

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

Quarter Ended	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Revenues	\$ 126,825	\$ 131,417	\$ 129,851	\$ 130,786	\$ 129,636
Operating expenses:					
Cost of revenues ^(a)	27,865	30,409	29,247	29,967	28,987
Sales and marketing ^(a)	38,410	42,712	46,025	43,976	43,448
Product development ^(a)	12,276	13,065	13,471	13,231	13,170
General and administrative ^(a)	21,887	16,900	15,489	16,537	17,306
Amortization of intangible assets	3,090	3,204	3,495	4,486	4,213
Restructuring charges	34	394	-	-	627
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	13,285	-
Total operating expenses	<u>103,562</u>	<u>106,684</u>	<u>107,727</u>	<u>121,482</u>	<u>107,751</u>
Operating income	23,263	24,733	22,124	9,304	21,885
Interest and other income, net	1,874	1,881	1,700	1,549	1,457
Interest expense	<u>(228)</u>	<u>(372)</u>	<u>(360)</u>	<u>(245)</u>	<u>(199)</u>
Income before income taxes	24,909	26,242	23,464	10,608	23,143
Provision for income taxes	10,940	10,034	10,436	6,049	9,707
Net income	<u>\$ 13,969</u>	<u>\$ 16,208</u>	<u>\$ 13,028</u>	<u>\$ 4,559</u>	<u>\$ 13,436</u>
Basic net income per share	<u>\$ 0.21</u>	<u>\$ 0.24</u>	<u>\$ 0.20</u>	<u>\$ 0.07</u>	<u>\$ 0.21</u>
Diluted net income per share	<u>\$ 0.20</u>	<u>\$ 0.23</u>	<u>\$ 0.19</u>	<u>\$ 0.07</u>	<u>\$ 0.20</u>
Shares used to calculate basic net income per share	<u>67,207</u>	<u>66,685</u>	<u>65,627</u>	<u>65,102</u>	<u>64,573</u>
Shares used to calculate diluted net income per share	<u>69,525</u>	<u>69,351</u>	<u>68,080</u>	<u>67,616</u>	<u>66,583</u>
Shares outstanding at end of period	<u>67,639</u>	<u>67,462</u>	<u>66,420</u>	<u>65,805</u>	<u>65,214</u>
(a) Stock-based compensation was allocated as follows:					
Cost of revenues	\$ 247	\$ 254	\$ 194	\$ 148	\$ 176
Sales and marketing	1,128	943	892	714	727
Product development	1,358	1,211	1,245	1,119	1,137
General and administrative	3,050	366	1,716	2,050	2,264
Total stock-based compensation	<u>\$ 5,783</u>	<u>\$ 2,774</u>	<u>\$ 4,047</u>	<u>\$ 4,031</u>	<u>\$ 4,304</u>

UNITED ONLINE, INC.

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

Quarter Ended	September 30, 2007	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	\$ 23,263	\$ 24,733	\$ 22,124	\$ 9,304	\$ 21,885	\$ 22,258	\$ 20,572	\$ 22,082	\$ 22,634	\$ 20,859	\$ 20,985
Depreciation	5,021	5,234	4,745	5,501	5,737	5,345	4,707	4,503	3,720	3,784	3,474
Amortization of intangible assets	3,090	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	31,374	33,171	30,364	19,291	31,835	32,155	29,668	31,500	31,606	30,297	30,437
Stock-based compensation	5,783	2,774	4,047	4,031	4,304	5,864	4,969	3,120	2,837	2,920	1,075
Restructuring charges	34	394	-	-	627	-	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	13,285	-	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization	\$ 37,191	\$ 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	29.3%	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 Segment Adjusted OIBDA¹⁾
(in thousands)

