%	38.3%	37.7%	39.1%	37.0%	33.4%	29.1%	32.2%	34.1%	29.8%

UNITED ONLINE, INC.

Reconciliation of Operating Income to Adjusted Operating Income Before Depreciation and Amortization (OIBDA)⁽¹⁾

(in thousands)

Quarter Ended	December 31, 2004	September 30, 2004	June 30, 2004	March 31, 2004	December 31, 2003	September 30, 2003	June 30, 2003	March 31, 2003
Operating income	\$ 19,036	\$ 20,516	\$ 20,011	\$ 19,930	\$ 18,861	\$ 13,778	\$ 10,223	\$ 6,631
Depreciation	2,768	1,957	1,680	1,598	1,581	1,567	1,954	2,809
Amortization	7,651	4,395	4,393	3,964	3,964	3,964	3,964	3,964
Operating income before depreciation and amortization	29,455	26,868	26,084	25,492	24,406	19,309	16,141	13,404
Stock-based compensation	517	716	739	477	-	-	14	28
Restructuring and merger-related charges ^(a)	-	-	-	-	-	-	-	219
Facility-exit costs ^(b)	10	1,646	1,601	-	-	-	-	-
Adjusted operating income before depreciation and amortization	\$ 29,982	\$ 29,230	\$ 28,424	\$ 25,969	\$ 24,406	\$ 19,309	\$ 16,155	\$ 13,651
Adjusted OIBDA as a % of revenues	25.1%	26.4%	25.7%	24.1%	25.2%	21.7%	20.3%	18.5%

Quarter Ended	December 31, 2002	September 30, 2002	June 30, 2002	March 31, 2002	December 31, 2001	September 30, 2001
Operating income	\$ 4,161	\$ 706	\$ (3,723)	\$ (8,394)	\$ (17,328)	\$ (24,501)
Depreciation	3,054	3,332	4,051	4,927	4,995	4,286
Amortization	3,798	4,685	4,685	4,685	4,685	101
Operating income before depreciation and amortization	11,013	8,723	5,013	1,218	(7,648)	(20,114)
Stock-based compensation	29	36	656	2,198	2,524	1,041
Restructuring and merger-related charges ^(a)	346	247	1,398	980	2,504	360
Facility-exit costs ^(b)	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization	\$ 11,388	\$ 9,006	\$ 7,067	\$ 4,396	\$ (2,620)	\$ (18,713)
Adjusted OIBDA as a % of revenues	17.3%	15.5%	13.0%	8.6%	-5.5%	-132.6%

(a) Represents restructuring and merger-related charges incurred in connection with the merger of Juno and NetZero and the acquisition of certain assets of BlueLight. These costs are primarily attributable to stay bonuses, contract termination fees, write-offs of leasehold improvements and employee severance payments.

(b) Represents costs incurred in connection with the relocation of the company's corporate offices. These costs are primarily attributable to lease termination fees and accelerated depreciation incurred in connection with terminated leases.

UNITED ONLINE, INC.

Reconciliation of Net Income to Adjusted Net Income⁽²⁾

(in thousands, except per-share data)

Quarter Ended	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Net income	\$ 16,208	\$ 13,028	\$ 4,559	\$ 13,436	\$ 11,585
Add (deduct):					
Stock-based compensation	2,774	4,047	4,031	4,304	5,864
Amortization of intangible assets	3,204	3,495	4,486	4,213	4,552
Restructuring charges	394	-	-	627	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	13,285	-	-
	<u>22,580</u>	<u>20,570</u>	<u>26,361</u>	<u>22,580</u>	<u>22,001</u>
Income tax effect of adjusting entries	(2,483)	(2,049)	(7,682)	(2,873)	(2,938)
Re-measurement of certain deferred tax assets	(658)	-	813	-	1,319
Adjusted net income	<u>\$ 19,439</u>	<u>\$ 18,521</u>	<u>\$ 19,492</u>	<u>\$ 19,707</u>	<u>\$ 20,382</u>
Adjusted basic net income per share	<u>\$ 0.29</u>	<u>\$ 0.28</u>	<u>\$ 0.30</u>	<u>\$ 0.31</u>	<u>\$ 0.32</u>
Adjusted diluted net income per share	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.29</u>	<u>\$ 0.29</u>	<u>\$ 0.30</u>
Shares used to calculate adjusted basic income per share	<u>66,685</u>	<u>65,627</u>	<u>65,102</u>	<u>64,573</u>	<u>63,782</u>
Shares used to calculate adjusted diluted income per share ^(a)	<u>70,873</u>	<u>69,089</u>	<u>68,194</u>	<u>67,482</u>	<u>67,029</u>

