

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

	<u>Jun 30, 2005</u> (unaudited)	<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>
ASSETS									
Cash, cash equivalents and short-term investments.....	\$ 223,828	\$ 203,046	\$ 232,793	\$ 202,645	\$ 203,502	\$ 189,448	\$ 203,723	\$ 216,724	\$ 192,228
Accounts receivable, net.....	18,763	17,237	17,534	13,414	13,404	11,546	14,065	12,755	12,420
Deferred tax assets, net.....	72,257	75,587	76,203	11,172	17,238	20,614	26,373	6,350	8,056
Property and equipment, net.....	28,115	26,888	27,006	18,763	14,749	12,835	13,428	11,554	11,535
Goodwill and intangible assets, net.....	151,277	156,805	147,016	41,729	46,018	36,315	40,268	45,631	49,595
Other assets.....	16,580	15,962	19,300	13,539	14,547	8,105	10,022	10,420	6,842
Total assets.....	<u>\$ 510,820</u>	<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>
LIABILITIES AND STOCKHOLDERS' EQUITY									
Accounts payable.....	\$ 47,109	\$ 41,232	\$ 45,379	\$ 38,762	\$ 37,251	\$ 30,141	\$ 31,388	\$ 28,543	\$ 23,041
Accrued liabilities.....	27,457	21,602	18,320	16,952	19,669	17,276	14,028	12,929	17,073
Deferred revenue.....	57,564	55,713	50,954	28,231	28,160	27,296	24,639	24,257	23,616
Capital leases.....	879	1,031	1,319	-	-	-	-	12	34
Term loan.....	63,334	69,167	100,000	-	-	-	-	-	-
Other liabilities.....	3,913	3,006	2,181	1,189	-	-	-	-	-
Total liabilities.....	<u>200,256</u>	<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>
Stockholders' equity.....	310,564	303,774	301,699	216,128	224,378	204,150	237,824	237,693	216,912
Total liabilities and stockholders' equity.....	<u>\$ 510,820</u>	<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>

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

Three Months Ended	<u>Jun 30, 2005</u>	<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>
Revenues:									
Billable services.....	\$ 117,490	\$ 116,229	\$ 108,530	\$ 102,113	\$ 102,496	\$ 97,682	\$ 87,993	\$ 79,646	\$ 72,412
Advertising and commerce.....	14,030	14,302	11,090	8,591	8,122	9,993	8,955	9,144	7,196
Total revenues.....	<u>131,520</u>	<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>
Operating expenses:									
Cost of billable services.....	24,190	24,401	23,096	23,013	23,294	25,580	23,285	22,897	23,010
Cost of free services.....	3,172	3,353	2,474	1,605	1,589	1,725	1,869	2,084	2,572
Sales and marketing.....	53,579	53,983	47,962	43,170	44,738	43,035	36,587	33,939	26,467
Product development.....	9,208	9,043	7,966	7,069	6,286	6,101	5,368	5,120	5,428
General and administrative.....	11,938	11,713	10,918	10,220	9,568	6,863	7,014	7,008	7,930
Stock-based compensation ⁽¹⁾	2,920	1,075	517	716	739	477	-	-	14
Amortization of intangible assets.....	5,654	5,978	7,651	4,395	4,393	3,964	3,964	3,964	3,964
Total operating expenses.....	<u>110,661</u>	<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>
Operating income.....	20,859	20,985	19,036	20,516	20,011	19,930	18,861	13,778	10,223
Interest and other income, net.....	1,592	1,417	902	1,380	1,367	1,489	1,492	1,502	1,350
Interest expense.....	(1,355)	(2,002)	(256)	(321)	(342)	(283)	(268)	(319)	(226)
Income before income taxes.....	21,096	20,400	19,682	21,575	21,036	21,136	20,085	14,961	11,347
Provision (benefit) for income taxes.....	10,424	8,913	(60,507)	8,955	8,726	8,775	(4,340)	6,059	(3,247)
Net income.....	<u>\$ 10,672</u>	<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>
Basic net income per share.....	<u>\$ 0.18</u>	<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>
Diluted net income per share.....	<u>\$ 0.17</u>	<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>
Shares used to calculate basic income per share.....	60,831	60,393	60,307	61,183	61,669	62,470	64,166	64,161	62,916
Shares used to calculate diluted income per share.....	63,093	63,038	63,250	64,955	66,238	67,352	68,878	70,133	68,327
Shares outstanding at end of period.....	<u>61,760</u>	<u>60,669</u>	<u>61,074</u>	<u>60,545</u>	<u>62,764</u>	<u>61,850</u>	<u>63,944</u>	<u>65,168</u>	<u>63,710</u>