Quarter Ended	September 30, 2007	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	\$ 11,266	\$ 7,844	\$ 5,765	\$ (725)	\$ 4,987	\$ 7,357	\$ 6,294	\$ 8,969	\$ 4,324	\$ 53	\$ 3,195
Restructuring charges	34	394	-	-	8	-	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	8,781	-	-	-	-	-	-	-
Segment adjusted operating income before depreciation and amortization	\$ 11,300	\$ 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	22.0%	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	\$ 29,863	\$ 32,787	\$ 32,834	\$ 28,360	\$ 35,437	\$ 35,574	\$ 33,468	\$ 30,292	\$ 34,872	\$ 37,301	\$ 32,821
Restructuring charges	-	-	-	4,504	619	-	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	-	-	-	-	-	-	-
Segment adjusted operating income before depreciation and amortization	\$ 29,863	\$ 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	39.6%	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 of intangible assets	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 of intangible assets	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	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Net income	\$ 13,969	\$ 16,208	\$ 13,028	\$ 4,559	\$ 13,436
Add:					
Stock-based compensation	5,783	2,774	4,047	4,031	4,304
Amortization of intangible assets	3,090	3,204	3,495	4,486	4,213
Restructuring charges	34	394	-	-	627
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	13,285	-
	<u>22,876</u>	<u>22,580</u>	<u>20,570</u>	<u>26,361</u>	<u>22,580</u>
Income tax effect of adjusting entries	(2,349)	(2,483)	(2,049)	(7,682)	(2,873)
Re-measurement of certain deferred tax assets	-	(658)	-	813	-
Adjusted net income	<u>\$ 20,527</u>	<u>\$ 19,439</u>	<u>\$ 18,521</u>	<u>\$ 19,492</u>	<u>\$ 19,707</u>
Basic net income per share	<u>\$ 0.21</u>	<u>\$ 0.24</u>	<u>\$ 0.20</u>	<u>\$ 0.07</u>	<u>\$ 0.21</u>
Diluted net income per share	<u>\$ 0.20</u>	<u>\$ 0.23</u>	<u>\$ 0.19</u>	<u>\$ 0.07</u>	<u>\$ 0.20</u>
Adjusted basic net income per share	<u>\$ 0.31</u>	<u>\$ 0.29</u>	<u>\$ 0.28</u>	<u>\$ 0.30</u>	<u>\$ 0.31</u>
Adjusted diluted net income per share	<u>\$ 0.29</u>	<u>\$ 0.27</u>	<u>\$ 0.27</u>	<u>\$ 0.29</u>	<u>\$ 0.29</u>
Shares used to calculate basic net income per share	<u>67,207</u>	<u>66,685</u>	<u>65,627</u>	<u>65,102</u>	<u>64,573</u>
Shares used to calculate diluted net income per share	<u>69,525</u>	<u>69,351</u>	<u>68,080</u>	<u>67,616</u>	<u>66,583</u>
Shares used to calculate adjusted basic net income per share	<u>67,207</u>	<u>66,685</u>	<u>65,627</u>	<u>65,102</u>	<u>64,573</u>
Shares used to calculate adjusted diluted net income per share ^(a)	<u>71,171</u>	<u>70,873</u>	<u>69,089</u>	<u>68,194</u>	<u>67,482</u>

(a) Includes the adjustment of shares used to calculate diluted net income per share resulting from the elimination of stock-based compensation.

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

	<u>September 30, 2007</u>	<u>June 30, 2007</u>	<u>March 31, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2006</u>
ASSETS					
Cash, cash equivalents and short-term investments	\$ 205,407	\$ 191,401	\$ 168,011	\$ 162,362	\$ 154,697
Restricted cash	-	-	-	-	6,250
Accounts receivable, net	27,660	30,259	30,739	32,226	26,264
Deferred tax assets, net	65,976	71,068	71,747	71,360	64,779
Property and equipment, net	37,053	36,803	35,339	34,296	36,860
Goodwill and intangible assets, net	176,631	179,679	183,180	186,671	200,019
Other assets	20,575	20,428	17,164	16,104	14,787
Total assets	<u>\$ 533,302</u>	<u>\$ 529,638</u>	<u>\$ 506,180</u>	<u>\$ 503,019</u>	<u>\$ 503,656</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	\$ 37,347	\$ 43,523	\$ 37,806	\$ 36,550	\$ 37,897
Accrued liabilities	28,383	27,711	30,016	39,547	38,997
Member redemption liability	23,523	22,817	21,182	19,989	18,789
Deferred revenue	68,327	65,639	61,593	56,348	57,528
Capital leases	18	22	26	30	454
Other liabilities	4,648	4,765	4,782	3,589	3,595
Total liabilities	<u>162,246</u>	<u>164,477</u>	<u>155,405</u>	<u>156,053</u>	<u>157,260</u>
Stockholders' equity	371,056	365,161	350,775	346,966	346,396
Total liabilities and stockholders' equity	<u>\$ 533,302</u>	<u>\$ 529,638</u>	<u>\$ 506,180</u>	<u>\$ 503,019</u>	<u>\$ 503,656</u>