(a) Reflects an increase in the number of shares relative to GAAP resulting from the elimination of stock-based compensation.

UNITED ONLINE, INC.
Unaudited Condensed Consolidated Balance Sheets
(in thousands)

	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
ASSETS					
Cash, cash equivalents and short-term investments	\$ 191,401	\$ 168,011	\$ 162,362	\$ 154,697	\$ 150,219
Restricted cash	-	-	-	6,250	-
Accounts receivable, net	30,259	30,739	32,226	26,264	27,002
Deferred tax assets, net	71,068	71,747	71,360	64,779	67,042
Property and equipment, net	36,803	35,339	34,296	36,860	39,819
Goodwill and intangible assets, net	179,679	183,180	186,671	200,019	203,609
Other assets	20,428	17,164	16,104	14,787	15,685
Total assets	<u>\$ 529,638</u>	<u>\$ 506,180</u>	<u>\$ 503,019</u>	<u>\$ 503,656</u>	<u>\$ 503,376</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	\$ 43,523	\$ 37,806	\$ 36,550	\$ 37,897	\$ 42,660
Accrued liabilities	27,711	30,016	39,547	38,997	39,841
Member redemption liability	22,817	21,182	19,989	18,789	18,543
Deferred revenue	65,639	61,593	56,348	57,528	58,171
Capital leases	22	26	30	454	551
Other liabilities	4,765	4,782	3,589	3,595	3,773
Total liabilities	<u>164,477</u>	<u>155,405</u>	<u>156,053</u>	<u>157,260</u>	<u>163,539</u>
Stockholders' equity	365,161	350,775	346,966	346,396	339,837
Total liabilities and stockholders' equity	<u>\$ 529,638</u>	<u>\$ 506,180</u>	<u>\$ 503,019</u>	<u>\$ 503,656</u>	<u>\$ 503,376</u>

UNITED ONLINE, INC.
Unaudited Condensed Consolidated Cash Flow Statements
(in thousands)

