

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

| Three Months Ended | Mar 31, 2003 | Dec 31, 2002 | Sep 30, 2002 | Jun 30, 2002 | Mar 31, 2002 | Dec 31, 2001 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Revenues: | | | | | | |
| Billable services..... | \$ 66,035 | \$ 58,149 | \$ 51,194 | \$ 47,888 | \$ 44,419 | \$ 41,035 |
| Advertising and commerce..... | 7,784 | 7,651 | 6,874 | 6,561 | 6,492 | 7,012 |
| Total revenues..... | <u>73,819</u> | <u>65,800</u> | <u>58,068</u> | <u>54,449</u> | <u>50,911</u> | <u>48,047</u> |
| Operating expenses: | | | | | | |
| Cost of billable services..... | 23,592 | 21,990 | 20,700 | 20,612 | 22,073 | 23,265 |
| Cost of free services..... | 3,134 | 3,161 | 3,736 | 4,365 | 6,786 | 8,722 |
| Sales and marketing..... | 23,623 | 19,863 | 16,667 | 14,644 | 11,578 | 10,059 |
| Product development..... | 5,964 | 5,740 | 5,921 | 6,320 | 6,378 | 7,418 |
| General and administrative..... | 7,126 | 7,087 | 5,653 | 6,433 | 7,125 | 9,151 |
| Restructuring charges..... | (215) | - | - | 1,113 | 680 | 2,075 |
| Amortization of intangible assets..... | 3,964 | 3,798 | 4,685 | 4,685 | 4,685 | 4,685 |
| Total operating expenses..... | <u>67,188</u> | <u>61,639</u> | <u>57,362</u> | <u>58,172</u> | <u>59,305</u> | <u>65,375</u> |
| Income (loss) from operations..... | 6,631 | 4,161 | 706 | (3,723) | (8,394) | (17,328) |
| Interest income, net..... | 1,105 | 1,073 | 988 | 1,044 | 1,082 | 1,585 |
| Other income, net..... | - | - | - | - | 58 | - |
| Income (loss) before income taxes..... | 7,736 | 5,234 | 1,694 | (2,679) | (7,254) | (15,743) |
| Provision for income taxes..... | 774 | 523 | 169 | - | - | - |
| Net income (loss)..... | <u>\$ 6,962</u> | <u>\$ 4,711</u> | <u>\$ 1,525</u> | <u>\$ (2,679)</u> | <u>\$ (7,254)</u> | <u>\$ (15,743)</u> |
| Basic net income (loss) per share..... | <u>\$ 0.17</u> | <u>\$ 0.12</u> | <u>\$ 0.04</u> | <u>\$ (0.07)</u> | <u>\$ (0.19)</u> | <u>\$ (0.41)</u> |
| Diluted net income (loss) per share..... | <u>\$ 0.15</u> | <u>\$ 0.11</u> | <u>\$ 0.03</u> | <u>\$ (0.07)</u> | <u>\$ (0.19)</u> | <u>\$ (0.41)</u> |
| Shares used to calculate basic income (loss) per share..... | <u>41,468</u> | <u>40,937</u> | <u>40,181</u> | <u>39,738</u> | <u>38,951</u> | <u>38,863</u> |
| Shares used to calculate diluted income (loss) per share..... | <u>45,092</u> | <u>44,563</u> | <u>43,687</u> | <u>39,738</u> | <u>38,951</u> | <u>38,863</u> |
| Shares outstanding at end of period..... | <u>41,704</u> | <u>41,764</u> | <u>40,599</u> | <u>40,567</u> | <u>40,128</u> | <u>39,877</u> |