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

Quarter Ended	<u>September 30, 2007</u>	<u>June 30, 2007</u>	<u>March 31, 2007</u>	<u>December 31, 2006</u>	<u>September 30, 2006</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	\$ 13,969	\$ 16,208	\$ 13,028	\$ 4,559	\$ 13,436
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, amortization and stock-based compensation	13,894	11,212	12,287	14,018	14,254
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	13,285	-
Provision for doubtful accounts	1,267	1,299	(206)	(215)	(12)
Deferred taxes and other	5,246	1,250	(192)	(6,046)	2,339
Tax benefits from stock-based compensation	521	2,541	1,169	1,093	1,118
Excess tax benefits from stock-based compensation	(199)	(1,665)	(868)	(441)	(839)
Change in operating assets and liabilities (excluding the effects of acquisitions):					
Accounts receivable	1,332	(819)	1,692	(5,747)	761
Other assets	(234)	(3,264)	(1,060)	(1,553)	899
Accounts payable and accrued liabilities	(5,504)	3,412	(7,028)	3,895	(5,751)
Member redemption liability	706	1,636	1,193	1,198	247
Deferred revenue	2,688	4,046	5,246	(1,180)	(695)
Other liabilities	(117)	(16)	(55)	(6)	(35)
Net cash provided by operating activities	<u>33,569</u>	<u>35,840</u>	<u>25,206</u>	<u>22,860</u>	<u>25,722</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(5,272)	(6,766)	(5,797)	(7,437)	(2,939)
Purchases of short-term investments	(40,846)	(85,014)	(79,491)	(67,733)	(76,286)
Proceeds from maturities and sales of short-term investments	97,663	64,541	71,040	57,614	69,245
Cash paid for acquisitions, net of cash acquired	-	-	-	(41)	(586)
(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	43	7	14	17	87
Net cash provided by (used for) investing activities	<u>51,588</u>	<u>(27,232)</u>	<u>(14,234)</u>	<u>(16,130)</u>	<u>(16,729)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on capital leases	(4)	(4)	(4)	(424)	(98)
Proceeds from exercises of stock options	552	4,954	1,883	2,883	1,532
Proceeds from employee stock purchase plan	-	3,485	-	2,039	-
Repurchases of common stock	(890)	(1,125)	(2,657)	(310)	(417)
Payment for dividends	(14,392)	(14,447)	(13,727)	(13,695)	(13,546)
Excess tax benefits from stock-based compensation	199	1,665	868	441	839
Net cash used for financing activities	<u>(14,535)</u>	<u>(5,472)</u>	<u>(13,637)</u>	<u>(9,066)</u>	<u>(11,690)</u>
Effect of exchange rate changes on cash and cash equivalents	192	(23)	(2)	(71)	(6)
Change in cash and cash equivalents	70,814	3,113	(2,667)	(2,407)	(2,703)
Cash and cash equivalents, beginning of period	19,698	16,585	19,252	21,659	24,362
Cash and cash equivalents, end of period	<u>\$ 90,512</u>	<u>\$ 19,698</u>	<u>\$ 16,585</u>	<u>\$ 19,252</u>	<u>\$ 21,659</u>

