

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

	<u>Jun 30, 2004</u> (unaudited)	<u>Mar 31, 2004</u> (unaudited)	<u>Dec 31, 2003</u>	<u>Sep 30, 2003</u> (unaudited)	<u>Jun 30, 2003</u>	<u>Mar 31, 2003</u> (unaudited)	<u>Dec 31, 2002</u> (unaudited)	<u>Sep 30, 2002</u> (unaudited)	<u>Jun 30, 2002</u>
<b>ASSETS</b>									
Cash, cash equivalents and short-term investments.....	\$ 203,502	\$ 189,448	\$ 203,723	\$ 216,724	\$ 192,228	\$ 171,515	\$ 159,780	\$ 145,551	\$ 139,355
Restricted cash.....	-	-	-	700	811	811	811	1,342	6,185
Accounts receivable, net.....	13,404	11,546	14,065	12,755	12,420	11,930	11,312	8,498	7,977
Deferred tax assets, net.....	17,238	20,614	26,373	6,350	8,056	-	-	-	-
Property and equipment, net.....	14,749	12,835	13,428	11,554	11,535	12,518	13,303	13,645	16,500
Intangible assets, net.....	46,018	36,315	40,268	45,631	49,595	53,558	57,521	53,434	58,119
Other assets.....	14,547	8,105	10,022	9,720	6,031	8,295	7,064	8,765	5,457
Total assets.....	<u>\$ 309,458</u>	<u>\$ 278,863</u>	<u>\$ 307,879</u>	<u>\$ 303,434</u>	<u>\$ 280,676</u>	<u>\$ 258,627</u>	<u>\$ 249,791</u>	<u>\$ 231,235</u>	<u>\$ 233,593</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>									
Accounts payable.....	\$ 37,251	\$ 30,141	\$ 31,388	\$ 28,543	\$ 23,041	\$ 23,536	\$ 25,906	\$ 18,624	\$ 21,575
Accrued liabilities.....	19,669	17,276	14,028	12,929	17,073	15,255	13,120	11,065	11,212
Deferred revenue.....	28,160	27,296	24,639	24,257	23,616	23,902	20,157	18,350	18,815
Capital leases.....	-	-	-	12	34	98	748	2,017	3,205
Total liabilities.....	<u>85,080</u>	<u>74,713</u>	<u>70,055</u>	<u>65,741</u>	<u>63,764</u>	<u>62,791</u>	<u>59,931</u>	<u>50,056</u>	<u>54,807</u>
Stockholders' equity.....	224,378	204,150	237,824	237,693	216,912	195,836	189,860	181,179	178,786
Total liabilities and stockholders' equity.....	<u>\$ 309,458</u>	<u>\$ 278,863</u>	<u>\$ 307,879</u>	<u>\$ 303,434</u>	<u>\$ 280,676</u>	<u>\$ 258,627</u>	<u>\$ 249,791</u>	<u>\$ 231,235</u>	<u>\$ 233,593</u>