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

| | <u>Mar 31, 2003</u> (unaudited) | <u>Dec 31, 2002</u> (unaudited) | <u>Sep 30, 2002</u> (unaudited) | <u>Jun 30, 2002</u> | <u>Mar 31, 2002</u> (unaudited) | <u>Dec 31, 2001</u> (unaudited) |
|--|------------------------------------|------------------------------------|------------------------------------|---------------------|------------------------------------|------------------------------------|
| ASSETS | | | | | | |
| Cash, cash equivalents and short-term investments..... | \$ 171,515 | \$ 159,780 | \$ 145,551 | \$ 139,355 | \$ 125,902 | \$ 125,781 |
| Restricted cash..... | 811 | 811 | 1,342 | 6,185 | 6,408 | 6,627 |
| Accounts receivable, net..... | 11,930 | 11,312 | 8,498 | 7,977 | 10,321 | 11,705 |
| Property and equipment, net..... | 12,518 | 13,303 | 13,645 | 16,500 | 20,823 | 25,583 |
| Intangible assets, net..... | 53,558 | 57,521 | 53,434 | 58,119 | 61,879 | 66,054 |
| Other assets..... | 8,295 | 7,064 | 8,765 | 5,457 | 5,878 | 6,883 |
| Total assets..... | <u>\$ 258,627</u> | <u>\$ 249,791</u> | <u>\$ 231,235</u> | <u>\$ 233,593</u> | <u>\$ 231,211</u> | <u>\$ 242,633</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | | | | |
| Accounts payable..... | \$ 23,536 | \$ 25,906 | \$ 18,624 | \$ 21,575 | \$ 24,458 | \$ 24,066 |
| Accrued liabilities..... | 15,255 | 13,120 | 11,065 | 11,212 | 9,848 | 10,708 |
| Deferred revenue..... | 23,902 | 20,157 | 18,350 | 18,815 | 14,723 | 17,409 |
| Notes payable..... | - | - | - | - | - | 191 |
| Capital leases..... | 98 | 748 | 2,017 | 3,205 | 4,452 | 5,819 |
| Total liabilities..... | <u>62,791</u> | <u>59,931</u> | <u>50,056</u> | <u>54,807</u> | <u>53,481</u> | <u>58,193</u> |
| Stockholders' equity..... | 195,836 | 189,860 | 181,179 | 178,786 | 177,730 | 184,440 |
| Total liabilities and stockholders' equity..... | <u>\$ 258,627</u> | <u>\$ 249,791</u> | <u>\$ 231,235</u> | <u>\$ 233,593</u> | <u>\$ 231,211</u> | <u>\$ 242,633</u> |

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

| Three Months Ended | Mar 31, 2003 | Dec 31, 2002 | Sep 30, 2002 | Jun 30, 2002 | Mar 31, 2002 | Dec 31, 2001 |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | | | |
| Net income (loss)..... | \$ 6,962 | \$ 4,711 | \$ 1,525 | \$ (2,679) | \$ (7,254) | \$ (15,743) |
| Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities: | | | | | | |
| Depreciation, amortization and stock-based charges..... | 6,801 | 6,881 | 8,053 | 9,391 | 11,810 | 12,204 |
| Other..... | 586 | 318 | 279 | 803 | 3 | 966 |
| Change in operating assets and liabilities (excluding the effects of acquisitions): | | | | | | |
| Restricted cash..... | - | 531 | 4,843 | 223 | 219 | (1,801) |
| Accounts receivable..... | (618) | (1,203) | (521) | 582 | 238 | (464) |
| Other assets..... | (1,231) | 641 | (2,308) | 3,885 | 933 | 1,445 |
| Accounts payable and accrued expenses..... | (240) | 8,680 | (3,254) | (2,943) | 373 | (9,472) |
| Deferred revenue..... | 3,745 | 763 | (465) | 3,351 | (2,686) | 3,230 |
| Net cash provided by (used for) operating activities..... | <u>16,005</u> | <u>21,322</u> | <u>8,152</u> | <u>12,613</u> | <u>3,636</u> | <u>(9,635)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | | | | |
| Purchases of short-term investments..... | (13,626) | (7,575) | (19,243) | (50,439) | (11,982) | (20,405) |
| Proceeds from maturities of short-term investments..... | 255 | 10,000 | 19,945 | 9,735 | 20,811 | 11,527 |
| Cash paid for acquisitions, net of cash acquired..... | - | (7,327) | (1,000) | - | - | - |
| Purchases of patent rights..... | - | - | - | - | - | (7) |
| Purchases of property and equipment..... | (2,024) | (2,156) | (477) | (594) | (435) | (265) |
| Proceeds from sales of assets, net..... | - | - | - | (351) | 172 | - |
| Net cash provided by (used for) investing activities..... | <u>(15,395)</u> | <u>(7,058)</u> | <u>(775)</u> | <u>(41,649)</u> | <u>8,566</u> | <u>(9,150)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | | | | |
| Payments on notes payable and capital leases..... | (598) | (1,118) | (1,188) | (1,247) | (1,560) | (2,826) |
| Repayment of notes receivable..... | 10 | 28 | 28 | 6 | - | - |
| Proceeds from employee stock purchase plan..... | - | 843 | - | 405 | - | 111 |
| Common stock repurchases..... | (1,815) | - | (2,165) | (50) | (2,454) | (829) |
| Proceeds from exercise of stock options..... | 255 | 2,636 | 1,053 | 1,699 | 1,231 | - |
| Net cash provided by (used for) financing activities..... | <u>(2,148)</u> | <u>2,389</u> | <u>(2,272)</u> | <u>813</u> | <u>(2,783)</u> | <u>(3,544)</u> |
| Change in cash and cash equivalents..... | (1,538) | 16,653 | 5,105 | (28,223) | 9,419 | (22,329) |
| Cash and cash equivalents, beginning of period..... | 63,301 | 46,648 | 41,543 | 69,766 | 60,347 | 82,676 |
| Cash and cash equivalents, end of period..... | <u>\$ 61,763</u> | <u>\$ 63,301</u> | <u>\$ 46,648</u> | <u>\$ 41,543</u> | <u>\$ 69,766</u> | <u>\$ 60,347</u> |