UNITED ONLINE, INC.**Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow⁽⁴⁾****(in thousands)**

Quarter Ended	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Net cash provided by operating activities	\$ 33,569	\$ 35,840	\$ 25,206	\$ 22,860	\$ 25,722
Add (deduct):					
Capital expenditures	(5,272)	(6,766)	(5,797)	(7,437)	(2,939)
Excess tax benefits from stock-based compensation ^(a)	199	1,665	868	441	839
Cash paid for restructuring charges	34	394	-	105	995
Free cash flow	<u>\$ 28,530</u>	<u>\$ 31,133</u>	<u>\$ 20,277</u>	<u>\$ 15,969</u>	<u>\$ 24,617</u>

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

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

	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
<u>Content & Media</u>					
Billable services	\$ 29,416	\$ 26,905	\$ 23,354	\$ 22,305	\$ 22,142
Advertising	21,959	22,807	20,821	21,287	15,341
Total revenues	<u>51,375</u>	<u>49,712</u>	<u>44,175</u>	<u>43,592</u>	<u>37,483</u>
Operating expenses					
Cost of revenues	10,742	10,963	10,102	11,295	8,532
Sales and marketing	19,586	21,044	21,007	17,900	17,197
Product development	4,170	4,336	4,373	4,045	4,279
General and administrative	7,723	7,298	5,102	4,664	5,057
Amortization of intangible assets	2,875	2,989	3,280	4,114	3,529
Restructuring charges	34	394	-	-	8
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	8,781	-
Total operating expenses	<u>45,130</u>	<u>47,024</u>	<u>43,864</u>	<u>50,799</u>	<u>38,602</u>
Operating income (loss)	<u>6,245</u>	<u>2,688</u>	<u>311</u>	<u>(7,207)</u>	<u>(1,119)</u>
Depreciation	2,146	2,167	2,174	2,368	2,577
Amortization of intangible assets	2,875	2,989	3,280	4,114	3,529
Operating income before depreciation and amortization	<u>11,266</u>	<u>7,844</u>	<u>5,765</u>	<u>(725)</u>	<u>4,987</u>
Stock-based compensation	-	-	-	-	-
Restructuring charges	34	394	-	-	8
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	8,781	-
Segment adjusted operating income before depreciation and amortization ⁽²⁾	<u>\$ 11,300</u>	<u>\$ 8,238</u>	<u>\$ 5,765</u>	<u>\$ 8,056</u>	<u>\$ 4,995</u>
<u>Communications</u>					
Billable services	\$ 65,170	\$ 70,220	\$ 72,966	\$ 77,047	\$ 82,057
Advertising	10,280	11,485	12,710	10,147	10,096
Total revenues	<u>75,450</u>	<u>81,705</u>	<u>85,676</u>	<u>87,194</u>	<u>92,153</u>
Operating expenses					
Cost of revenues	16,876	19,192	18,951	18,524	20,279
Sales and marketing	17,697	20,725	24,126	25,362	25,524
Product development	6,748	7,518	7,853	8,067	7,754
General and administrative	7,066	4,475	4,464	5,486	5,673
Amortization of intangible assets	215	215	215	372	684
Restructuring charges	-	-	-	-	619
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	4,504	-
Total operating expenses	<u>48,602</u>	<u>52,125</u>	<u>55,609</u>	<u>62,315</u>	<u>60,533</u>
Operating income	<u>26,848</u>	<u>29,580</u>	<u>30,067</u>	<u>24,879</u>	<u>31,620</u>
Depreciation	2,800	2,992	2,552	3,109	3,133
Amortization of intangible assets	215	215	215	372	684
Operating income before depreciation and amortization	<u>29,863</u>	<u>32,787</u>	<u>32,834</u>	<u>28,360</u>	<u>35,437</u>
Stock-based compensation	-	-	-	-	-
Restructuring charges	-	-	-	-	619
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	4,504	-
Segment adjusted operating income before depreciation and amortization ⁽²⁾	<u>\$ 29,863</u>	<u>\$ 32,787</u>	<u>\$ 32,834</u>	<u>\$ 32,864</u>	<u>\$ 36,056</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	247	254	194	148	176
Sales and marketing	1,127	943	892	714	727
Product development	1,358	1,211	1,245	1,119	1,137
General and administrative	7,098	5,127	5,923	6,387	6,576
Amortization of intangible assets	-	-	-	-	-
Restructuring charges	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	-
Total operating expenses	<u>9,830</u>	<u>7,535</u>	<u>8,254</u>	<u>8,368</u>	<u>8,616</u>
Operating income (loss)	<u>(9,830)</u>	<u>(7,535)</u>	<u>(8,254)</u>	<u>(8,368)</u>	<u>(8,616)</u>
Depreciation	75	75	19	24	27
Amortization of intangible assets	-	-	-	-	-
Operating income before depreciation and amortization	<u>(9,755)</u>	<u>(7,460)</u>	<u>(8,235)</u>	<u>(8,344)</u>	<u>(8,589)</u>
Stock-based compensation	5,783	2,774	4,047	4,031	4,304
Restructuring charges	-	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	-
Segment adjusted operating income before depreciation and amortization ⁽²⁾	<u>\$ (3,972)</u>	<u>\$ (4,686)</u>	<u>\$ (4,188)</u>	<u>\$ (4,313)</u>	<u>\$ (4,285)</u>
Consolidated adjusted operating income before depreciation and amortization ⁽²⁾	<u>\$ 37,191</u>	<u>\$ 36,339</u>	<u>\$ 34,411</u>	<u>\$ 36,607</u>	<u>\$ 36,766</u>

