

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

	<u>Sep 30, 2006</u>	<u>Jun 30, 2006</u>	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>
ASSETS					
Cash, cash equivalents and short-term investments	\$ 154,697	\$ 150,219	\$ 175,299	\$ 244,362	\$ 240,993
Restricted cash	6,250	-	-	-	-
Accounts receivable, net	26,264	27,002	17,858	19,201	20,879
Deferred tax assets, net	64,779	67,042	68,176	68,355	70,709
Property and equipment, net	36,860	39,819	35,440	33,093	32,383
Goodwill and intangible assets, net	200,019	203,609	145,990	139,837	144,744
Other assets	14,787	15,685	15,512	16,340	14,820
Total assets	<u>\$ 503,656</u>	<u>\$ 503,376</u>	<u>\$ 458,275</u>	<u>\$ 521,188</u>	<u>\$ 524,528</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	\$ 37,897	\$ 42,660	\$ 39,024	\$ 46,955	\$ 51,333
Accrued liabilities	38,997	39,841	27,165	36,249	37,102
Member retention liability	18,789	18,543	-	-	-
Deferred revenue	57,528	58,171	58,670	56,284	57,318
Capital leases	454	551	648	698	789
Term loan	-	-	-	54,208	58,333
Other liabilities	3,595	3,773	3,820	4,379	4,334
Total liabilities	<u>157,260</u>	<u>163,539</u>	<u>129,327</u>	<u>198,773</u>	<u>209,209</u>
Stockholders' equity	346,396	339,837	328,948	322,415	315,319
Total liabilities and stockholders' equity	<u>\$ 503,656</u>	<u>\$ 503,376</u>	<u>\$ 458,275</u>	<u>\$ 521,188</u>	<u>\$ 524,528</u>

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

Three Months Ended	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005
Revenues	\$ 129,636	\$ 134,900	\$ 127,332	\$ 130,232	\$ 132,778
Operating expenses:					
Cost of revenues ^(a)	29,046	31,146	29,890	28,241	27,233
Sales and marketing ^(a)	43,487	46,137	43,419	48,639	52,767
Product development ^(a)	13,501	13,385	12,816	11,229	10,116
General and administrative ^(a)	17,504	17,422	16,246	15,126	14,776
Amortization of intangible assets	4,213	4,552	4,389	4,915	5,252
Total operating expenses	<u>107,751</u>	<u>112,642</u>	<u>106,760</u>	<u>108,150</u>	<u>110,144</u>
Operating income	21,885	22,258	20,572	22,082	22,634
Interest and other income, net	1,457	1,354	1,716	2,201	1,675
Interest expense	(199)	(411)	(1,716)	(1,328)	(1,388)
Income before income taxes	23,143	23,201	20,572	22,955	22,921
Provision (benefit) for income taxes	9,707	11,616	8,921	10,581	10,327
Income before cumulative effect of change in accounting principle	13,436	11,585	11,651	12,374	12,594
Cumulative effect of change in accounting principle, net of tax	-	-	1,041	-	-
Net income	<u>\$ 13,436</u>	<u>\$ 11,585</u>	<u>\$ 12,692</u>	<u>\$ 12,374</u>	<u>\$ 12,594</u>
Basic net income per share					
Income before cumulative effect of change in accounting principle	\$ 0.21	\$ 0.18	\$ 0.19	\$ 0.20	\$ 0.21
Cumulative effect of change in accounting principle, net of tax	-	-	0.01	-	-
Basic net income per share	<u>\$ 0.21</u>	<u>\$ 0.18</u>	<u>\$ 0.20</u>	<u>\$ 0.20</u>	<u>\$ 0.21</u>
Diluted net income per share					
Income before cumulative effect of change in accounting principle	\$ 0.20	\$ 0.18	\$ 0.18	\$ 0.19	\$ 0.20
Cumulative effect of change in accounting principle, net of tax	-	-	0.02	-	-
Diluted net income per share	<u>\$ 0.20</u>	<u>\$ 0.18</u>	<u>\$ 0.20</u>	<u>\$ 0.19</u>	<u>\$ 0.20</u>
Shares used to calculate basic income per share	<u>64,573</u>	<u>63,782</u>	<u>62,511</u>	<u>61,899</u>	<u>61,399</u>
Shares used to calculate diluted income per share	<u>66,583</u>	<u>65,955</u>	<u>64,889</u>	<u>64,996</u>	<u>64,107</u>
Shares outstanding at end of period	<u>65,214</u>	<u>64,835</u>	<u>63,527</u>	<u>62,606</u>	<u>62,073</u>
(a) Stock-based compensation was allocated as follows:					
Cost of revenues	\$ 176	\$ 256	\$ 237	\$ 52	\$ 49
Sales and marketing	727	1,072	944	333	297
Product development	1,137	1,645	1,466	327	329
General and administrative	2,264	2,891	2,322	2,408	2,162
Total stock-based compensation	<u>\$ 4,304</u>	<u>\$ 5,864</u>	<u>\$ 4,969</u>	<u>\$ 3,120</u>	<u>\$ 2,837</u>