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

<b>Three Months Ended</b>	<u>Jun 30, 2004</u>	<u>Mar 31, 2004</u>	<u>Dec 31, 2003</u>	<u>Sep 30, 2003</u>	<u>Jun 30, 2003</u>	<u>Mar 31, 2003</u>	<u>Dec 31, 2002</u>	<u>Sep 30, 2002</u>	<u>Jun 30, 2002</u>
<b>Revenues:</b>									
Billable services.....	\$ 102,496	\$ 97,682	\$ 87,993	\$ 79,646	\$ 72,412	\$ 66,035	\$ 58,149	\$ 51,194	\$ 47,888
Advertising and commerce.....	8,122	9,993	8,955	9,144	7,196	7,784	7,651	6,874	6,561
Total revenues.....	<u>110,618</u>	<u>107,675</u>	<u>96,948</u>	<u>88,790</u>	<u>79,608</u>	<u>73,819</u>	<u>65,800</u>	<u>58,068</u>	<u>54,449</u>
<b>Operating expenses:</b>									
Cost of billable services.....	23,294	25,580	23,285	22,897	23,010	23,589	21,988	20,698	20,609
Cost of free services.....	1,589	1,725	1,869	2,084	2,572	3,134	3,161	3,736	4,365
Sales and marketing.....	44,738	43,035	36,587	33,939	26,467	23,618	19,858	16,660	14,635
Product development.....	6,286	6,101	5,368	5,120	5,428	5,963	5,738	5,919	5,709
General and administrative.....	9,568	6,863	7,014	7,008	7,930	7,107	7,067	5,628	6,400
Stock-based compensation <sup>(1)</sup> .....	739	477	-	-	14	28	29	36	656
Amortization of intangible assets.....	4,393	3,964	3,964	3,964	3,964	3,964	3,798	4,685	4,685
Restructuring charges.....	-	-	-	-	-	(215)	-	-	1,113
Total operating expenses.....	<u>90,607</u>	<u>87,745</u>	<u>78,087</u>	<u>75,012</u>	<u>69,385</u>	<u>67,188</u>	<u>61,639</u>	<u>57,362</u>	<u>58,172</u>
Operating income (loss).....	20,011	19,930	18,861	13,778	10,223	6,631	4,161	706	(3,723)
Interest / Other income, net.....	1,025	1,206	1,224	1,183	1,124	1,105	1,073	988	1,044
Income (loss) before income taxes.....	21,036	21,136	20,085	14,961	11,347	7,736	5,234	1,694	(2,679)
Provision (benefit) for income taxes.....	8,726	8,775	(4,340)	6,059	(3,247)	774	523	169	-
Net income (loss).....	<u>\$ 12,310</u>	<u>\$ 12,361</u>	<u>\$ 24,425</u>	<u>\$ 8,902</u>	<u>\$ 14,594</u>	<u>\$ 6,962</u>	<u>\$ 4,711</u>	<u>\$ 1,525</u>	<u>\$ (2,679)</u>
Basic net income (loss) per share.....	<u>\$ 0.20</u>	<u>\$ 0.20</u>	<u>\$ 0.38</u>	<u>\$ 0.14</u>	<u>\$ 0.23</u>	<u>\$ 0.11</u>	<u>\$ 0.08</u>	<u>\$ 0.03</u>	<u>\$ (0.04)</u>
Diluted net income (loss) per share.....	<u>\$ 0.19</u>	<u>\$ 0.18</u>	<u>\$ 0.35</u>	<u>\$ 0.13</u>	<u>\$ 0.21</u>	<u>\$ 0.10</u>	<u>\$ 0.07</u>	<u>\$ 0.02</u>	<u>\$ (0.04)</u>
Shares used to calculate basic income (loss) per share.....	<u>61,669</u>	<u>62,470</u>	<u>64,166</u>	<u>64,161</u>	<u>62,916</u>	<u>62,202</u>	<u>61,406</u>	<u>60,272</u>	<u>59,607</u>
Shares used to calculate diluted income (loss) per share.....	<u>66,238</u>	<u>67,352</u>	<u>68,878</u>	<u>70,133</u>	<u>68,327</u>	<u>67,638</u>	<u>66,845</u>	<u>65,531</u>	<u>59,607</u>
Shares outstanding at end of period.....	<u>62,764</u>	<u>61,850</u>	<u>63,944</u>	<u>65,168</u>	<u>63,710</u>	<u>62,556</u>	<u>62,646</u>	<u>60,899</u>	<u>60,851</u>

(1) Stock-based compensation is allocated as follows:

Cost of billable services.....	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 3	\$ 2	\$ 2	\$ 3
Sales and marketing.....	124	83	-	-	3	5	5	7	9
Product development.....	-	-	-	-	1	1	2	2	611
General and administrative.....	615	394	-	-	9	19	20	25	33
Total stock-based compensation.....	<u>\$ 739</u>	<u>\$ 477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 28</u>	<u>\$ 29</u>	<u>\$ 36</u>	<u>\$ 656</u>

