

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

	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>	<u>Jun 30, 2005</u>	<u>Mar 31, 2005</u>
ASSETS					
Cash, cash equivalents and short-term investments.....	\$ 175,299	\$ 244,362	\$ 240,993	\$ 223,828	\$ 203,046
Accounts receivable, net.....	17,858	19,201	20,879	18,763	17,237
Deferred tax assets, net.....	67,896	68,355	70,709	72,257	75,587
Property and equipment, net.....	35,440	33,093	32,383	28,115	26,888
Goodwill and intangible assets, net.....	146,270	139,837	144,744	151,277	156,805
Other assets.....	15,512	16,340	14,820	16,580	15,962
Total assets.....	<u>\$ 458,275</u>	<u>\$ 521,188</u>	<u>\$ 524,528</u>	<u>\$ 510,820</u>	<u>\$ 495,525</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable.....	\$ 39,024	\$ 46,955	\$ 51,333	\$ 47,109	\$ 41,232
Accrued liabilities.....	27,165	36,249	37,102	27,457	21,602
Deferred revenue.....	58,670	56,284	57,318	57,564	55,713
Capital leases.....	648	698	789	879	1,031
Term loan.....	-	54,208	58,333	63,334	69,167
Other liabilities.....	3,820	4,379	4,334	3,913	3,006
Total liabilities.....	<u>129,327</u>	<u>198,773</u>	<u>209,209</u>	<u>200,256</u>	<u>191,751</u>
Stockholders' equity.....	328,948	322,415	315,319	310,564	303,774
Total liabilities and stockholders' equity.....	<u>\$ 458,275</u>	<u>\$ 521,188</u>	<u>\$ 524,528</u>	<u>\$ 510,820</u>	<u>\$ 495,525</u>

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

Three Months Ended	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>	<u>Jun 30, 2005</u>	<u>Mar 31, 2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	\$ 12,692	\$ 12,374	\$ 12,594	\$ 10,672	\$ 11,487
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, amortization and stock-based compensation.....	14,065	12,538	11,809	12,358	10,527
Deferred taxes and other.....	1,135	13	602	1,660	(107)
Tax benefits from stock-based compensation.....	1,873	4,152	3,172	4,056	3,947
Excess tax benefits from stock-based compensation.....	(1,414)	-	-	-	-
Cumulative effect of change in accounting principle, net of tax.....	(1,041)	-	-	-	-
Change in operating assets and liabilities (excluding the effects of acquisitions):					
Accounts receivable.....	1,394	1,678	(2,116)	(1,526)	295
Other assets.....	(730)	(1,764)	1,615	(1,031)	2,986
Accounts payable and accrued liabilities.....	(15,541)	(5,231)	14,014	11,750	(2,856)
Other liabilities.....	(40)	45	421	907	825
Deferred revenue.....	1,846	(1,034)	(246)	1,880	4,581
Net cash provided by operating activities.....	<u>14,239</u>	<u>22,771</u>	<u>41,865</u>	<u>40,726</u>	<u>31,685</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of short-term investments.....	(124,121)	(38,151)	(90,281)	(94,120)	(98,317)
Proceeds from maturities and sales of short-term investments.....	115,320	101,755	66,245	69,475	115,858
Cash paid for acquisitions, net of cash acquired.....	(10,990)	-	-	(98)	(8,540)
Purchases of rights, patents and trademarks.....	(509)	(8)	-	(54)	(5,500)
Purchases of property and equipment.....	(7,061)	(5,199)	(7,981)	(5,018)	(3,455)
Net cash provided by (used for) investing activities.....	<u>(27,361)</u>	<u>58,397</u>	<u>(32,017)</u>	<u>(29,815)</u>	<u>46</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on capital leases.....	(50)	(91)	(90)	(152)	(288)
Payments on term loan and line of credit.....	(54,209)	(4,125)	(5,001)	(5,833)	(30,833)
Payment for dividends.....	(12,868)	(12,808)	(12,669)	(12,590)	-
Proceeds from employee stock purchase plan.....	-	1,491	-	1,678	-
Common stock repurchases.....	(1,643)	-	1	-	(14,207)
Proceeds from exercises of stock options.....	2,622	1,142	887	2,024	1,821
Excess tax benefits from stock-based compensation.....	1,414	-	-	-	-
Net cash used for financing activities.....	<u>(64,734)</u>	<u>(14,391)</u>	<u>(16,872)</u>	<u>(14,873)</u>	<u>(43,507)</u>
Effect of exchange rate changes on cash and cash equivalents.....	28	(39)	(2)	(75)	(14)
Change in cash and cash equivalents.....	(77,828)	66,738	(7,026)	(4,037)	(11,790)
Cash and cash equivalents, beginning of period.....	100,397	33,659	40,685	44,722	56,512
Cash and cash equivalents, end of period.....	<u>\$ 22,569</u>	<u>\$ 100,397</u>	<u>\$ 33,659</u>	<u>\$ 40,685</u>	<u>\$ 44,722</u>