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

Three Months Ended	<u>Sep 30, 2006</u>	<u>Jun 30, 2006</u>	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	\$ 13,436	\$ 11,585	\$ 12,692	\$ 12,374	\$ 12,594
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, amortization and stock-based compensation	14,254	15,761	14,065	12,538	11,809
Deferred taxes and other	2,339	1,986	1,135	13	602
Tax benefits from stock-based compensation	1,118	1,697	1,873	4,152	3,172
Excess tax benefits from stock-based compensation	(839)	(1,169)	(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	749	523	1,394	1,678	(2,116)
Other assets	899	2,228	(730)	(1,764)	1,615
Accounts payable and accrued liabilities	(5,751)	6,186	(15,541)	(5,231)	14,014
Member retention liability	247	870	-	-	-
Other liabilities	(35)	(48)	(40)	45	421
Deferred revenue	(695)	(970)	1,846	(1,034)	(246)
Net cash provided by operating activities	<u>25,722</u>	<u>38,649</u>	<u>14,239</u>	<u>22,771</u>	<u>41,865</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of short-term investments	(76,286)	(56,188)	(124,121)	(38,151)	(90,281)
Proceeds from maturities and sales of short-term investments	69,245	83,001	115,320	101,755	66,245
Cash paid for acquisitions, net of cash acquired	(586)	(49,538)	(10,990)	-	-
Purchases of rights, patents and trademarks	-	-	(509)	(8)	-
Purchases of property and equipment	(2,939)	(6,892)	(7,061)	(5,199)	(7,981)
Proceeds from sales of assets, net	87	-	-	-	-
Increase in restricted cash	(1,450)	-	-	-	-
Escrow deposit related to pre-acquisition liability	(4,800)	-	-	-	-
Net cash provided by (used for) investing activities	<u>(16,729)</u>	<u>(29,617)</u>	<u>(27,361)</u>	<u>58,397</u>	<u>(32,017)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on capital leases	(98)	(96)	(50)	(91)	(90)
Payments on term loan and line of credit	-	-	(54,209)	(4,125)	(5,001)
Payment for dividends	(13,546)	(13,374)	(12,868)	(12,808)	(12,669)
Proceeds from employee stock purchase plan	-	2,965	-	1,491	-
Common stock repurchases	(417)	(314)	(1,643)	-	1
Proceeds from exercises of stock options	1,532	2,415	2,622	1,142	887
Excess tax benefits from stock-based compensation	839	1,169	1,414	-	-
Net cash used for financing activities	<u>(11,690)</u>	<u>(7,235)</u>	<u>(64,734)</u>	<u>(14,391)</u>	<u>(16,872)</u>
Effect of exchange rate changes on cash and cash equivalents	(6)	(4)	28	(39)	(2)
Change in cash and cash equivalents	(2,703)	1,793	(77,828)	66,738	(7,026)
Cash and cash equivalents, beginning of period	24,362	22,569	100,397	33,659	40,685
Cash and cash equivalents, end of period	<u>\$ 21,659</u>	<u>\$ 24,362</u>	<u>\$ 22,569</u>	<u>\$ 100,397</u>	<u>\$ 33,659</u>