Following are reconciliations of net income, calculated in accordance with generally accepted accounting principles (GAAP), to pro forma net income (loss). Pro forma net income (loss) is defined as net income (loss) before the after-tax effect of amortization of intangible assets, stock-based charges and restructuring and merger-related costs. Management believes that pro forma net income (loss) provides investors with additional useful information to measure the company's financial performance, particularly from period to period, exclusive of certain non-cash expenses and other items which management believes are not reflective of the company's core operating results over time. Management also uses pro forma net income (loss) for these purposes. Pro forma net income (loss) is 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.

UNITED ONLINE, INC.

Reconciliation of Net Income (Loss) to Pro Forma Net Income (Loss)
(in thousands, except per-share data)

| | Three Months Ended Mar 31, 2003 | | | Three Months Ended Dec 31, 2002 | | | Three Months Ended Sep 30, 2002 | | |
|---|---------------------------------|-------------------|-----------|---------------------------------|-------------------|-----------|---------------------------------|-------------------|-----------|
| | Reported | Pro Forma Entries | Pro Forma | Reported | Pro Forma Entries | Pro Forma | Reported | Pro Forma Entries | Pro Forma |
| Revenues: | | | | | | | | | |
| Billable services..... | \$ 66,035 | \$ - | \$ 66,035 | \$ 58,149 | \$ - | \$ 58,149 | \$ 51,194 | \$ - | \$ 51,194 |
| Advertising and commerce..... | 7,784 | - | 7,784 | 7,651 | - | 7,651 | 6,874 | - | 6,874 |
| Total revenues..... | 73,819 | - | 73,819 | 65,800 | - | 65,800 | 58,068 | - | 58,068 |
| Operating expenses: | | | | | | | | | |
| Cost of billable services..... | 23,592 | (40) (a) | 23,552 | 21,990 | (38) (a) | 21,952 | 20,700 | (39) (a) | 20,661 |
| Cost of free services..... | 3,134 | - | 3,134 | 3,161 | - | 3,161 | 3,736 | - | 3,736 |
| Sales and marketing..... | 23,623 | (31) (a) | 23,592 | 19,863 | (38) (a) | 19,825 | 16,667 | (41) (a) | 16,626 |
| Product development..... | 5,964 | (266) (a) | 5,698 | 5,740 | (209) (a) | 5,531 | 5,921 | (147) (a) | 5,774 |
| General and administrative..... | 7,126 | (125) (a) | 7,001 | 7,087 | (90) (a) | 6,997 | 5,653 | (56) (a) | 5,597 |
| Restructuring charges..... | (215) | 215 (b) | - | - | - | - | - | - | - |
| Amortization of intangible assets..... | 3,964 | (3,964) (c) | - | 3,798 | (3,798) (b) | - | 4,685 | (4,685) (b) | - |
| Total operating expenses..... | 67,188 | (4,211) | 62,977 | 61,639 | (4,173) | 57,466 | 57,362 | (4,968) | 52,394 |
| Income (loss) from operations..... | 6,631 | 4,211 | 10,842 | 4,161 | 4,173 | 8,334 | 706 | 4,968 | 5,674 |
| Interest income, net..... | 1,105 | - | 1,105 | 1,073 | - | 1,073 | 988 | - | 988 |
| Other income, net..... | - | - | - | - | - | - | - | - | - |
| Income (loss) before income taxes..... | 7,736 | 4,211 | 11,947 | 5,234 | 4,173 | 9,407 | 1,694 | 4,968 | 6,662 |
| Provision for income taxes..... | 774 | 72 (d) | 846 | 523 | 68 (c) | 591 | 169 | - | 169 |
| Net income (loss)..... | \$ 6,962 | \$ 4,139 | \$ 11,101 | \$ 4,711 | \$ 4,105 | \$ 8,816 | \$ 1,525 | \$ 4,968 | \$ 6,493 |
| Basic net income (loss) per share..... | \$ 0.17 | | \$ 0.27 | \$ 0.12 | | \$ 0.22 | \$ 0.04 | | \$ 0.16 |
| Diluted net income (loss) per share..... | \$ 0.15 | | \$ 0.25 | \$ 0.11 | | \$ 0.20 | \$ 0.03 | | \$ 0.15 |
| Shares used to calculate basic income (loss) per share..... | 41,468 | | 41,468 | 40,937 | | 40,937 | 40,181 | | 40,181 |
| Shares used to calculate diluted income (loss) per share..... | 45,092 | | 45,092 | 44,563 | | 44,563 | 43,687 | | 43,687 |
| Shares outstanding at end of period..... | 41,704 | | 41,704 | 41,764 | | 41,764 | 40,599 | | 40,599 |