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

Three Months Ended	Jun 30, 2004	Mar 31, 2004	Dec 31, 2003	Sep 30, 2003	Jun 30, 2003	Mar 31, 2003	Dec 31, 2002	Sep 30, 2002	Jun 30, 2002
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>									
Net income (loss).....	\$ 12,310	\$ 12,361	\$ 24,425	\$ 8,902	\$ 14,594	\$ 6,962	\$ 4,711	\$ 1,525	\$ (2,679)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:									
Depreciation, amortization and stock-based charges.....	7,259	6,039	5,545	5,531	5,932	6,801	6,881	8,053	9,392
Deferred taxes, tax benefits and other.....	7,945	7,291	(4,396)	6,384	(3,020)	586	318	279	802
Change in operating assets and liabilities (excluding the effects of acquisitions):									
Restricted cash.....	-	-	700	111	-	-	531	4,843	223
Accounts receivable.....	(1,566)	2,519	(1,310)	(335)	(490)	(618)	(1,203)	(521)	582
Deferred tax assets.....	372	-	-	-	-	-	-	-	-
Other assets.....	(6,373)	1,917	(302)	(3,689)	1,514	(1,231)	641	(2,308)	3,885
Accounts payable and accrued liabilities.....	9,289	2,001	3,945	1,358	1,323	(240)	8,680	(3,254)	(2,943)
Deferred revenue.....	(761)	2,657	382	641	(286)	3,745	763	(465)	3,351
Net cash provided by (used for) operating activities.....	<u>28,475</u>	<u>34,785</u>	<u>28,989</u>	<u>18,903</u>	<u>19,567</u>	<u>16,005</u>	<u>21,322</u>	<u>8,152</u>	<u>12,613</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>									
Purchase of short-term investments.....	(33,723)	(38,405)	(44,308)	(30,674)	(5,079)	(13,626)	(7,575)	(19,243)	(50,439)
Proceeds from maturities of short-term investments.....	26,554	43,104	46,947	-	8,400	255	10,000	19,945	9,735
Cash paid for acquisitions, net of cash acquired.....	(11,917)	-	-	-	-	-	(7,327)	(1,000)	-
Proceeds from sale of cost-basis investment.....	-	-	-	-	750	-	-	-	-
Purchases of rights, patents and trademarks.....	(901)	(11)	-	-	-	-	-	-	-
Purchases of property and equipment.....	(3,849)	(1,005)	(3,482)	(1,593)	(1,326)	(2,024)	(2,156)	(477)	(594)
Proceeds from sales of assets, net.....	-	-	-	-	-	-	-	-	(351)
Net cash provided by (used for) investing activities.....	<u>(23,836)</u>	<u>3,683</u>	<u>(843)</u>	<u>(32,267)</u>	<u>2,745</u>	<u>(15,395)</u>	<u>(7,058)</u>	<u>(775)</u>	<u>(41,649)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>									
Payments on notes payable and capital leases.....	-	-	(12)	(22)	(64)	(598)	(1,118)	(1,188)	(1,247)
Repayments of notes receivable.....	-	-	-	-	1,587	10	28	28	6
Proceeds from employee stock purchase plan.....	1,636	-	1,679	-	1,019	-	843	-	405
Common stock repurchases.....	-	(48,706)	(40,002)	-	(3,797)	(1,815)	-	(2,165)	(50)
Proceeds from exercises of stock options.....	2,986	914	951	8,020	3,018	255	2,636	1,053	1,699
Net cash provided by (used for) financing activities.....	<u>4,622</u>	<u>(47,792)</u>	<u>(37,384)</u>	<u>7,998</u>	<u>1,763</u>	<u>(2,148)</u>	<u>2,389</u>	<u>(2,272)</u>	<u>813</u>
Change in cash and cash equivalents.....	9,261	(9,324)	(9,238)	(5,366)	24,075	(1,538)	16,653	5,105	(28,223)
Cash and cash equivalents, beginning of period.....	61,910	71,234	80,472	85,838	61,763	63,301	46,648	41,543	69,766
Cash and cash equivalents, end of period.....	<u>\$ 71,171</u>	<u>\$ 61,910</u>	<u>\$ 71,234</u>	<u>\$ 80,472</u>	<u>\$ 85,838</u>	<u>\$ 61,763</u>	<u>\$ 63,301</u>	<u>\$ 46,648</u>	<u>\$ 41,543</u>





Adjusted net income is defined as net income before the after-tax effect of amortization of intangible assets and, in certain periods, stock-based compensation, facility exit costs, restructuring and merger-related costs, and tax benefits related to the recognition of a portion of the company's deferred tax assets. Management believes that adjusted net income 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 adjusted net income for these purposes. Adjusted net income is not determined in accordance with generally accepted accounting principles (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 Adjusted Net Income (Loss)  
(in thousands, except per-share data)**