Adjusted net income is defined as net income before the after-tax effect of amortization of intangible assets, stock-based compensation and the cumulative effect of a change in accounting principle as a result of the adoption of FAS 123R. 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 (such as amortization and stock-based compensation). Management also uses adjusted net income for this purpose. 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.

The limitations of adjusted net income are that, similar to adjusted OIBDA, it does not include certain costs, and the term adjusted net income does not have a standardized meaning. Therefore, other companies may use the same, or a similarly named measure but exclude different items, which may not provide investors a comparable view of the company's performance in relation to other companies in the same industry. Management compensates for this limitation by presenting the most comparable GAAP measure, net income, directly ahead of adjusted net income in this earnings release and by providing a reconciliation that shows and describes the adjustments made. Management does not believe these limitations are material, particularly when such measure is disclosed with its most comparable GAAP financial measure, net income. A reconciliation to net income is 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	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>	<u>Jun 30, 2005</u>	<u>Mar 31, 2005</u>
Net income.....	\$ 12,692	\$ 12,374	\$ 12,594	\$ 10,672	\$ 11,487
Add (deduct):					
Stock-based compensation.....	4,969	3,120	2,837	2,920	1,075
Amortization of intangible assets.....	4,389	4,915	5,252	5,654	5,978
Cumulative effect of change in accounting principle.....	(1,041)	-	-	-	-
	<u>21,009</u>	<u>20,409</u>	<u>20,683</u>	<u>19,246</u>	<u>18,540</u>
Income tax effect of adjusting entries.....	(2,923) (a)	(1,819) (a)	(2,097) (a)	(1,538) (a)	(2,315) (b)
Adjusted net income	<u>\$ 18,086</u>	<u>\$ 18,590</u>	<u>\$ 18,586</u>	<u>\$ 17,708</u>	<u>\$ 16,225</u>
Adjusted basic net income per share.....	<u>\$ 0.29</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>	<u>\$ 0.29</u>	<u>\$ 0.27</u>
Adjusted diluted net income per share.....	<u>\$ 0.27</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>	<u>\$ 0.27</u>	<u>\$ 0.25</u>
Shares used to calculate adjusted basic income per share.....	<u>62,511</u>	<u>61,899</u>	<u>61,399</u>	<u>60,831</u>	<u>60,393</u>
Shares used to calculate adjusted diluted income per share ^(c)	<u>65,817</u>	<u>66,236</u>	<u>65,627</u>	<u>64,899</u>	<u>63,713</u>

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

(b) Income tax effect of adjusting entries.

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

Adjusted operating income before depreciation and amortization (adjusted OIBDA) is defined as operating income before depreciation, amortization and stock-based compensation. Management believes that because adjusted OIBDA excludes certain non-cash expenses (such as depreciation, amortization and stock-based compensation), 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. Management uses adjusted OIBDA to measure the company's performance and previously monitored adjusted OIBDA to ensure compliance with specific financial performance covenants under its term loan, which was repaid in January 2006. 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.