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

Cost of billable services.....	\$ 57	\$ 25	\$ 16	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1
Sales and marketing.....	224	100	(255)	124	124	83	-	-	3
Product development.....	350	63	32	-	-	-	-	-	1
General and administrative.....	2,289	887	724	592	615	394	-	-	9
Total stock-based compensation.....	<u>\$ 2,920</u>	<u>\$ 1,075</u>	<u>\$ 517</u>	<u>\$ 716</u>	<u>\$ 739</u>	<u>\$ 477</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14</u>

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

Three Months Ended	Jun 30, 2005	Mar 31, 2005	Dec 31, 2004 ⁽¹⁾	Sep 30, 2004 ⁽¹⁾	Jun 30, 2004 ⁽¹⁾	Mar 31, 2004 ⁽¹⁾	Dec 31, 2003 ⁽¹⁾	Sep 30, 2003 ⁽¹⁾	Jun 30, 2003 ⁽¹⁾
CASH FLOWS FROM OPERATING ACTIVITIES:									
Net income	\$ 10,672	\$ 11,487	\$ 80,189	\$ 12,620	\$ 12,310	\$ 12,361	\$ 24,425	\$ 8,902	\$ 14,594
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation, amortization and stock-based compensation	12,358	10,527	10,936	7,366	7,259	6,039	5,545	5,531	5,932
Deferred taxes, tax benefits and other	5,716	3,840	(58,931)	8,006	8,317	7,291	(4,396)	6,384	(3,020)
Change in operating assets and liabilities (excluding the effects of acquisitions):									
Accounts receivable	(1,526)	295	(723)	(10)	(1,566)	2,519	(1,310)	(335)	(490)
Other assets	(1,031)	2,986	(674)	1,008	(6,373)	1,917	398	(3,578)	1,514
Accounts payable and accrued liabilities	11,750	(2,856)	1,272	(1,206)	9,289	2,001	3,945	1,358	1,323
Other liabilities	907	825	706	1,189	-	-	-	-	-
Deferred revenue	1,880	4,581	(1,034)	(14)	(761)	2,657	382	641	(286)
Net cash provided by operating activities	<u>40,726</u>	<u>31,685</u>	<u>31,741</u>	<u>28,959</u>	<u>28,475</u>	<u>34,785</u>	<u>28,989</u>	<u>18,903</u>	<u>19,567</u>
CASH FLOWS FROM INVESTING ACTIVITIES:									
Purchase of short-term investments	(94,120)	(98,317)	(99,466)	(52,483)	(101,021)	(76,113)	(145,794)	(83,147)	(41,379)
Proceeds from maturities of short-term investments	69,475	115,858	119,234	54,470	76,764	94,051	157,158	50,972	15,500
Cash paid for acquisitions, net of cash acquired	(98)	(8,540)	(98,168)	(17)	(11,917)	-	-	-	-
Proceeds from sale of cost-basis investment	-	-	-	-	-	-	-	-	750
Purchases of rights, patents and trademarks	(54)	(5,500)	(10)	(4)	(901)	(11)	-	-	-
Purchases of property and equipment	(5,018)	(3,455)	(1,312)	(6,344)	(3,849)	(1,005)	(3,482)	(1,593)	(1,326)
Proceeds from sales of assets, net	-	-	-	92	-	-	-	-	-
Net cash provided by (used for) investing activities	<u>(29,815)</u>	<u>46</u>	<u>(79,722)</u>	<u>(4,286)</u>	<u>(40,924)</u>	<u>16,922</u>	<u>7,882</u>	<u>(33,768)</u>	<u>(26,455)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:									
Payments on capital leases	(152)	(288)	(166)	-	-	-	(12)	(22)	(64)
Proceeds from term loan and line of credit, net	-	-	107,569	-	-	-	-	-	-
Payments on term loan and line of credit	(5,833)	(30,833)	(10,300)	-	-	-	-	-	-
Payment for dividends	(12,590)	-	-	-	-	-	-	-	-
Repayments of notes receivable	-	-	-	-	-	-	-	-	1,587
Proceeds from employee stock purchase plan	1,678	-	1,409	-	1,636	-	1,679	-	1,019
Common stock repurchases	-	(14,207)	(792)	(25,011)	-	(48,706)	(40,002)	-	(3,797)
Proceeds from exercises of stock options	2,024	1,821	992	1,123	2,986	914	951	8,020	3,018
Net cash provided by (used for) financing activities	<u>(14,873)</u>	<u>(43,507)</u>	<u>98,712</u>	<u>(23,888)</u>	<u>4,622</u>	<u>(47,792)</u>	<u>(37,384)</u>	<u>7,998</u>	<u>1,763</u>
Effect of exchange rate changes on cash and cash equivalents	(75)	(14)	-	-	-	-	-	-	-
Change in cash and cash equivalents	(4,037)	(11,790)	50,731	785	(7,827)	3,915	(513)	(6,867)	(5,125)
Cash and cash equivalents, beginning of period	44,722	56,512	5,781	4,996	12,823	8,908	9,421	16,288	21,413
Cash and cash equivalents, end of period	<u>\$ 40,685</u>	<u>\$ 44,722</u>	<u>\$ 56,512</u>	<u>\$ 5,781</u>	<u>\$ 4,996</u>	<u>\$ 12,823</u>	<u>\$ 8,908</u>	<u>\$ 9,421</u>	<u>\$ 16,288</u>