UNITED ONLINE, INC.
Selected Quarterly Historical Financial Data and Key Metrics^(a)

	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Revenues (in thousands):					
Content & Media	\$ 51,375	\$ 49,712	\$ 44,175	\$ 43,592	\$ 37,483
Communications	75,450	81,705	85,676	87,194	92,153
Total	<u>\$ 126,825</u>	<u>\$ 131,417</u>	<u>\$ 129,851</u>	<u>\$ 130,786</u>	<u>\$ 129,636</u>
Net income (in thousands)	\$ 13,969	\$ 16,208	\$ 13,028	\$ 4,559	\$ 13,436
Diluted net income per share	\$ 0.20	\$ 0.23	\$ 0.19	\$ 0.07	\$ 0.20
Pay accounts (in thousands) ^{(3)(b)}	5,239	5,118	4,984	4,854	4,912
Active accounts (in millions) ^{(3)(c)}	16.3	15.9	20.1	20.1	20.8
Number of employees at end of period	999	985	1,008	1,006	1,023

(a) More information on the financial results for these quarters can be found in the company's filings with the Securities and Exchange Commission.

(b) Growth in pay accounts during the quarter ended September 30, 2007 includes a loss of 18,000 pay accounts resulting from the company's decision to exit the photo sharing business.

(c) Prior to the quarter ended June 30, 2007, active accounts also included free accounts associated with VoIP and The Names Database that had logged on to the company's services within the preceding 31 days, Web hosting free accounts that received a Web site visit within the preceding 90 days, and photo sharing free accounts that logged on to the service within the preceding 90 days. These free accounts were removed from the active accounts definition in anticipation of the company's curtailment of photo sharing and VoIP services, and to better reflect the activity level of the company's member base. Beginning with the quarter ended September 30, 2007, we measured active accounts using a different methodology for the company's free social networking and MyPoints members. Until the quarter ended September 30, 2007, active accounts for each quarterly period included all free social networking accounts that had logged on to the company's services at least once during the prior 31 days and MyPoint members who earned points or spent points within the preceding 90 days. Beginning with the quarter ended September 30, 2007, active accounts for free social networking members and MyPoints members reflect the following definitions: the monthly average for the quarter ended, as of the date presented, of all free social networking accounts who have visited the company's domestic or international Web sites (excluding The Names Database) at least once during the reporting period, and the monthly average for the period of all loyalty marketing members who have earned or redeemed points during such period.