Quarter Ended	<u>June 30, 2007</u>	<u>March 31, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2006</u>	<u>June 30, 2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	\$ 16,208	\$ 13,028	\$ 4,559	\$ 13,436	\$ 11,585
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, amortization and stock-based compensation	11,212	12,287	14,018	14,254	15,761
Impairment of goodwill, intangible assets and long-lived assets	-	-	13,285	-	-
Provision for doubtful accounts	1,299	(206)	(215)	(12)	(58)
Deferred taxes and other	1,250	(192)	(6,046)	2,339	1,986
Tax benefits from stock-based compensation	2,541	1,169	1,093	1,118	1,697
Excess tax benefits from stock-based compensation	(1,665)	(868)	(441)	(839)	(1,169)
Change in operating assets and liabilities (excluding the effects of acquisitions):					
Accounts receivable	(819)	1,692	(5,747)	761	581
Other assets	(3,264)	(1,060)	(1,553)	899	2,228
Accounts payable and accrued liabilities	3,412	(7,028)	3,895	(5,751)	6,186
Member redemption liability	1,636	1,193	1,198	247	870
Deferred revenue	4,046	5,246	(1,180)	(695)	(970)
Other liabilities	(16)	(55)	(6)	(35)	(48)
Net cash provided by operating activities	<u>35,840</u>	<u>25,206</u>	<u>22,860</u>	<u>25,722</u>	<u>38,649</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(6,766)	(5,797)	(7,437)	(2,939)	(6,892)
Purchases of rights, patents and trademarks	-	-	-	-	-
Purchases of short-term investments	(85,014)	(79,491)	(67,733)	(76,286)	(56,188)
Proceeds from maturities and sales of short-term investments	64,541	71,040	57,614	69,245	83,001
Cash paid for acquisitions, net of cash acquired	-	-	(41)	(586)	(49,538)
(Increase)/decrease in restricted cash	-	-	1,450	(1,450)	-
Payment related to settlement of pre-acquisition liability	-	-	-	(4,800)	-
Proceeds from sales of assets, net	7	14	17	87	-
Net cash provided by (used for) investing activities	<u>(27,232)</u>	<u>(14,234)</u>	<u>(16,130)</u>	<u>(16,729)</u>	<u>(29,617)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on capital leases	(4)	(4)	(424)	(98)	(96)
Proceeds from exercises of stock options	4,954	1,883	2,883	1,532	2,415
Proceeds from employee stock purchase plan	3,485	-	2,039	-	2,965
Repurchases of common stock	(1,125)	(2,657)	(310)	(417)	(314)
Payment for dividends	(14,447)	(13,727)	(13,695)	(13,546)	(13,374)
Excess tax benefits from stock-based compensation	1,665	868	441	839	1,169
Net cash used for financing activities	<u>(5,472)</u>	<u>(13,637)</u>	<u>(9,066)</u>	<u>(11,690)</u>	<u>(7,235)</u>
Effect of exchange rate changes on cash and cash equivalents	(23)	(2)	(71)	(6)	(4)
Change in cash and cash equivalents	3,113	(2,667)	(2,407)	(2,703)	1,793
Cash and cash equivalents, beginning of period	16,585	19,252	21,659	24,362	22,569
Cash and cash equivalents, end of period	<u>\$ 19,698</u>	<u>\$ 16,585</u>	<u>\$ 19,252</u>	<u>\$ 21,659</u>	<u>\$ 24,362</u>

UNITED ONLINE, INC.**Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow⁽³⁾**
(in thousands)

Quarter Ended	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
Net cash provided by operating activities	\$ 35,840	\$ 25,206	\$ 22,860	\$ 25,722	\$ 38,649
Add (deduct):					
Capital expenditures	(6,766)	(5,797)	(7,437)	(2,939)	(6,892)
Excess tax benefits from stock-based compensation ^(a)	1,665	868	441	839	1,169
Cash paid for restructuring charges	394	-	105	995	-
Free cash flow	<u>\$ 31,133</u>	<u>\$ 20,277</u>	<u>\$ 15,969</u>	<u>\$ 24,617</u>	<u>\$ 32,926</u>

(a) In accordance with FAS 123R, certain tax benefits from exercised stock options that were previously reflected in the operating section of the statement of cash flows are now presented in the financing section.

UNITED ONLINE, INC.
Quarterly Segment Information
(in thousands)

