





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 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. Manag 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 Sep 30, 2004			Three Months Ended Jun 30, 2004			Three Months Ended Mar 31, 2004		
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted
Revenues:									
Billable services.....	\$ 102,113	\$ -	\$ 102,113	\$ 102,496	\$ -	\$ 102,496	\$ 97,682	\$ -	\$ 97,682
Advertising and commerce.....	8,591	-	8,591	8,122	-	8,122	9,993	-	9,993
Total revenues.....	110,704	-	110,704	110,618	-	110,618	107,675	-	107,675
Operating expenses:									
Cost of billable services.....	23,013	-	23,013	23,294	-	23,294	25,580	-	25,580
Cost of free services.....	1,605	-	1,605	1,589	-	1,589	1,725	-	1,725
Sales and marketing.....	43,170	-	43,170	44,738	-	44,738	43,035	-	43,035
Product development.....	7,069	-	7,069	6,286	-	6,286	6,101	-	6,101
General and administrative.....	10,220	(1,646) (a)	8,574	9,568	(1,601) (a)	7,967	6,863	-	6,863
Stock-based compensation.....	716	(716) (b)	-	739	(739) (b)	-	477	(477) (a)	-
Amortization of intangible assets.....	4,395	(4,395) (c)	-	4,393	(4,393) (c)	-	3,964	(3,964) (b)	-
Restructuring charges.....	-	-	-	-	-	-	-	-	-
Total operating expenses.....	90,188	(6,757)	83,431	90,607	(6,733)	83,874	87,745	(4,441)	83,304
Operating income (loss).....	20,516	6,757	27,273	20,011	6,733	26,744	19,930	4,441	24,371
Interest / Other income, net.....	1,059	-	1,059	1,025	-	1,025	1,206	-	1,206
Income (loss) before income taxes.....	21,575	6,757	28,332	21,036	6,733	27,769	21,136	4,441	25,577
Provision (benefit) for income taxes.....	8,955	2,459 (d)	11,414	8,726	2,440 (d)	11,166	8,775	1,609 (c)	10,384
Net income (loss).....	\$ 12,620	\$ 4,298	\$ 16,918	\$ 12,310	\$ 4,293	\$ 16,603	\$ 12,361	\$ 2,832	\$ 15,193
Basic net income (loss) per share.....	\$ 0.21		\$ 0.28	\$ 0.20		\$ 0.27	\$ 0.20		\$ 0.24
Diluted net income (loss) per share.....	\$ 0.19		\$ 0.26	\$ 0.19		\$ 0.25	\$ 0.18		\$ 0.23
Shares used to calculate basic income (loss) per share.....	61,183		61,183	61,669		61,669	62,470		62,470
Shares used to calculate diluted income (loss) per share.....	64,955		64,955	66,238		66,238	67,352		67,352
Shares outstanding at end of period.....	60,545		60,545	62,764		62,764	61,850		61,850

(a) Elimination of facility-exit costs incurred as a result of the relocation of the Company's corporate offices.

(b) Elimination of stock-based compensation.  
(c) Elimination of amortization of intangible assets.

(d) Income tax effect of adjusting entries.

(a) Elimination of facility-exit costs incurred as a result of the planned relocation of the Company's corporate offices.

(b) Elimination of stock-based compensation.  
(c) Elimination of amortization of intangible assets.

(d) Income tax effect of adjusting entries.

(a) Elimination of stock-based compensation.

(b) Elimination of amortization of intangible assets.  
(c) Income tax effect of adjusting entries.







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	Sep 30, 2004	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	Mar 31, 2002
Operating income (loss).....	\$ 20,516	\$ 20,011	\$ 19,930	\$ 18,861	\$ 13,778	\$ 10,223	\$ 6,631	\$ 4,161	\$ 706	\$ (3,723)	\$ (8,394)
Depreciation.....	1,957	1,680	1,598	1,581	1,567	1,954	2,809	3,054	3,332	4,051	4,927
Amortization.....	4,395	4,393	3,964	3,964	3,964	3,964	3,964	3,798	4,685	4,685	4,685
Operating income before depreciation and amortization.....	26,868	26,084	25,492	24,406	19,309	16,141	13,404	11,013	8,723	5,013	1,218
Stock-based compensation.....	716	739	477	-	-	14	28	29	36	656	2,198
Restructuring and merger-related charges (a).....	-	-	-	-	-	-	219	346	247	1,398	980
Facility-exit costs (b).....	1,646	1,601	-	-	-	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization.....	\$ 29,230	\$ 28,424	\$ 25,969	\$ 24,406	\$ 19,309	\$ 16,155	\$ 13,651	\$ 11,388	\$ 9,006	\$ 7,067	\$ 4,396
Adjusted operating income before depreciation and amortization as a percent of total revenues.....	26.4%	25.7%	24.1%	25.2%	21.7%	20.3%	18.5%	17.3%	15.5%	13.0%	8.6%

(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.

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	Sep 30, 2004	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	Mar 31, 2002
Net cash provided by operating activities.....	\$ 28,959	\$ 28,475	\$ 34,785	\$ 28,989	\$ 18,903	\$ 19,567	\$ 16,005	\$ 21,322	\$ 8,152	\$ 12,613	\$ 3,636
Add (deduct):											
Cash paid for restructuring and merger-related charges (a).....	-	-	-	-	-	-	1,915	-	44	224	575
Capital expenditures.....	(6,344)	(3,849)	(1,005)	(3,482)	(1,593)	(1,326)	(2,024)	(2,156)	(477)	(594)	(435)
Cash paid for facility-exit costs (b).....	4,895	1,315	-	-	-	-	-	-	-	-	-
Free cash flow.....	<u>\$ 27,510</u>	<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>	<u>\$ 3,776</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 relocation of the Company's corporate offices. These payments relate primarily to lease termination fees and capital expenditures for the new corporate offices.

**UNITED ONLINE, INC.**

**Selected Historical Key Metrics**

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

	<u>Sep 30, 2004</u>	<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>	<u>Mar 31, 2002</u>
Billable subscribers.....	3,232	3,189	3,095	2,892	2,720	2,547	2,405	2,176	1,848	1,707	1,598
Active accounts (in millions).....	6.6	6.8	5.4	5.3	5.2	5.2	5.2	5.0	4.8	4.8	5.2
Number of employees at end of period.....	598	582	504	499	487	461	447	444	420	420	430
Annualized revenue per average number of employees.....	\$ 751	\$ 815	\$ 859	\$ 787	\$ 749	\$ 701	\$ 663	\$ 609	\$ 553	\$ 512	\$ 461

**UNITED ONLINE, INC.**

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

(in thousands)

	<u>Sep 30, 2004</u>	<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>	<u>Mar 31, 2002</u>
Internet access.....	3,111	3,102	3,083	2,890	2,720	2,547	2,405	2,176	1,848	1,707	1,598
Accelerated dial-up.....	1,074	1,001	896	638	412	210	22	-	-	-	-
Premium email.....	103	66	-	-	-	-	-	-	-	-	-
Web-hosting.....	62	58	28	7	-	-	-	-	-	-	-
Total revenue generating units.....	<u>4,350</u>	<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>	<u>1,598</u>
Total pay subscribers (b).....	3,232	3,189	3,095	2,892	2,720	2,547	2,405	2,176	1,848	1,707	1,598
Add-on subscription penetration (c).....	35%	33%	29%	22%	15%	8%	1%	0%	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 and other pay 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 September 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.