- (a) Elimination of amortization of stock-based charges of \$28 and merger-related charges of \$434.
(b) Elimination of restructuring charges.
(c) Elimination of amortization of intangible assets.
(d) Income tax effect of pro forma entries.

- (a) Elimination of amortization of stock-based charges of \$29 and merger-related charges of \$346.
(b) Elimination of amortization of intangible assets.
(c) Income tax effect of pro forma entries.

- (a) Elimination of amortization of stock-based charges of \$36 and merger-related charges of \$247.
(b) Elimination of amortization of intangible assets.

Following are reconciliations of net income, calculated in accordance with generally accepted accounting principles (GAAP), to pro forma net income (loss). Pro forma net income (loss) is defined as net income (loss) before the after-tax effect of amortization of intangible assets, stock-based charges and restructuring and merger-related costs. Management believes that pro forma net income (loss) provides investors with additional useful information to measure the company's financial performance, particularly from period to period, exclusive of certain non-cash expenses and other items which management believes are not reflective of the company's core operating results over time. Management also uses pro forma net income (loss) for these purposes. Pro forma net income (loss) is 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.

UNITED ONLINE, INC.

Reconciliation of Net Income (Loss) to Pro Forma Net Income (Loss)
(in thousands, except per-share data)

| | Three Months Ended Jun 30, 2002 | | | Three Months Ended Mar 31, 2002 | | | Three Months Ended Dec 31, 2001 | | |
|---|---------------------------------|-------------------|-----------------|---------------------------------|-------------------|----------------|---------------------------------|-------------------|-------------------|
| | Reported | Pro Forma Entries | Pro Forma | Reported | Pro Forma Entries | Pro Forma | Reported | Pro Forma Entries | Pro Forma |
| Revenues: | | | | | | | | | |
| Billable services..... | \$ 47,888 | \$ - | \$ 47,888 | \$ 44,419 | \$ - | \$ 44,419 | \$ 41,035 | \$ - | \$ 41,035 |
| Advertising and commerce..... | 6,561 | - | 6,561 | 6,492 | - | 6,492 | 7,012 | - | 7,012 |
| Total revenues..... | 54,449 | - | 54,449 | 50,911 | - | 50,911 | 48,047 | - | 48,047 |
| Operating expenses: | | | | | | | | | |
| Cost of billable services..... | 20,612 | (41) (a) | 20,571 | 22,073 | (62) (a) | 22,011 | 23,265 | (75) (a) | 23,190 |
| Cost of free services..... | 4,365 | - | 4,365 | 6,786 | - (a) | 6,786 | 8,722 | (39) (a) | 8,683 |
| Sales and marketing..... | 14,644 | (39) (a) | 14,605 | 11,578 | (734) (a) | 10,844 | 10,059 | (278) (a) | 9,781 |
| Product development..... | 6,320 | (814) (a) | 5,506 | 6,378 | (458) (a) | 5,920 | 7,418 | (764) (a) | 6,654 |
| General and administrative..... | 6,433 | (47) (a) | 6,386 | 7,125 | (1,244) (a) | 5,881 | 9,151 | (1,797) (a) | 7,354 |
| Restructuring charges..... | 1,113 | (1,113) (b) | - | 680 | (680) (c) | - | 2,075 | (2,075) (c) | - |
| Amortization of intangible assets..... | 4,685 | (4,685) (c) | - | 4,685 | (4,685) (b) | - | 4,685 | (4,685) (b) | - |
| Total operating expenses..... | 58,172 | (6,739) | 51,433 | 59,305 | (7,863) | 51,442 | 65,375 | (9,713) | 55,662 |
| Income (loss) from operations..... | (3,723) | 6,739 | 3,016 | (8,394) | 7,863 | (531) | (17,328) | 9,713 | (7,615) |
| Interest income, net..... | 1,044 | - | 1,044 | 1,082 | - | 1,082 | 1,585 | - | 1,585 |
| Other income, net..... | - | - | - | 58 | - | 58 | - | - | - |
| Income (loss) before income taxes..... | (2,679) | 6,739 | 4,060 | (7,254) | 7,863 | 609 | (15,743) | 9,713 | (6,030) |
| Provision for income taxes..... | - | - | - | - | - | - | - | - | - |
| Net income (loss)..... | <u>\$ (2,679)</u> | <u>\$ 6,739</u> | <u>\$ 4,060</u> | <u>\$ (7,254)</u> | <u>\$ 7,863</u> | <u>\$ 609</u> | <u>\$ (15,743)</u> | <u>\$ 9,713</u> | <u>\$ (6,030)</u> |
| Basic net income (loss) per share..... | <u>\$ (0.07)</u> | | <u>\$ 0.10</u> | <u>\$ (0.19)</u> | | <u>\$ 0.02</u> | <u>\$ (0.41)</u> | | <u>\$ (0.16)</u> |
| Diluted net income (loss) per share..... | <u>\$ (0.07)</u> | | <u>\$ 0.09</u> | <u>\$ (0.19)</u> | | <u>\$ 0.01</u> | <u>\$ (0.41)</u> | | <u>\$ (0.16)</u> |
| Shares used to calculate basic income (loss) per share..... | 39,738 | | 39,738 | 38,951 | | 38,951 | 38,863 | | 38,863 |
| Shares used to calculate diluted income (loss) per share..... | 39,738 | | 45,030 | 38,951 | | 43,289 | 38,863 | | 38,863 |
| Shares outstanding at end of period..... | 40,567 | | 40,567 | 40,128 | | 40,128 | 39,877 | | 39,877 |