	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006	June 30, 2006
<u>Content & Media</u>					
Billable services	\$ 26,905	\$ 23,354	\$ 22,305	\$ 22,142	\$ 21,697
Advertising	22,807	20,821	21,287	15,341	16,955
Total revenues	<u>49,712</u>	<u>44,175</u>	<u>43,592</u>	<u>37,483</u>	<u>38,652</u>
Operating expenses					
Cost of revenues	10,963	10,102	11,295	8,532	8,522
Sales and marketing	21,044	21,007	17,900	17,205	16,840
Product development	4,336	4,373	4,045	4,279	3,589
General and administrative	7,298	5,102	4,664	5,057	4,735
Amortization of intangible assets	2,989	3,280	4,114	3,529	3,868
Restructuring charges	394	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	8,781	-	-
Total operating expenses	<u>47,024</u>	<u>43,864</u>	<u>50,799</u>	<u>38,602</u>	<u>37,554</u>
Operating income (loss)	<u>\$ 2,688</u>	<u>\$ 311</u>	<u>\$ (7,207)</u>	<u>\$ (1,119)</u>	<u>\$ 1,098</u>
Depreciation	2,167	2,174	2,368	2,577	2,391
Amortization	2,989	3,280	4,114	3,529	3,868
OIBDA	<u>7,844</u>	<u>5,765</u>	<u>(725)</u>	<u>4,987</u>	<u>7,357</u>
Stock-based compensation	-	-	-	-	-
Restructuring charges	394	-	-	8	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	8,781	-	-
Adjusted OIBDA ⁽²⁾	<u>\$ 8,238</u>	<u>\$ 5,765</u>	<u>\$ 8,056</u>	<u>\$ 4,995</u>	<u>\$ 7,357</u>
<u>Communication</u>					
Billable services	\$ 70,220	\$ 72,966	\$ 77,047	\$ 82,057	\$ 87,161
Advertising	11,485	12,710	10,147	10,096	9,087
Total revenues	<u>81,705</u>	<u>85,676</u>	<u>87,194</u>	<u>92,153</u>	<u>96,248</u>
Operating expenses					
Cost of revenues	19,192	18,951	18,524	20,338	22,368
Sales and marketing	20,725	24,126	25,362	25,555	28,225
Product development	7,518	7,853	8,067	8,085	8,151
General and administrative	4,475	4,464	5,486	5,871	4,884
Amortization of intangible assets	215	215	372	684	684
Restructuring charges	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	4,504	-	-
Total operating expenses	<u>52,125</u>	<u>55,609</u>	<u>62,315</u>	<u>60,533</u>	<u>64,312</u>
Operating income	<u>\$ 29,580</u>	<u>\$ 30,067</u>	<u>\$ 24,879</u>	<u>\$ 31,620</u>	<u>\$ 31,936</u>
Depreciation	2,992	2,552	3,109	3,133	2,954
Amortization	215	215	372	684	684
OIBDA	<u>32,787</u>	<u>32,834</u>	<u>28,360</u>	<u>35,437</u>	<u>35,574</u>
Stock-based compensation	-	-	-	-	-
Restructuring charges	-	-	-	619	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	4,504	-	-
Adjusted OIBDA ⁽²⁾	<u>\$ 32,787</u>	<u>\$ 32,834</u>	<u>\$ 32,864</u>	<u>\$ 36,056</u>	<u>\$ 35,574</u>
<u>Unallocated Corporate Expenses</u>					
Billable services	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses					
Cost of revenues	254	194	148	176	256
Sales and marketing	943	892	714	727	1,072
Product development	1,211	1,245	1,119	1,137	1,645
General and administrative	5,127	5,923	6,387	6,576	7,803
Amortization of intangible assets	-	-	-	-	-
Restructuring charges	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	-
Total operating expenses	<u>7,535</u>	<u>8,254</u>	<u>8,368</u>	<u>8,616</u>	<u>10,776</u>
Operating income (loss)	<u>\$ (7,535)</u>	<u>\$ (8,254)</u>	<u>\$ (8,368)</u>	<u>\$ (8,616)</u>	<u>\$ (10,776)</u>
Depreciation	75	19	24	27	-
Amortization	-	-	-	-	-
OIBDA	<u>(7,460)</u>	<u>(8,235)</u>	<u>(8,344)</u>	<u>(8,589)</u>	<u>(10,776)</u>
Stock-based compensation	2,774	4,047	4,031	4,304	5,864
Restructuring charges	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	-
Adjusted OIBDA ⁽²⁾	<u>\$ (4,686)</u>	<u>\$ (4,188)</u>	<u>\$ (4,313)</u>	<u>\$ (4,285)</u>	<u>\$ (4,912)</u>
Consolidated Adjusted OIBDA ⁽²⁾	<u>\$ 36,339</u>	<u>\$ 34,411</u>	<u>\$ 36,607</u>	<u>\$ 36,766</u>	<u>\$ 38,019</u>