(1) 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, the tax benefit related to the recognition of the company's deferred tax assets and re-measurement of certain 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 to Adjusted Net Income
(in thousands, except per-share data)

	Three Months Ended Jun 30, 2005			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			
	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	\$ 117,490	\$ -	\$ 117,490	\$ 116,229	\$ -	\$ 116,229	\$ 108,530	\$ -	\$ 108,530	\$ 102,113	\$ -	\$ 102,113	\$ 102,498	\$ -	\$ 102,498	\$ 97,662	\$ -	\$ 97,662	\$ 87,993	\$ -	\$ 87,993	\$ 79,648	\$ -	\$ 79,648	\$ 72,412	\$ -	\$ 72,412	
Advertising and commerce	14,030	-	14,030	14,302	-	14,302	11,090	-	11,090	8,991	-	8,991	9,122	-	9,122	9,993	-	9,993	8,955	-	8,955	9,144	-	9,144	9,144	-	9,144	
Total revenues	131,520	-	131,520	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	
Operating expenses:																												
Cost of billable services	24,190	-	24,190	24,401	-	24,401	23,096	-	23,096	23,013	-	23,013	23,294	-	23,294	25,980	-	25,980	23,285	-	23,285	22,897	-	22,897	23,010	-	23,010	
Cost of free services	3,172	-	3,172	3,353	-	3,353	2,474	-	2,474	1,605	-	1,605	1,589	-	1,589	1,725	-	1,725	1,869	-	1,869	2,084	-	2,084	2,572	-	2,572	
Sales and marketing	53,579	-	53,579	53,983	-	53,983	47,962	-	47,962	42,170	-	42,170	44,738	-	44,738	43,035	-	43,035	36,587	-	36,587	33,939	-	33,939	26,467	-	26,467	
Product development	9,208	-	9,208	9,043	-	9,043	7,966	-	7,966	7,069	-	7,069	6,286	-	6,286	6,101	-	6,101	5,368	-	5,368	5,120	-	5,120	5,428	-	5,428	
General and administrative	11,938	-	11,938	11,713	-	11,713	10,918	-	10,918	10,220	-	10,220	10,220	-	10,220	9,568	-	9,568	8,863	-	8,863	7,014	-	7,014	7,008	-	7,008	
Stock-based compensation	2,920	(2,920) (a)	-	1,076	(1,076) (a)	-	517	(517) (b)	-	716	(716) (b)	-	736	(736) (b)	-	477	(477) (a)	-	3,964	(3,964) (a)	-	3,964	(3,964) (a)	-	3,964	(3,964) (a)	-	3,964
Amortization of intangible assets	5,654	(5,654) (b)	-	5,978	(5,978) (b)	-	7,651	(7,651) (c)	-	4,395	(4,395) (c)	-	4,393	(4,393) (c)	-	3,964	(3,964) (b)	-	3,964	(3,964) (b)	-	3,964	(3,964) (b)	-	3,964	(3,964) (b)	-	3,964
Total operating expenses	110,661	(8,674)	102,087	109,546	(7,953)	102,493	100,984	(6,178)	92,406	90,188	(6,757)	83,431	90,607	(6,733)	83,874	87,745	(4,441)	83,304	78,087	(3,964)	74,123	75,012	(3,964)	71,048	69,385	(3,978)	65,407	
Operating income	20,859	8,574	29,433	20,985	7,053	28,038	19,038	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	
Interest and other income, net	1,592	-	1,592	1,417	-	1,417	902	-	902	1,380	-	1,380	1,367	-	1,367	1,489	-	1,489	1,492	-	1,492	1,502	-	1,502	1,350	-	1,350	