A limitation associated with the use of adjusted OIBDA is that it does not reflect the periodic costs of certain capitalized tangible and intangible assets used in generating revenues in the company's business. Management evaluates the costs of such tangible and intangible assets through other financial measures such as capital expenditures and purchase accounting. An additional limitation associated with this measure is that it does not include stock compensation expenses related to the company's workforce. Management compensates for this limitation by providing supplemental information about stock compensation expense on the face of the consolidated statements of operations. Management does not believe either of these limitations is material, particularly when such measure is disclosed with its most comparable GAAP financial measure, operating income. A reconciliation to operating income is provided in the accompanying tables.

UNITED ONLINE, INC.

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

Three Months Ended	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>	<u>Jun 30, 2005</u>	<u>Mar 31, 2005</u>
Operating income	\$ 20,572	\$ 22,082	\$ 22,634	\$ 20,859	\$ 20,985
Depreciation.....	4,707	4,503	3,720	3,784	3,474
Amortization.....	4,389	4,915	5,252	5,654	5,978
Operating income before depreciation and amortization.....	<u>29,668</u>	<u>31,500</u>	<u>31,606</u>	<u>30,297</u>	<u>30,437</u>
Stock-based compensation.....	4,969	3,120	2,837	2,920	1,075
Adjusted operating income before depreciation and amortization.....	<u>\$ 34,637</u>	<u>\$ 34,620</u>	<u>\$ 34,443</u>	<u>\$ 33,217</u>	<u>\$ 31,512</u>
Adjusted operating income before depreciation and amortization as a percentage of revenues.....	27.2%	26.6%	25.9%	25.3%	24.1%

Free cash flow is defined as net cash provided by operating activities, less capital expenditures and including the excess tax benefits from stock-based compensation. 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. This measure is used by management, and may also be useful for investors, to assess the company's ability to pay its quarterly dividend, repay debt obligations and generate cash flow for a variety of strategic opportunities, including reinvestment in the business, and effecting potential acquisitions and 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.

The limitation of free cash flow is that it does not represent the total increase or decrease in cash during the period. Management does not believe that this is a material limitation, particularly when such measure is disclosed with its most comparable GAAP financial measure, net cash provided by operating activities. A reconciliation to net cash provided by operating activities is provided in the accompanying tables.

UNITED ONLINE, INC.

**Reconciliation of Free Cash Flow:
(in thousands)**

Three Months Ended	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005	Jun 30, 2005	Mar 31, 2005
Net cash provided by operating activities.....	\$ 14,239	\$ 22,771	\$ 41,865	\$ 40,726	\$ 31,685
Add (deduct):					
Capital expenditures.....	(7,061)	(5,199)	(7,981)	(5,018)	(3,455)
Excess tax benefits from stock-based compensation.....	1,414	-	-	-	-
Free cash flow.....	<u>\$ 8,592</u>	<u>\$ 17,572</u>	<u>\$ 33,884</u>	<u>\$ 35,708</u>	<u>\$ 28,230</u>

(a) In accordance with FAS 123R, certain tax benefits from exercised stock options that were previously reflected in the operating section of the statement of cash flows are now presented in the financing section.

UNITED ONLINE, INC.
Quarterly Segment Information:
(in thousands)

