

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

	<u>Mar 31, 2005</u> (unaudited)	<u>Dec 31, 2004</u>	<u>Sep 30, 2004</u> (unaudited)	<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)
ASSETS									
Cash, cash equivalents and short-term investments.....	\$ 203,046	\$ 232,793	\$ 202,645	\$ 203,502	\$ 189,448	\$ 203,723	\$ 216,724	\$ 192,228	\$ 171,515
Accounts receivable, net.....	17,237	17,534	13,414	13,404	11,546	14,065	12,755	12,420	11,930
Deferred tax assets, net.....	75,587	76,203	11,172	17,238	20,614	26,373	6,350	8,056	-
Property and equipment, net.....	26,888	27,006	18,763	14,749	12,835	13,428	11,554	11,535	12,518
Intangible assets, net.....	156,805	147,016	41,729	46,018	36,315	40,268	45,631	49,595	53,558
Other assets.....	15,962	19,300	13,539	14,547	8,105	10,022	10,420	6,842	9,106
Total assets.....	<u>\$ 495,525</u>	<u>\$ 519,852</u>	<u>\$ 301,262</u>	<u>\$ 309,458</u>	<u>\$ 278,863</u>	<u>\$ 307,879</u>	<u>\$ 303,434</u>	<u>\$ 280,676</u>	<u>\$ 258,627</u>
LIABILITIES AND STOCKHOLDERS' EQUITY									
Accounts payable.....	\$ 41,232	\$ 45,379	\$ 38,762	\$ 37,251	\$ 30,141	\$ 31,388	\$ 28,543	\$ 23,041	\$ 23,536
Accrued liabilities.....	21,602	18,320	16,952	19,669	17,276	14,028	12,929	17,073	15,255
Deferred revenue.....	55,713	50,954	28,231	28,160	27,296	24,639	24,257	23,616	23,902
Capital leases.....	1,031	1,319	-	-	-	-	12	34	98
Term loan.....	69,167	100,000	-	-	-	-	-	-	-
Other liabilities.....	3,006	2,181	1,189	-	-	-	-	-	-
Total liabilities.....	<u>191,751</u>	<u>218,153</u>	<u>85,134</u>	<u>85,080</u>	<u>74,713</u>	<u>70,055</u>	<u>65,741</u>	<u>63,764</u>	<u>62,791</u>
Stockholders' equity.....	303,774	301,699	216,128	224,378	204,150	237,824	237,693	216,912	195,836
Total liabilities and stockholders' equity.....	<u>\$ 495,525</u>	<u>\$ 519,852</u>	<u>\$ 301,262</u>	<u>\$ 309,458</u>	<u>\$ 278,863</u>	<u>\$ 307,879</u>	<u>\$ 303,434</u>	<u>\$ 280,676</u>	<u>\$ 258,627</u>