Interest expense	(1,350)	-	(1,350)	(2,002)	-	(2,002)	(256)	-	(256)	(321)	-	(321)	(342)	-	(342)	(283)	-	(283)	(268)	-	(268)	(319)	-	(319)	(226)	-	(226)	
Income before income taxes	21,096	8,574	29,670	20,400	7,053	27,453	19,682	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	
Provision (benefit) for income taxes	10,424	1,538 (c)	11,962	8,913	2,315 (c)	11,228	(80,507)	71,722 (d)	11,215	8,955	2,459 (d)	11,414	8,728	2,440 (d)	11,166	8,775	1,609 (c)	10,384	(4,340)	13,883 (b)	9,543	6,059	7,664	(3,247)	4,384 (c)	1,137		
Net income	\$ 10,672	\$ 7,036	\$ 17,708	\$ 11,487	\$ 4,738	\$ 16,225	\$ 80,189	\$ (63,544)	\$ 16,645	\$ 12,620	\$ 4,298	\$ 16,918	\$ 12,310	\$ 4,293	\$ 16,603	\$ 12,361	\$ 2,832	\$ 15,193	\$ 24,425	\$ (9,919)	\$ 14,506	\$ 8,902	\$ 2,359	\$ 11,261	\$ 14,694	\$ (406)	\$ 14,188	
Basic net income per share	\$ 0.18	\$ 0.29	\$ 0.19	\$ 0.27	\$ 1.33	\$ 0.28	\$ 0.21	\$ 0.28	\$ 0.21	\$ 0.28	\$ 0.20	\$ 0.27	\$ 0.20	\$ 0.24	\$ 0.38	\$ 0.23	\$ 0.14	\$ 0.23	\$ 0.14	\$ 0.18	\$ 0.23	\$ 0.18	\$ 0.23	\$ 0.18	\$ 0.23	\$ 0.23		
Diluted net income per share	\$ 0.17	\$ 0.27	\$ 0.18	\$ 0.25	\$ 1.27	\$ 0.26	\$ 0.19	\$ 0.26	\$ 0.19	\$ 0.26	\$ 0.19	\$ 0.25	\$ 0.25	\$ 0.23	\$ 0.35	\$ 0.23	\$ 0.13	\$ 0.16	\$ 0.21	\$ 0.16	\$ 0.21	\$ 0.16	\$ 0.21	\$ 0.16	\$ 0.21	\$ 0.21		
Shares used to calculate basic income per share	60,831	60,831	60,393	60,393	60,307	60,307	61,183	61,183	61,669	61,669	62,470	62,470	62,470	62,470	64,166	64,166	64,166	64,166	64,166	64,166	64,166	64,166	64,166	64,166	64,166	62,916	62,916	
Shares used to calculate diluted income per share	63,093	64,899 (d)	63,038	63,713 (d)	63,250	63,250	64,955	64,955	66,238	66,238	67,352	67,352	68,878	68,878	70,133	70,133	70,133	70,133	70,133	70,133	70,133	70,133	70,133	70,133	70,133	68,327	68,327	
Shares outstanding at end of period	61,789	61,789	60,969	60,969	61,074	61,074	60,549	60,549	62,764	62,764	61,850	61,850	61,850	61,850	63,944	63,944	63,944	63,944	63,944	63,944	63,944	63,944	63,944	63,944	63,944	63,710	63,710	

(a) Elimination of stock-based compensation.

(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.

(b) Elimination of amortization of intangible assets.

(b) Elimination of amortization of intangible assets.

(b) Elimination of stock-based compensation.

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(b) Elimination of stock-based compensation.

(b) Elimination of amortization of intangible assets.

(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) Income tax effect of adjusting entries and re-measurement of certain deferred tax assets.

(c) Income tax effect of adjusting entries.