UNITED ONLINE, INC.**Reconciliation of Net Income to Adjusted Net Income⁽¹⁾**
(in thousands, except per-share data)

Three Months Ended	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005
Net income	\$ 13,436	\$ 11,585	\$ 12,692	\$ 12,374	\$ 12,594
Add (deduct):					
Stock-based compensation	4,304	5,864	4,969	3,120	2,837
Amortization of intangible assets	4,213	4,552	4,389	4,915	5,252
Restructuring charges	627	-	-	-	-
Cumulative effect of change in accounting principle	-	-	(1,041)	-	-
	<u>22,580</u>	<u>22,001</u>	<u>21,009</u>	<u>20,409</u>	<u>20,683</u>
Income tax effect of adjusting entries	(2,873)	(2,938)	(2,923)	(1,819)	(2,097)
Re-measurement of certain deferred tax assets	-	1,319	-	-	-
Adjusted net income	<u>\$ 19,707</u>	<u>\$ 20,382</u>	<u>\$ 18,086</u>	<u>\$ 18,590</u>	<u>\$ 18,586</u>
Adjusted basic net income per share	<u>\$ 0.31</u>	<u>\$ 0.32</u>	<u>\$ 0.29</u>	<u>\$ 0.30</u>	<u>\$ 0.30</u>
Adjusted diluted net income per share	<u>\$ 0.29</u>	<u>\$ 0.30</u>	<u>\$ 0.27</u>	<u>\$ 0.28</u>	<u>\$ 0.28</u>
Shares used to calculate adjusted basic income per share	<u>64,573</u>	<u>63,782</u>	<u>62,511</u>	<u>61,899</u>	<u>61,399</u>
Shares used to calculate adjusted diluted income per share ^(a)	<u>67,482</u>	<u>67,029</u>	<u>65,817</u>	<u>66,236</u>	<u>65,627</u>

(a) Reflects an increase in the number of shares relative to GAAP resulting from the elimination of stock-based compensation.

UNITED ONLINE, INC.

Reconciliation of Adjusted Operating Income Before Depreciation and Amortization⁽²⁾
(in thousands)

Three Months Ended	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005	Jun 30, 2005	Mar 31, 2005
Operating income	\$ 21,885	\$ 22,258	\$ 20,572	\$ 22,082	\$ 22,634	\$ 20,859	\$ 20,985
Depreciation	5,737	5,345	4,707	4,503	3,720	3,784	3,474
Amortization	4,213	4,552	4,389	4,915	5,252	5,654	5,978
Operating income before depreciation and amortization	<u>31,835</u>	<u>32,155</u>	<u>29,668</u>	<u>31,500</u>	<u>31,606</u>	<u>30,297</u>	<u>30,437</u>
Stock-based compensation	4,304	5,864	4,969	3,120	2,837	2,920	1,075
Restructuring charges	627	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization	<u>\$ 36,766</u>	<u>\$ 38,019</u>	<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	28.4%	28.2%	27.2%	26.6%	25.9%	25.3%	24.1%