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

Three Months Ended	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>	<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>
Revenues:									
Billable services.....	\$ 116,229	\$ 108,530	\$ 102,113	\$ 102,496	\$ 97,682	\$ 87,993	\$ 79,646	\$ 72,412	\$ 66,035
Advertising and commerce.....	14,302	11,090	8,591	8,122	9,993	8,955	9,144	7,196	7,784
Total revenues.....	<u>130,531</u>	<u>119,620</u>	<u>110,704</u>	<u>110,618</u>	<u>107,675</u>	<u>96,948</u>	<u>88,790</u>	<u>79,608</u>	<u>73,819</u>
Operating expenses:									
Cost of billable services.....	24,401	23,096	23,013	23,294	25,580	23,285	22,897	23,010	23,589
Cost of free services.....	3,353	2,474	1,605	1,589	1,725	1,869	2,084	2,572	3,134
Sales and marketing.....	53,983	47,962	43,170	44,738	43,035	36,587	33,939	26,467	23,618
Product development.....	9,043	7,966	7,069	6,286	6,101	5,368	5,120	5,428	5,963
General and administrative.....	11,713	10,918	10,220	9,568	6,863	7,014	7,008	7,930	7,107
Stock-based compensation ⁽¹⁾	1,075	517	716	739	477	-	-	14	28
Amortization of intangible assets.....	5,978	7,651	4,395	4,393	3,964	3,964	3,964	3,964	3,964
Restructuring charges.....	-	-	-	-	-	-	-	-	(215)
Total operating expenses.....	<u>109,546</u>	<u>100,584</u>	<u>90,188</u>	<u>90,607</u>	<u>87,745</u>	<u>78,087</u>	<u>75,012</u>	<u>69,385</u>	<u>67,188</u>
Operating income (loss).....	20,985	19,036	20,516	20,011	19,930	18,861	13,778	10,223	6,631
Interest and other income, net.....	1,417	902	1,380	1,367	1,489	1,492	1,502	1,350	1,296
Interest expense.....	(2,002)	(256)	(321)	(342)	(283)	(268)	(319)	(226)	(191)
Income (loss) before income taxes.....	20,400	19,682	21,575	21,036	21,136	20,085	14,961	11,347	7,736
Provision (benefit) for income taxes.....	8,913	(60,507)	8,955	8,726	8,775	(4,340)	6,059	(3,247)	774
Net income (loss).....	<u>\$ 11,487</u>	<u>\$ 80,189</u>	<u>\$ 12,620</u>	<u>\$ 12,310</u>	<u>\$ 12,361</u>	<u>\$ 24,425</u>	<u>\$ 8,902</u>	<u>\$ 14,594</u>	<u>\$ 6,962</u>
Basic net income (loss) per share.....	<u>\$ 0.19</u>	<u>\$ 1.33</u>	<u>\$ 0.21</u>	<u>\$ 0.20</u>	<u>\$ 0.20</u>	<u>\$ 0.38</u>	<u>\$ 0.14</u>	<u>\$ 0.23</u>	<u>\$ 0.11</u>
Diluted net income (loss) per share.....	<u>\$ 0.18</u>	<u>\$ 1.27</u>	<u>\$ 0.19</u>	<u>\$ 0.19</u>	<u>\$ 0.18</u>	<u>\$ 0.35</u>	<u>\$ 0.13</u>	<u>\$ 0.21</u>	<u>\$ 0.10</u>
Shares used to calculate basic income (loss) per share.....	60,393	60,307	61,183	61,669	62,470	64,166	64,161	62,916	62,202
Shares used to calculate diluted income (loss) per share.....	63,038	63,250	64,955	66,238	67,352	68,878	70,133	68,327	67,638
Shares outstanding at end of period.....	60,669	61,074	60,545	62,764	61,850	63,944	65,168	63,710	62,556

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

Cost of billable services.....	\$ 25	\$ 16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1	\$ 3
Sales and marketing.....	100	(255)	124	124	83	-	-	3	5
Product development.....	63	32	-	-	-	-	-	1	1
General and administrative.....	887	724	592	615	394	-	-	9	19
Total stock-based compensation.....	<u>\$ 1,075</u>	<u>\$ 517</u>	<u>\$ 716</u>	<u>\$ 739</u>	<u>\$ 477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>	<u>\$ 28</u>