	Three Months Ended Dec 31, 2002			Three Months Ended Sep 30, 2002			Three Months Ended Jun 30, 2002		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues:									
Billable services.....	\$ 58,149	\$ -	\$ 58,149	\$ 51,194	\$ -	\$ 51,194	\$ 47,888	\$ -	\$ 47,888
Advertising and commerce.....	7,651	-	7,651	6,874	-	6,874	6,561	-	6,561
Total revenues.....	65,800	-	65,800	58,068	-	58,068	54,449	-	54,449
Operating expenses:									
Cost of billable services.....	21,988	(36) (a)	21,952	20,698	(37) (a)	20,661	20,609	(38) (a)	20,571
Cost of free services.....	3,161	-	3,161	3,736	-	3,736	4,365	-	4,365
Sales and marketing.....	19,858	(33) (a)	19,825	16,660	(34) (a)	16,626	14,635	(30) (a)	14,605
Product development.....	5,738	(207) (a)	5,531	5,919	(145) (a)	5,774	5,709	(203) (a)	5,506
General and administrative.....	7,067	(70) (a)	6,997	5,628	(31) (a)	5,597	6,400	(14) (a)	6,386
Stock-based compensation.....	29	(29) (b)	-	36	(36) (b)	-	656	(656) (b)	-
Amortization of intangible assets.....	3,798	(3,798) (c)	-	4,685	(4,685) (c)	-	4,685	(4,685) (c)	-
Restructuring charges.....	-	-	-	-	-	-	1,113	(1,113) (d)	-
Total operating expenses.....	61,639	(4,173)	57,466	57,362	(4,968)	52,394	58,172	(6,739)	51,433
Operating income (loss).....	4,161	4,173	8,334	706	4,968	5,674	(3,723)	6,739	3,016
Interest / Other income, net.....	1,073	-	1,073	988	-	988	1,044	-	1,044
Income (loss) before income taxes.....	5,234	4,173	9,407	1,694	4,968	6,662	(2,679)	6,739	4,060
Provision (benefit) for income taxes.....	523	68 (d)	591	169	-	169	-	-	-
Net income (loss).....	\$ 4,711	\$ 4,105	\$ 8,816	\$ 1,525	\$ 4,968	\$ 6,493	\$ (2,679)	\$ 6,739	\$ 4,060
Basic net income (loss) per share.....	\$ 0.08		\$ 0.14	\$ 0.03		\$ 0.11	\$ (0.04)		\$ 0.07
Diluted net income (loss) per share.....	\$ 0.07		\$ 0.13	\$ 0.02		\$ 0.10	\$ (0.04)		\$ 0.07
Shares used to calculate basic income (loss) per share.....	61,406		61,406	60,272		60,272	59,607		59,607
Shares used to calculate diluted income (loss) per share.....	66,845		66,845	65,531		65,531	59,607		59,607
Shares outstanding at end of period.....	62,646		62,646	60,899		60,899	60,851		60,851

(a) Elimination of amortization of merger-related charges of \$346.

(b) Elimination of stock-based compensation

(c) Elimination of amortization of intangible assets.

(d) Income tax effect of adjusting entries.

(a) Elimination of amortization of merger-related charges of \$247.

(b) Elimination of stock-based compensation

(c) Elimination of amortization of intangible assets.

(a) Elimination of amortization of merger-related charges of \$285.

(b) Elimination of stock-based compensation

(c) Elimination of amortization of intangible assets.

Adjusted operating income before depreciation and amortization (adjusted OIBDA) is defined as operating income before depreciation, amortization, stock-based compensation and, in certain periods, facility exit costs and restructuring and merger-related costs. Management believes that because adjusted OIBDA excludes certain items that either do not impact the company's cash flows or which management believes 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, and to assess the company's ability to make capital expenditures, fund working capital requirements, incur and repay indebtedness, and fund strategic initiatives. Management also uses adjusted OIBDA for these purposes, as well as to allocate resources in managing the company's business. 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 generally accepted accounting principles (GAAP) and should be considered in addition to, not as a substitute for or superior to, financial measures determined in accordance with GAAP. Reconciliations to the most directly comparable GAAP financial measure are provided in the accompanying tables.