UNITED ONLINE, INC.
Selected Quarterly Historical Financial Data and Key Metrics

	<u>June 30, 2007</u>	<u>March 31, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2006</u>	<u>June 30, 2006</u>
Revenues (in thousands):					
Content & Media	\$ 49,712	\$ 44,175	\$ 43,592	\$ 37,483	\$ 38,652
Communications	81,705	85,676	87,194	92,153	96,248
Total	<u>\$ 131,417</u>	<u>\$ 129,851</u>	<u>\$ 130,786</u>	<u>\$ 129,636</u>	<u>\$ 134,900</u>
Net income (in thousands)	\$ 16,208	\$ 13,028	\$ 4,559	\$ 13,436	\$ 11,585
Net income per diluted share	\$ 0.23	\$ 0.19	\$ 0.07	\$ 0.20	\$ 0.18
Pay accounts (in thousands) ⁽⁴⁾	5,118	4,984	4,854	4,912	4,996
Active accounts (in millions) ^{(4)(a)}	15.9	20.1	20.1	20.8	20.7
Number of employees at end of period	985	1,008	1,006	1,023	1,016

(a) In anticipation of the previously-announced curtailment of photo sharing and VoIP services, the company has excluded the free accounts associated with these services from active accounts reporting at June 30, 2007. The company has also updated its active accounts definition to include Classmates International free accounts and exclude The Names Database and Web hosting free accounts.

UNITED ONLINE, INC.
Analysis of Pay Accounts⁽⁴⁾
(in thousands)

	<u>June 30, 2007</u>	<u>March 31, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2006</u>	<u>June 30, 2006</u>
Content & Media^(a)					
Social networking	2,710	2,433	2,169	2,079	2,029
Other	88	87	86	85	81
Total	<u>2,798</u>	<u>2,520</u>	<u>2,255</u>	<u>2,164</u>	<u>2,110</u>
Communications^(b)					
Access	2,016	2,158	2,282	2,425	2,556
Other	304	306	317	323	330
Total	<u>2,320</u>	<u>2,464</u>	<u>2,599</u>	<u>2,748</u>	<u>2,886</u>
Total pay accounts ⁽⁴⁾	<u>5,118</u>	<u>4,984</u>	<u>4,854</u>	<u>4,912</u>	<u>4,996</u>

(a) Content & Media includes social networking, Web hosting and photo sharing.

(b) Communications includes Internet access, VoIP, premium content, premium email and security suite.

Definitions of Non-GAAP Financial Measures

- (1) Adjusted operating income before depreciation and amortization (adjusted OIBDA) is defined by the company as operating income before depreciation; amortization; stock-based compensation; restructuring charges; and impairment of goodwill, intangible assets and long-lived assets. Management believes that because adjusted OIBDA excludes (1) certain non-cash expenses (such as depreciation, amortization, stock-based compensation and impairment of goodwill, intangible assets and long-lived assets); and (2) expenses that are not reflective of the company's core operating results over time, this measure provides investors with additional useful information to measure the company's performance, particularly with respect to changes in performance from period to period. Management uses adjusted OIBDA to measure the company's performance. The company's board of directors uses this measure in determining certain compensation incentives for certain members of the company's management. Adjusted OIBDA is not determined in accordance with accounting principles generally accepted in the United States of America (GAAP) and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. A limitation associated with the use of adjusted OIBDA is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the company's business. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures and purchase accounting. An additional limitation associated with this measure is that it does not include stock-based compensation expenses related to the company's workforce. Management compensates for this limitation by providing supplemental information about stock compensation expense on the face of the consolidated statements of operations. A further limitation associated with the use of this measure is that it does not reflect the costs of restructuring charges and impairment charges. Management compensates for this limitation by providing information about restructuring charges and impairment charges. Management does not believe any of these limitations are material, particularly when such measure is disclosed with its most comparable GAAP financial measure, operating income. A reconciliation to operating income is provided in the accompanying tables.