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

Three Months Ended	Mar 31, 2005	Dec 31, 2004 ⁽²⁾	Sep 30, 2004 ⁽²⁾	Jun 30, 2004 ⁽²⁾	Mar 31, 2004 ⁽²⁾	Dec 31, 2003 ⁽²⁾	Sep 30, 2003 ⁽²⁾	Jun 30, 2003 ⁽²⁾	Mar 31, 2003 ⁽²⁾
CASH FLOWS FROM OPERATING ACTIVITIES:									
Net income (loss).....	\$ 11,487	\$ 80,189	\$ 12,620	\$ 12,310	\$ 12,361	\$ 24,425	\$ 8,902	\$ 14,594	\$ 6,962
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:									
Depreciation, amortization and stock-based charges.....	10,527	10,936	7,366	7,259	6,039	5,545	5,531	5,932	6,801
Deferred taxes, tax benefits and other.....	3,840	(58,931)	8,006	8,317	7,291	(4,396)	6,384	(3,020)	586
Change in operating assets and liabilities (excluding the effects of acquisitions):									
Accounts receivable.....	295	(723)	(10)	(1,566)	2,519	(1,310)	(335)	(490)	(618)
Other assets.....	2,986	(674)	1,008	(6,373)	1,917	398	(3,578)	1,514	(1,231)
Accounts payable and accrued liabilities.....	(2,856)	1,272	(1,206)	9,289	2,001	3,945	1,358	1,323	(240)
Other liabilities.....	825	706	1,189	-	-	-	-	-	-
Deferred revenue.....	4,581	(1,034)	(14)	(761)	2,657	382	641	(286)	3,745
Net cash provided by operating activities.....	31,685	31,741	28,959	28,475	34,785	28,989	18,903	19,567	16,005
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of short-term investments.....	(98,317)	(99,466)	(52,483)	(101,021)	(76,113)	(145,794)	(83,147)	(41,379)	(26,176)
Proceeds from maturities of short-term investments.....	115,858	119,234	54,470	76,764	94,051	157,158	50,972	15,500	22,605
Cash paid for acquisitions, net of cash acquired.....	(8,540)	(98,168)	(17)	(11,917)	-	-	-	-	-
Proceeds from sale of cost-basis investment.....	-	-	-	-	-	-	-	750	-
Purchases of rights, patents and trademarks.....	(5,500)	(10)	(4)	(901)	(11)	-	-	-	-
Purchases of property and equipment.....	(3,455)	(1,312)	(6,344)	(3,849)	(1,005)	(3,482)	(1,593)	(1,326)	(2,024)
Proceeds from sales of assets, net.....	-	-	92	-	-	-	-	-	-
Net cash provided by (used for) investing activities.....	46	(79,722)	(4,286)	(40,924)	16,922	7,882	(33,768)	(26,455)	(5,595)
CASH FLOWS FROM FINANCING ACTIVITIES:									
Payments on notes payable and capital leases.....	(288)	(166)	-	-	-	(12)	(22)	(64)	(598)
Proceeds from term loan and line of credit, net.....	-	107,569	-	-	-	-	-	-	-
Payments on term loan and line of credit.....	(30,833)	(10,300)	-	-	-	-	-	-	-
Repayments of notes receivable.....	-	-	-	-	-	-	-	1,587	10
Proceeds from employee stock purchase plan.....	-	1,409	-	1,636	-	1,679	-	1,019	-
Common stock repurchases.....	(14,207)	(792)	(25,011)	-	(48,706)	(40,002)	-	(3,797)	(1,815)
Proceeds from exercises of stock options.....	1,821	992	1,123	2,986	914	951	8,020	3,018	255
Net cash provided by (used for) financing activities.....	(43,507)	98,712	(23,888)	4,622	(47,792)	(37,384)	7,998	1,763	(2,148)
Effect of exchange rate changes on cash and cash equivalents...	(14)	-	-	-	-	-	-	-	-
Change in cash and cash equivalents.....	(11,790)	50,731	785	(7,827)	3,915	(513)	(6,867)	(5,125)	8,262
Cash and cash equivalents, beginning of period.....	56,512	5,781	4,996	12,823	8,908	9,421	16,288	21,413	13,151
Cash and cash equivalents, end of period.....	\$ 44,722	\$ 56,512	\$ 5,781	\$ 4,996	\$ 12,823	\$ 8,908	\$ 9,421	\$ 16,288	\$ 21,413

(2) The Company has reclassified certain prior period amounts from cash and cash equivalents to short-term investments to conform to current year presentation. This reclassification pertains to certain auction rate securities, for which interest rates reset in less than 90 days, but for which the maturity date is longer than 90 days.

Adjusted net income is defined as net income before the after-tax effect of amortization of intangible assets, stock-based compensation, facility exit costs, merger-related charges and the tax benefit related to the recognition 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. Reconciliations to the most directly comparable GAAP financial measure are provided in the accompanying tables.