**UNITED ONLINE, INC.**

**Reconciliation of Adjusted Operating Income (loss) Before Depreciation and Amortization  
(in thousands)**

Three Months Ended	<u>Jun 30, 2004</u>	<u>Mar 31, 2004</u>	<u>Dec 31, 2003</u>	<u>Sep 30, 2003</u>	<u>Jun 30, 2003</u>	<u>Mar 31, 2003</u>	<u>Dec 31, 2002</u>	<u>Sep 30, 2002</u>	<u>Jun 30, 2002</u>
Operating income (loss).....	\$ 20,011	\$ 19,930	\$ 18,861	\$ 13,778	\$ 10,223	\$ 6,631	\$ 4,161	\$ 706	\$ (3,723)
Depreciation.....	1,680	1,598	1,581	1,567	1,954	2,809	3,054	3,332	4,051
Amortization.....	4,393	3,964	3,964	3,964	3,964	3,964	3,798	4,685	4,685
Operating income before depreciation and amortization.....	<u>26,084</u>	<u>25,492</u>	<u>24,406</u>	<u>19,309</u>	<u>16,141</u>	<u>13,404</u>	<u>11,013</u>	<u>8,723</u>	<u>5,013</u>
Stock-based compensation.....	739	477	-	-	14	28	29	36	656
Restructuring and merger-related charges (a).....	-	-	-	-	-	219	346	247	1,398
Facility exit costs (b).....	1,601	-	-	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization.....	<u>\$ 28,424</u>	<u>\$ 25,969</u>	<u>\$ 24,406</u>	<u>\$ 19,309</u>	<u>\$ 16,155</u>	<u>\$ 13,651</u>	<u>\$ 11,388</u>	<u>\$ 9,006</u>	<u>\$ 7,067</u>
Adjusted operating income before depreciation and amortization as a percent of total revenues.....	25.7%	24.1%	25.2%	21.7%	20.3%	18.5%	17.3%	15.5%	13.0%

(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 planned relocation of the Company's corporate offices. These costs are attributable to lease termination fees and accelerated depreciation incurred in connection with terminated leases.

Free cash flow is defined as net cash provided by operating activities less capital expenditures and, in certain periods, before cash paid for relocation costs and restructuring and merger-related. 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 generally accepted accounting principles (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	<u>Jun 30, 2004</u>	<u>Mar 31, 2004</u>	<u>Dec 31, 2003</u>	<u>Sep 30, 2003</u>	<u>Jun 30, 2003</u>	<u>Mar 31, 2003</u>	<u>Dec 31, 2002</u>	<u>Sep 30, 2002</u>	<u>Jun 30, 2002</u>
Net cash provided by (used for) operating activities.....	\$ 28,475	\$ 34,785	\$ 28,989	\$ 18,903	\$ 19,567	\$ 16,005	\$ 21,322	\$ 8,152	\$ 12,613
Add (deduct):									
Cash paid for restructuring and merger-related charges (a).....	-	-	-	-	-	1,915	-	44	224
Capital expenditures.....	(3,849)	(1,005)	(3,482)	(1,593)	(1,326)	(2,024)	(2,156)	(477)	(594)
Cash paid for facility exit costs (b).....	1,315	-	-	-	-	-	-	-	-
Free cash flow.....	<u>\$ 25,941</u>	<u>\$ 33,780</u>	<u>\$ 25,507</u>	<u>\$ 17,310</u>	<u>\$ 18,241</u>	<u>\$ 15,896</u>	<u>\$ 19,166</u>	<u>\$ 7,719</u>	<u>\$ 12,243</u>

(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 cash payments made in connection with the planned relocation of the Company's corporate offices. These payments relate to lease termination fees and capital expenditures for the new corporate offices.

Tax-equivalent net income and earnings per share (EPS) and Tax-equivalent adjusted net income and Adjusted EPS represent net income (and EPS) and adjusted net income (and adjusted EPS) calculated using an effective tax rate of approximately 41.5% for all periods presented. Beginning in the September 2003 quarter, the company's effective income tax rate increased to approximately 41.5% versus the tax provision (benefit) reported in the periods presented. The increase in the company's effective rate affects the comparability of the company's net income (and EPS) and adjusted net income (and adjusted EPS) between periods. Management believes that tax-equivalent net income (and EPS) and tax-equivalent adjusted net income (and adjusted EPS) provide investors with additional useful information to measure the company's financial performance from period to period, using the company's current effective tax rate of approximately 41.5%, which more closely resembles federal and state statutory tax rates.