UNITED ONLINE, INC.
Analysis of Pay Accounts⁽³⁾
(in thousands)

	September 30, 2007	June 30, 2007	March 31, 2007	December 31, 2006	September 30, 2006
Content & Media ^(a)					
Social networking	2,983	2,710	2,433	2,169	2,079
Other ^(c)	70	88	87	86	85
Total ^(c)	<u>3,053</u>	<u>2,798</u>	<u>2,520</u>	<u>2,255</u>	<u>2,164</u>
Communications ^(b)					
Access	1,886	2,016	2,158	2,282	2,425
Other	300	304	306	317	323
Total	<u>2,186</u>	<u>2,320</u>	<u>2,464</u>	<u>2,599</u>	<u>2,748</u>
Total pay accounts ^{(3)(c)}	<u>5,239</u>	<u>5,118</u>	<u>4,984</u>	<u>4,854</u>	<u>4,912</u>

(a) Content & Media includes social networking and Web hosting. Periods prior to September 30, 2007 also include photo sharing.

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

(c) Growth in pay accounts during the quarter ended September 30, 2007 includes a loss of 18,000 pay accounts resulting from the company's decision to exit the photo sharing business.

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 and related 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 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 activities such as evaluations of 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 a summary of stock-based compensation expenses 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 and related charges and impairment of goodwill, intangible assets and long-lived assets. Management compensates for this limitation by providing supplemental information about restructuring and related charges and impairment charges within its financial press releases and SEC filings, when applicable. A reconciliation to operating income, its most comparable GAAP financial measure, 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 Forms 10-K and Forms 10-Q, before restructuring and related 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 segment 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 evaluate 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 segment 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 and related charges and impairment charges related to an operating segment. Management compensates for this limitation by providing supplemental information about restructuring and related charges and impairment charges by segment within its financial press releases and SEC filings, when applicable. A reconciliation to segment income from operations, its most comparable GAAP financial measure, is 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 and related 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 SFAS 123R, and the re-measurement of certain deferred tax assets. Management believes that adjusted net income and adjusted diluted net income per 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 diluted net income per share for this purpose. Adjusted net income and adjusted diluted net income per 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 diluted net income per share are that, similar to adjusted OIBDA, they do not include certain costs, and the terms adjusted net income and adjusted diluted net income per 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 measures, net income and diluted net income per share, directly ahead of adjusted net income and adjusted diluted net income per share within its financial press releases and SEC filings and by providing a reconciliation that shows and describes the adjustments made. Reconciliations to net income and diluted net income per share are provided in the accompanying tables.

(3) 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 pay accounts as of the date presented; the monthly average for the quarter ended, as of the date presented, of all free social networking accounts who have visited the company's domestic or international Web sites (excluding The Names Database) at least once during the reporting period; and the monthly average for the period of all loyalty marketing members who have earned or redeemed points during such period. Active accounts also include the number of free Communications accounts (access and email users) that logged on to the company's services at least once during the preceding 31 days. Prior to the quarter ended September 30, 2007, we measured active accounts using a different methodology for our free social networking and loyalty marketing members. Until the quarter ended September 30, 2007, active accounts for each quarterly period included all free social networking accounts that had logged on to our services at least once during the prior 31 days and loyalty marketing members who earned or redeemed points within the preceding 90 days. Prior to the quarter ended June 30, 2007, active accounts also included free accounts associated with VoIP and The Names Database that had logged on to the company's services within the preceding 31 days, Web hosting free accounts that received a Web site visit within the preceding 90 days, and photo sharing free accounts that logged on to the service within the preceding 90 days. These free accounts were removed from the active accounts definition in anticipation of the company's curtailment of photo sharing and VoIP services, and to better reflect the activity level of the company's member base.

(4) 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 and related charges. Management believes that 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 and prior to cash paid for restructuring and related charges. It also fully reflects the tax benefits realized from stock-based compensation. 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. A reconciliation to net cash provided by operating activities, its most comparable GAAP financial measure, is provided in the accompanying tables.