(c) Elimination of amortization of intangible assets.

(c) Elimination of amortization of intangible assets.

(c) Elimination of amortization of intangible assets.

(c) Income tax effect of adjusting entries.

(c) Income tax effect of adjusting entries.

(c) Income tax effect of adjusting entries.

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

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

(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.

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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, and facility exit 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 Before Depreciation and Amortization
(in thousands)

Three Months Ended	Jun 30, 2005	Mar 31, 2005	Dec 31, 2004	Sep 30, 2004	Jun 30, 2004	Mar 31, 2004	Dec 31, 2003	Sep 30, 2003	Jun 30, 2003
Operating income (loss).....	\$ 20,859	\$ 20,985	\$ 19,036	\$ 20,516	\$ 20,011	\$ 19,930	\$ 18,861	\$ 13,778	\$ 10,223
Depreciation.....	3,784	3,474	2,768	1,957	1,680	1,598	1,581	1,567	1,954
Amortization.....	5,654	5,978	7,651	4,395	4,393	3,964	3,964	3,964	3,964
Operating income before depreciation and amortization.....	<u>30,297</u>	<u>30,437</u>	<u>29,455</u>	<u>26,868</u>	<u>26,084</u>	<u>25,492</u>	<u>24,406</u>	<u>19,309</u>	<u>16,141</u>
Stock-based compensation.....	2,920	1,075	517	716	739	477	-	-	14
Facility-exit costs (a).....	-	-	10	1,646	1,601	-	-	-	-
Adjusted operating income before depreciation and amortization.....	<u>\$ 33,217</u>	<u>\$ 31,512</u>	<u>\$ 29,982</u>	<u>\$ 29,230</u>	<u>\$ 28,424</u>	<u>\$ 25,969</u>	<u>\$ 24,406</u>	<u>\$ 19,309</u>	<u>\$ 16,155</u>
Adjusted operating income before depreciation and amortization as a percent of total revenues.....	25.3%	24.1%	25.1%	26.4%	25.7%	24.1%	25.2%	21.7%	20.3%

(a) 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 facility exit 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	Jun 30, 2005	Mar 31, 2005	Dec 31, 2004	Sep 30, 2004	Jun 30, 2004	Mar 31, 2004	Dec 31, 2003	Sep 30, 2003	Jun 30, 2003
Net cash provided by operating activities.....	\$ 40,726	\$ 31,685	\$ 31,741	\$ 28,959	\$ 28,475	\$ 34,785	\$ 28,989	\$ 18,903	\$ 19,567
Add (deduct):									
Capital expenditures.....	(5,018)	(3,455)	(1,312)	(6,344)	(3,849)	(1,005)	(3,482)	(1,593)	(1,326)
Cash paid for facility-exit costs (a).....	-	-	200	4,895	1,315	-	-	-	-
Free cash flow.....	<u>\$ 35,708</u>	<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>

(a) 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>Jun 30, 2005</u>	<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>
Pay accounts (a).....	5,033	4,952	4,826	3,232	3,189	3,095	2,892	2,720	2,547
Active accounts (in millions).....	16.9	17.0	15.2	6.6	6.8	5.4	5.3	5.2	5.2
Number of employees at end of period.....	828	769	742	598	582	504	499	487	461

UNITED ONLINE, INC.

Analysis of Pay Accounts^(a) and Subscriptions^(d)

(in thousands)

	<u>Jun 30, 2005</u>	<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>
Internet access.....	3,078	3,130	3,100	3,111	3,102	3,083	2,890	2,720	2,547
Non-access services (b).....	1,955	1,822	1,726	121	87	12	2	-	-
Total pay accounts (c).....	<u>5,033</u>	<u>4,952</u>	<u>4,826</u>	<u>3,232</u>	<u>3,189</u>	<u>3,095</u>	<u>2,892</u>	<u>2,720</u>	<u>2,547</u>
Internet access.....	3,078	3,130	3,100	3,111	3,102	3,083	2,890	2,720	2,547
Accelerator.....	1,196	1,170	1,105	1,074	1,001	896	638	412	210
Non-access services (b).....	2,064	1,900	1,781	165	124	28	7	-	-
Total subscriptions (d).....	<u>6,338</u>	<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>

(a) 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 accounts.

(b) Non-access services include social networking, premium email, Web-hosting and domain name registration, premium content and photo-sharing.

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

(d) 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.