**UNITED ONLINE, INC.**

**Reconciliation of Reported Net Income (and EPS) to Tax-Equivalent Net Income (and EPS)**  
(in thousands, except per share amounts)

Three Months Ended	June 30, 2004		June 30, 2003	
	Amount	Per Share	Amount	Per Share (b)
Reported net income.....	\$ 12,310	\$ 0.19	\$ 14,594	\$ 0.21
Add (deduct):				
Reported tax provision (benefit).....	-	-	(3,247)	(0.05)
(Deduct):				
Equivalent tax provision.....	-	-	(4,709) (a)	(0.07)
Tax-equivalent net income.....	<u>\$ 12,310</u>	<u>\$ 0.19</u>	<u>\$ 6,638</u>	<u>\$ 0.10</u>

**UNITED ONLINE, INC.**

**Reconciliation of Adjusted Net Income (and adjusted EPS) to Tax-Equivalent Adjusted Net Income (and adjusted EPS)**  
(in thousands, except per share amounts)

Three Months Ended	June 30, 2004		June 30, 2003	
	Amount	Per Share	Amount	Per Share (b)
Adjusted net income.....	\$ 16,603	\$ 0.25	\$ 14,188	\$ 0.21
Add:				
Adjusted tax provision.....	-	-	1,137	\$ 0.02
(Deduct):				
Adjusted equivalent tax provision.....	-	-	(6,161) (a)	\$ (0.09)
Tax-equivalent adjusted net income.....	<u>\$ 16,603</u>	<u>\$ 0.25</u>	<u>\$ 9,164</u>	<u>\$ 0.13</u>

(a) The equivalent tax provision is calculated using an effective rate of approximately 41.5% in all periods.

(b) The per share amounts have been adjusted to reflect the company's 3 for 2 stock split that was effected on October 31, 2003.

**UNITED ONLINE, INC.**

**Selected Historical Key Metrics**

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

	<u>Jun 30, 2004</u>	<u>Mar 31, 2004</u>	<u>Dec 31, 2003</u>	<u>Sep 30, 2003</u>	<u>Jun 30, 2003</u>	<u>Mar 31, 2003</u>	<u>Dec 31, 2002</u>	<u>Sep 30, 2002</u>	<u>Jun 30, 2002</u>
Billable subscribers.....	3,189	3,095	2,892	2,720	2,547	2,405	2,176	1,848	1,707
Active accounts (in millions).....	6.8	5.4	5.3	5.2	5.2	5.2	5.0	4.8	4.8
Number of employees at end of period.....	582	504	499	487	461	447	444	420	420
Annualized revenue per average number of employees.....	\$ 815	\$ 859	\$ 787	\$ 749	\$ 701	\$ 663	\$ 609	\$ 553	\$ 512

**UNITED ONLINE, INC.**

**Analysis of Revenue Generating Units (a)**

(in thousands)

	<u>Jun 30, 2004</u>	<u>Mar 31, 2004</u>	<u>Dec 31, 2003</u>	<u>Sep 30, 2003</u>	<u>Jun 30, 2003</u>	<u>Mar 31, 2003</u>	<u>Dec 31, 2002</u>	<u>Sep 30, 2002</u>	<u>Jun 30, 2002</u>
Internet access.....	3,102	3,083	2,890	2,720	2,547	2,405	2,176	1,848	1,707
Accelerated dial-up.....	1,001	896	638	412	210	22	-	-	-
Premium email.....	66								
Web-hosting.....	58	28	7	-	-	-	-	-	-
Total revenue generating units.....	<u>4,227</u>	<u>4,007</u>	<u>3,535</u>	<u>3,132</u>	<u>2,757</u>	<u>2,427</u>	<u>2,176</u>	<u>1,848</u>	<u>1,707</u>
Total pay subscribers (b).....	3,189	3,095	2,892	2,720	2,547	2,405	2,176	1,848	1,707
Add-on subscription penetration (c).....	33%	29%	22%	15%	8%	1%	0%	0%	0%

(a) A revenue generating unit (RGU) represents a unique subscription to any individual pay service offered by the company. Internet access, accelerated dial-up, premium email, Web-hosting and domain name registration subscriptions represent separate RGUs. For example, a subscriber to the company's accelerated dial-up access service who also subscribes to a premium email service is counted as three subscriptions (one for Internet access, one for accelerated dial-up and one for premium email). At June 30, 2004, the company offered its accelerated dial-up service bundled with standard Internet access only.

(b) Total pay subscribers includes Internet access subscribers, premium email subscribers, Web-hosting subscribers and domain name registration subscribers.

(c) Defined as total RGUs minus total pay subscribers divided by total pay subscribers.