	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>	<u>Jun 30, 2005</u>	<u>Mar 31, 2005</u>
Communications					
Billable services.....	\$ 90,659	\$ 95,058	\$ 99,269	\$ 100,847	\$ 101,156
Advertising	9,683	9,018	9,064	8,673	8,859
Total revenues.....	100,342	104,076	108,333	109,520	110,015
Operating expenses.....					
Cost of revenues.....	25,581	24,247	23,626	23,268	23,805
Sales and marketing.....	30,342	38,668	40,050	39,618	43,905
Product development.....	8,628	8,550	7,299	6,841	7,326
General and administrative.....	5,160	5,138	4,847	4,753	4,077
Amortization of intangibles.....	684	713	736	746	853
Total operating expenses.....	70,395	77,316	76,558	75,226	79,966
Operating income.....	\$ 29,947	\$ 26,760	\$ 31,775	\$ 34,294	\$ 30,049
Depreciation.....	2,837	2,819	2,361	2,261	1,919
Amortization.....	684	713	736	746	853
OIBDA.....	33,468	30,292	34,872	37,301	32,821
Stock-based compensation.....	-	-	-	-	-
Adjusted OIBDA.....	\$ 33,468	\$ 30,292	\$ 34,872	\$ 37,301	\$ 32,821
Content & Media					
Billable services.....	\$ 20,497	\$ 19,533	\$ 18,401	\$ 16,643	\$ 15,072
Advertising	6,493	6,623	6,044	5,358	5,444
Total revenues.....	26,990	26,156	24,445	22,001	20,516
Operating expenses.....					
Cost of revenues.....	4,072	3,942	3,558	4,094	3,949
Sales and marketing.....	12,133	9,637	12,420	13,962	10,078
Product development.....	2,722	2,353	2,488	2,367	1,717
General and administrative.....	3,639	2,939	3,014	3,048	3,132
Amortization of intangibles.....	3,705	4,202	4,516	4,908	5,125
Total operating expenses.....	26,271	23,073	25,996	28,379	24,001
Operating income.....	\$ 719	\$ 3,083	\$ (1,551)	\$ (6,378)	\$ (3,485)
Depreciation.....	1,870	1,684	1,359	1,523	1,555
Amortization.....	3,705	4,202	4,516	4,908	5,125
OIBDA.....	6,294	8,969	4,324	53	3,195
Stock-based compensation.....	-	-	-	-	-
Adjusted OIBDA.....	\$ 6,294	\$ 8,969	\$ 4,324	\$ 53	\$ 3,195
Unallocated Corporate Expenses					
Billable services.....	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	-	-	-	-	-
Total revenues.....	-	-	-	-	-
Operating expenses.....					
Cost of revenues.....	237	52	49	57	25
Sales and marketing.....	944	333	297	224	100
Product development.....	1,466	327	329	350	63
General and administrative.....	7,447	7,049	6,915	6,426	5,391
Amortization of intangibles.....	-	-	-	-	-
Total operating expenses.....	10,094	7,761	7,590	7,057	5,579
Operating income.....	\$ (10,094)	\$ (7,761)	\$ (7,590)	\$ (7,057)	\$ (5,579)
Depreciation.....	-	-	-	-	-
Amortization.....	-	-	-	-	-
OIBDA.....	(10,094)	(7,761)	(7,590)	(7,057)	(5,579)
Stock-based compensation.....	4,969	3,120	2,838	2,920	1,075
Adjusted OIBDA.....	\$ (5,125)	\$ (4,641)	\$ (4,752)	\$ (4,137)	\$ (4,504)
Consolidated Adjusted OIBDA.....	\$ 34,637	\$ 34,620	\$ 34,444	\$ 33,217	\$ 31,512

UNITED ONLINE, INC.
Selected Quaterly Historical Key Metrics

	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>	<u>Jun 30, 2005</u>	<u>Mar 31, 2005</u>
Pay accounts ^(a) (in thousands).....	5,093	5,009	5,040	5,033	4,952
Active accounts (in millions).....	18.7	17.6	16.9	16.9	17.0
Number of employees at end of period.....	912	900	868	828	769

UNITED ONLINE, INC.
Analysis of Pay Accounts ^(a)
(in thousands)

	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>	<u>Jun 30, 2005</u>	<u>Mar 31, 2005</u>
Communications ^(b)					
Access.....	2,751	2,855	2,980	3,078	3,130
Other.....	321	313	301	286	259
Total.....	<u>3,072</u>	<u>3,168</u>	<u>3,281</u>	<u>3,364</u>	<u>3,389</u>
Content & Media ^(c)					
Social networking.....	1,945	1,766	1,686	1,599	1,505
Other.....	76	75	73	70	58
Total.....	<u>2,021</u>	<u>1,841</u>	<u>1,759</u>	<u>1,669</u>	<u>1,563</u>
Total pay accounts ^(a)	<u><u>5,093</u></u>	<u><u>5,009</u></u>	<u><u>5,040</u></u>	<u><u>5,033</u></u>	<u><u>4,952</u></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) Communications includes Internet access, VoIP, premium content, premium email and security suite.

(c) Content & Media includes social networking, Web hosting and photo sharing.