UNITED ONLINE, INC.
Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss)
(in thousands, except per-share data)

	Three Months Ended Mar 31, 2005			Three Months Ended Dec 31, 2004			Three Months Ended Sep 30, 2004			Three Months Ended Jun 30, 2004			Three Months Ended Mar 31, 2004			Three Months Ended Dec 31, 2003			Three Months Ended Sep 30, 2003			Three Months Ended Jun 30, 2003			Three Months Ended Mar 31, 2003			
	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	Reported	Adjustments	Adjusted	
Revenues:																												
Billable services.....	\$ 116,229	\$ -	\$ 116,229	\$ 108,530	\$ -	\$ 108,530	\$ 102,113	\$ -	\$ 102,113	\$ 102,496	\$ -	\$ 102,496	\$ 97,682	\$ -	\$ 97,682	\$ 87,993	\$ -	\$ 87,993	\$ 79,646	\$ -	\$ 79,646	\$ 72,412	\$ -	\$ 72,412	\$ 66,035	\$ -	\$ 66,035	
Advertising and commerce.....	14,302	-	14,302	11,080	-	11,080	8,591	-	8,591	8,122	-	8,122	9,993	-	9,993	8,955	-	8,955	9,144	-	9,144	7,186	-	7,186	7,784	-	7,784	
Total revenues.....	130,531	-	130,531	119,620	-	119,620	110,704	-	110,704	110,618	-	110,618	107,675	-	107,675	96,948	-	96,948	88,790	-	88,790	79,608	-	79,608	73,819	-	73,819	
Operating expenses:																												
Cost of billable services.....	24,401	-	24,401	23,096	-	23,096	23,013	-	23,013	23,294	-	23,294	25,580	-	25,580	23,285	-	23,285	22,897	-	22,897	23,010	-	23,010	23,589	(37) (a)	23,552	
Cost of free services.....	3,353	-	3,353	2,474	-	2,474	1,805	-	1,805	1,589	-	1,589	1,725	-	1,725	1,869	-	1,869	2,084	-	2,084	2,572	-	2,572	3,134	-	3,134	
Sales and marketing.....	53,983	-	53,983	47,962	-	47,962	43,170	-	43,170	44,738	-	44,738	43,035	-	43,035	36,587	-	36,587	33,939	-	33,939	28,467	-	28,467	23,818	(26) (a)	23,592	
Product development.....	9,043	-	9,043	7,968	-	7,968	7,069	-	7,069	6,286	-	6,286	6,101	-	6,101	5,368	-	5,368	5,120	-	5,120	5,428	-	5,428	5,963	(265) (a)	5,698	
General and administrative.....	11,713	-	11,713	10,918	(10) (a)	10,908	10,220	(1,640) (a)	8,574	9,568	(1,601) (a)	7,967	8,663	(7,014) (a)	1,649	7,014	7,008	-	7,008	7,930	-	7,930	7,900	-	7,900	7,107	(106) (a)	7,001
Stock-based compensation.....	1,075	(1,075) (a)	-	517	(617) (b)	-	716	(716) (b)	-	739	(739) (b)	-	477	(477) (a)	-	-	-	-	-	14	-	14	-	-	23	(72) (b)	-	
Amortization of intangible assets.....	5,978	(5,978) (b)	-	7,651	(7,651) (c)	-	4,395	(4,395) (c)	-	4,393	-	4,393	3,964	(3,964) (b)	-	3,964	-	-	3,964	(3,964) (a)	-	3,964	-	-	3,964	(3,964) (c)	-	