Adjusted OIBDA for each of the company's segments is defined by the company as segment income from operations as set forth in the company's Form 10-Ks and Form 10-Qs before restructuring charges and impairment of goodwill, intangible assets and long-lived assets. Management believes that because segment adjusted OIBDA and segment adjusted OIBDA as a percentage of such segment's revenues exclude certain non-cash expenses and expenses that are not reflective of the segment's core operating results over time, these measures provide investors with additional useful information to measure the company's segment performance, particularly with respect to changes in performance from period to period. Segment adjusted OIBDA and segment adjusted OIBDA as a percentage of such segment's revenues are not determined in accordance with GAAP and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. A limitation associated with the use of these measures is that they do not reflect the costs of restructuring charges and impairment charges related to an operating segment. Management compensates for this limitation by providing information about restructuring charges and impairment charges by segment. Management does not believe this limitation is material, particularly when such measure is disclosed with its most comparable GAAP financial measure, segment income from operations. Reconciliations to segment income from operations and to segment income from operations as a percentage of such segment's revenues are provided in the accompanying tables.

- (2) Adjusted net income is defined by the company as net income before the after-tax effect of amortization of intangible assets; stock-based compensation; restructuring charges; impairment of goodwill, intangible assets and long-lived assets; and the cumulative effect of a change in accounting principle as a result of the adoption of FAS 123R, and the re-measurement of certain deferred tax assets. Management believes that adjusted net income and adjusted net income per diluted share provide investors with additional useful information to measure the company's financial performance, particularly from period to period, because these measures are exclusive of (1) certain non-cash expenses (such as amortization, stock-based compensation and impairment of goodwill, intangible assets and long-lived assets) and (2) expenses that are not reflective of the company's core results over time. Management also uses adjusted net income and adjusted net income per diluted share for this purpose. Adjusted net income and adjusted net income per diluted share are not determined in accordance with accounting principles generally accepted in the United States of America (GAAP) and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. The limitations of adjusted net income and adjusted net income per diluted share are that, similar to adjusted OIBDA, they do not

include certain costs, and the terms adjusted net income and adjusted net income per diluted share do not have standardized meanings. Therefore, other companies may use the same or similarly named measures but exclude different items or use different computations, which may not provide investors a comparable view of the company's performance in relation to other companies in the same industry. Management compensates for this limitation by presenting the most comparable GAAP measure, net income and net income per diluted share, directly ahead of adjusted net income and adjusted net income per diluted share in this earnings release and by providing a reconciliation that shows and describes the adjustments made. Management does not believe these limitations are material, particularly when such measures are disclosed with the most comparable GAAP financial measure, net income and net income per diluted share. Reconciliations to net income and to net income per diluted share are provided in the accompanying tables.

- (3) Free cash flow is defined by the company as net cash provided by operating activities, less capital expenditures and including the excess tax benefits from stock-based compensation and cash paid for restructuring charges. Management believes that this measure of free cash flow provides investors with additional useful information to measure operating liquidity because it reflects the company's operating cash flows after investing in capital assets. This measure is used by management, and may also be useful for investors, to assess the company's ability to pay its quarterly dividend, repay debt obligations, generate cash flow for a variety of strategic opportunities, including reinvestment in the business, and effect potential acquisitions and share repurchases. Free cash flow is not determined in accordance with accounting principles generally accepted in the United States of America (GAAP) and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. The limitation of free cash flow is that it does not represent the total increase or decrease in cash during the period. Management does not believe that this is a material limitation, particularly when such measure is disclosed with its most comparable GAAP financial measure, net cash provided by operating activities. A reconciliation to net cash provided by operating activities is provided in the accompanying tables.
- (4) A pay account represents a unique billing relationship with a customer who subscribes to one or more of the company's services. A pay account does not equate to a unique subscriber since one subscriber could have several pay accounts. Active accounts are defined as all free access, social networking (including Classmates International free accounts but excluding The Names Database free accounts) and email users that logged on to our services at least once during the preceding 31 days, together with all pay accounts. Additionally, active accounts include the number of MyPoints members who earned points or spent points within the preceding 90 days. In anticipation of the previously announced curtailment of our photo-sharing and VoIP services, the company has excluded the free accounts associated with these services from our active accounts reporting at June 30, 2007. In addition, to better reflect the activity level of our membership base, we have updated our active accounts definition to include Classmates International free accounts and exclude The Names Database and Web-hosting free accounts.