(a) Elimination of amortization of stock-based charges of \$656 and merger-related charges of \$285.
(b) Elimination of restructuring charges.
(c) Elimination of amortization of intangible assets.

(a) Elimination of amortization of stock-based charges of \$2,198 and merger-related charges of \$300.
(b) Elimination of amortization of intangible assets.
(c) Elimination of restructuring charges.

(a) Elimination of amortization of stock-based charges of \$2,524 and merger-related charges of \$429.
(b) Elimination of amortization of intangible assets.
(c) Elimination of restructuring charges.

Following are reconciliations of cash flow from operations, calculated in accordance with generally accepted accounting principles (GAAP), to free cash flow. Free cash flow is defined as net cash provided by operating activities before cash paid for restructuring and merger-related costs, less capital expenditures. 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 excludes the cash impact of items which management believes are not reflective of the company's core operating results over time. This measure is used by management, and may also be useful for investors, to assess the company's ability to generate cash flow for a variety of strategic opportunities, including reinvestment in the business, effecting potential acquisitions, strengthening the balance sheet, and effecting share repurchases. Free cash flow is 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.

UNITED ONLINE, INC.
 Reconciliation of Free Cash Flow
 (in thousands)

| Three Months Ended | Mar 31, 2003 | Dec 31, 2002 | Sep 30, 2002 | Jun 30, 2002 | Mar 31, 2002 | Dec 31, 2001 |
|--|------------------|------------------|-----------------|------------------|-----------------|-------------------|
| Cash flow from operations..... | \$ 16,005 | \$ 21,322 | \$ 8,152 | \$ 12,613 | \$ 3,636 | \$ (9,635) |
| Add (deduct): | | | | | | |
| Cash paid for restructuring and merger-related charges | 1,915 | - | 44 | 224 | 575 | 1,001 |
| Capital expenditures..... | (2,024) | (2,156) | (477) | (594) | (435) | (265) |
| Free cash flow..... | <u>\$ 15,896</u> | <u>\$ 19,166</u> | <u>\$ 7,719</u> | <u>\$ 12,243</u> | <u>\$ 3,776</u> | <u>\$ (8,899)</u> |

UNITED ONLINE, INC.**Selected Historical Key Metrics**

(in thousands, except per share amounts, number of employees and where noted)

| | <u>Mar 31, 2003</u> | <u>Dec 31, 2002</u> | <u>Sep 30, 2002</u> | <u>Jun 30, 2002</u> | <u>Mar 31, 2002</u> | <u>Dec 31, 2001</u> |
|---|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| Billable subscribers..... | 2,405 | 2,176 | 1,848 | 1,707 | 1,598 | 1,460 |
| Active users (in millions)..... | 5.2 | 5.0 | 4.8 | 4.8 | 5.2 | 5.6 |
| Number of employees at end of period..... | 447 | 444 | 420 | 420 | 430 | 453 |
| Annualized revenue per average number of employees..... | \$ 663 | \$ 609 | \$ 553 | \$ 512 | \$ 461 | \$ 410 |