Restructuring charges.....	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Total operating expenses.....	109,546	(7,053) (b)	102,493	100,584	(6,178) (c)	92,406	90,188	(6,757) (d)	83,431	90,607	(6,733) (e)	83,874	87,745	(4,441) (f)	83,304	78,087	(3,964) (g)	74,123	75,012	(3,964) (h)	71,044	69,385	(3,978) (i)	65,407	67,158	(6,211) (j)	62,977	
Operating income (loss).....	20,985	7,053	28,038	19,036	8,178	27,214	20,516	6,757	27,273	20,011	6,733	26,744	19,930	4,441	24,371	18,861	3,964	22,825	13,778	3,964	17,742	10,223	3,978	14,201	6,631	4,211	10,842	
Interest and other income, net.....	1,417	-	1,417	902	-	902	1,380	-	1,380	1,367	-	1,367	1,489	-	1,489	1,492	-	1,492	1,502	-	1,492	1,350	-	1,350	1,296	-	1,296	
Interest expense.....	(2,002)	-	(2,002)	(256)	-	(256)	(321)	-	(321)	(342)	-	(342)	(293)	-	(293)	(298)	-	(298)	(319)	-	(319)	(228)	-	(228)	(191)	-	(191)	
Income (loss) before income taxes.....	20,400	7,053	27,453	18,682	8,178	27,860	21,575	6,757	28,332	21,036	6,733	27,769	21,136	4,441	25,577	20,085	3,964	24,049	14,961	3,964	18,925	11,347	3,978	15,325	7,736	4,211	11,947	
Provision (benefit) for income taxes.....	8,913	2,315 (c)	11,228	(60,507) (d)	71,722 (d)	11,215	8,955	2,459 (d)	11,414	8,726	2,440 (d)	11,166	8,775	1,609 (c)	10,384	(4,340) (e)	13,883 (b)	9,543	6,059	1,605 (b)	7,664	(3,247) (f)	4,384 (c)	1,137	774	72 (e)	846	
Net income (loss).....	\$ 11,487	\$ 4,738	\$ 16,225	\$ 80,189	\$ (63,544) (g)	\$ 16,645	\$ 12,620	\$ 4,298	\$ 16,918	\$ 12,310	\$ 4,293	\$ 16,603	\$ 12,361	\$ 2,832	\$ 15,193	\$ 24,425	\$ (9,919) (h)	\$ 14,506	\$ 8,902	\$ 2,359	\$ 11,261	\$ 14,594	\$ (406) (i)	\$ 14,188	\$ 9,962	\$ 4,139	\$ 11,101	
Basic net income (loss) per share.....	\$ 0.19	\$ 0.27	\$ 0.33	\$ 0.28	\$ 0.21	\$ 0.27	\$ 0.20	\$ 0.27	\$ 0.20	\$ 0.27	\$ 0.20	\$ 0.27	\$ 0.24	\$ 0.38	\$ 0.23	\$ 0.14	\$ 0.18	\$ 0.23	\$ 0.14	\$ 0.21	\$ 0.18	\$ 0.23	\$ 0.21	\$ 0.18	\$ 0.11	\$ 0.18		
Diluted net income (loss) per share.....	\$ 0.18	\$ 0.25	\$ 0.22	\$ 0.26	\$ 0.19	\$ 0.26	\$ 0.19	\$ 0.26	\$ 0.19	\$ 0.26	\$ 0.19	\$ 0.26	\$ 0.18	\$ 0.23	\$ 0.35	\$ 0.21	\$ 0.13	\$ 0.21	\$ 0.13	\$ 0.21	\$ 0.13	\$ 0.21	\$ 0.21	\$ 0.13	\$ 0.10	\$ 0.16		
Shares used to calculate basic income (loss) per share.....	60,393	-	60,393	60,307	-	60,307	61,183	-	61,183	61,669	-	61,669	62,470	-	62,470	64,106	-	64,106	64,101	-	64,101	62,016	-	62,016	62,202	-	62,202	
Shares used to calculate diluted income (loss) per share.....	63,038	-	63,713 (d)	63,250	-	63,250	64,956	-	64,956	66,238	-	66,238	67,352	-	67,352	68,878	-	68,878	70,133	-	70,133	68,327	-	68,327	67,638	-	67,638	
Shares outstanding at end of period.....	60,669	-	60,669	61,074	-	61,074	60,645	-	60,645	62,764	-	62,764	61,850	-	61,850	63,944	-	63,944	62,168	-	62,168	63,710	-	63,710	62,556	-	62,556	

(a) Elimination of stock-based compensation.

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

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

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

(a) Elimination of stock-based compensation.

(a) Elimination of amortization of intangible assets.

(a) Elimination of amortization of intangible assets.

(a) Elimination of stock-based compensation.

(a) Elimination of amortization of merger-related charges of \$434.

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

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

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

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

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

(b) Elimination of benefit recognized for deferred tax assets and income tax effect of adjusting entries.

(b) Income tax effect of adjusting entries.

(b) Elimination of amortization of intangible assets.
(c) Elimination of benefit recognized for deferred tax assets and income tax effect of adjusting entries.

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

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

(d) Elimination of benefit recognized for deferred tax assets and income tax effect of adjusting entries.

(d) Income tax effect of adjusting entries.

(d) Income tax effect of adjusting entries.

(d) Elimination of restructuring charges.
(e) 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 as reflected in the accompanying tables, facility exit costs, and restructuring and merger-related charges. 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	Mar 31, 2005	Dec 31, 2004	Sep 30, 2004	Jun 30, 2004	Mar 31, 2004	Dec 31, 2003	Sep 30, 2003	Jun 30, 2003	Mar 31, 2003
Operating income (loss).....	\$ 20,985	\$ 19,036	\$ 20,516	\$ 20,011	\$ 19,930	\$ 18,861	\$ 13,778	\$ 10,223	\$ 6,631
Depreciation.....	3,474	2,768	1,957	1,680	1,598	1,581	1,567	1,954	2,809
Amortization.....	5,978	7,651	4,395	4,393	3,964	3,964	3,964	3,964	3,964
Operating income before depreciation and amortization.....	30,437	29,455	26,868	26,084	25,492	24,406	19,309	16,141	13,404
Stock-based compensation.....	1,075	517	716	739	477	-	-	14	26
Restructuring and merger-related charges (a).....	-	-	-	-	-	-	-	-	219
Facility-exit costs (b).....	-	10	1,646	1,601	-	-	-	-	-
Adjusted operating income before depreciation and amortization.....	\$ 31,512	\$ 29,982	\$ 29,230	\$ 28,424	\$ 25,969	\$ 24,406	\$ 19,309	\$ 16,155	\$ 13,651
Adjusted operating income before depreciation and amortization as a percent of total revenues.....	24.1%	25.1%	26.4%	25.7%	24.1%	25.2%	21.7%	20.3%	18.5%

(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 before cash paid for relocation costs and 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 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 Free Cash Flow:

(in thousands)

Three Months Ended	Mar 31, 2005	Dec 31, 2004	Sep 30, 2004	Jun 30, 2004	Mar 31, 2004	Dec 31, 2003	Sep 30, 2003	Jun 30, 2003	Mar 31, 2003
Net cash provided by operating activities.....	\$ 31,685	\$ 31,741	\$ 28,959	\$ 28,475	\$ 34,785	\$ 28,989	\$ 18,903	\$ 19,567	\$ 16,005
Add (deduct):									
Cash paid for restructuring and merger-related charges (a).....	-	-	-	-	-	-	-	-	1,915
Capital expenditures.....	(3,455)	(1,312)	(6,344)	(3,849)	(1,005)	(3,482)	(1,593)	(1,326)	(2,024)
Cash paid for facility-exit costs (b).....	-	200	4,895	1,315	-	-	-	-	-
Free cash flow.....	<u>\$ 28,230</u>	<u>\$ 30,629</u>	<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>

(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>Mar 31, 2005</u>	<u>Dec 31, 2004</u>	<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>
Pay accounts.....	4,952	4,826	3,232	3,189	3,095	2,892	2,720	2,547	2,405
Active accounts (in millions).....	17.0	15.2	6.6	6.8	5.4	5.3	5.2	5.2	5.2
Number of employees at end of period.....	769	742	598	582	504	499	487	461	447
Annualized revenue per average number of employees.....	\$ 691	\$ 714	\$ 751	\$ 815	\$ 859	\$ 787	\$ 749	\$ 701	\$ 663

UNITED ONLINE, INC.

Analysis of Pay Accounts Subscriptions (a)

(in thousands)

	<u>Mar 31, 2005</u>	<u>Dec 31, 2004</u>	<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>
Internet access.....	3,130	3,100	3,111	3,102	3,083	2,890	2,720	2,547	2,405
Other Web services.....	3,070	2,886	1,239	1,125	924	645	412	210	22
Total subscriptions.....	<u>6,200</u>	<u>5,986</u>	<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>
Total pay accounts (b).....	4,952	4,826	3,232	3,189	3,095	2,892	2,720	2,547	2,405
Accelerator penetration (c).....	37%	36%	35%	32%	29%	22%	15%	8%	1%

(a) A subscription represents a unique subscription to any individual pay service offered by the company. Individual pay services include Internet access, community-based networking, accelerator services, premium email, Web-hosting and domain name registration, and premium content subscriptions.

(b) Total pay accounts includes Internet access, community-based networking, premium email, Web-hosting and domain name registration, and premium content accounts.

(c) Defined as accelerator subscriptions divided by Internet access subscriptions.