Reconciliation of Segment Income from Operations to Adjusted OIBDA⁽²⁾

Three Months Ended	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005	Jun 30, 2005	Mar 31, 2005
Communications:							
Segment income from operations	\$ 35,437	\$ 35,574	\$ 33,468	\$ 30,292	\$ 34,872	\$ 37,301	\$ 32,821
Restructuring charges	619	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization	<u>\$ 36,056</u>	<u>\$ 35,574</u>	<u>\$ 33,468</u>	<u>\$ 30,292</u>	<u>\$ 34,872</u>	<u>\$ 37,301</u>	<u>\$ 32,821</u>
Content & Media:							
Segment income from operations	\$ 4,987	\$ 7,357	\$ 6,294	\$ 8,969	\$ 4,324	\$ 53	\$ 3,195
Restructuring charges	8	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization	<u>\$ 4,995</u>	<u>\$ 7,357</u>	<u>\$ 6,294</u>	<u>\$ 8,969</u>	<u>\$ 4,324</u>	<u>\$ 53</u>	<u>\$ 3,195</u>

UNITED ONLINE, INC.

Reconciliation of Adjusted Operating Income Before Depreciation and Amortization⁽²⁾

(in thousands)

Three Months Ended	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	\$ 19,036	\$ 20,516	\$ 20,011	\$ 19,930	\$ 18,861	\$ 13,778	\$ 10,223	\$ 6,631
Depreciation	2,768	1,957	1,680	1,598	1,581	1,567	1,954	2,809
Amortization	7,651	4,395	4,393	3,964	3,964	3,964	3,964	3,964
Operating income before depreciation and amortization	<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>	<u>13,404</u>
Stock-based compensation	517	716	739	477	-	-	14	28
Restructuring and merger-related charges ^(a)	-	-	-	-	-	-	-	219
Facility-exit costs ^(b)	10	1,646	1,601	-	-	-	-	-
Adjusted operating income before depreciation and amortization	<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>	<u>\$ 13,651</u>
Adjusted operating income before depreciation and amortization as a percentage of revenues	25.1%	26.4%	25.7%	24.1%	25.2%	21.7%	20.3%	18.5%

Three Months Ended	Dec 31, 2002	Sep 30, 2002	Jun 30, 2002	Mar 31, 2002	Dec 31, 2001	Sep 30, 2001
Operating income	\$ 4,161	\$ 706	\$ (3,723)	\$ (8,394)	\$ (17,328)	\$ (24,501)
Depreciation	3,054	3,332	4,051	4,927	4,995	4,286
Amortization	3,798	4,685	4,685	4,685	4,685	101
Operating income before depreciation and amortization	<u>11,013</u>	<u>8,723</u>	<u>5,013</u>	<u>1,218</u>	<u>(7,648)</u>	<u>(20,114)</u>
Stock-based compensation	29	36	656	2,198	2,524	1,041
Restructuring and merger-related charges ^(a)	346	247	1,398	980	2,504	360
Facility-exit costs ^(b)	-	-	-	-	-	-
Adjusted operating income before depreciation and amortization	<u>\$ 11,388</u>	<u>\$ 9,006</u>	<u>\$ 7,067</u>	<u>\$ 4,396</u>	<u>\$ (2,620)</u>	<u>\$ (18,713)</u>
Adjusted operating income before depreciation and amortization as a percentage of revenues	17.3%	15.5%	13.0%	8.6%	-5.5%	-132.6%

(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-off 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.

UNITED ONLINE, INC.**Reconciliation of Free Cash Flow⁽³⁾****(in thousands)**

Three Months Ended	Sep 30, 2006	Jun 30, 2006	Mar 31, 2006	Dec 31, 2005	Sep 30, 2005
Net cash provided by operating activities	\$ 25,722	\$ 38,649	\$ 14,239	\$ 22,771	\$ 41,865
Add (deduct):					
Capital expenditures	(2,939)	(6,892)	(7,061)	(5,199)	(7,981)
Excess tax benefits from stock-based compensation (a)	839	1,169	1,414	-	-
Cash paid for restructuring charges	995	-	-	-	-
Free cash flow	<u>\$ 24,617</u>	<u>\$ 32,926</u>	<u>\$ 8,592</u>	<u>\$ 17,572</u>	<u>\$ 33,884</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>Sep 30, 2006</u>	<u>Jun 30, 2006</u>	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>
Communications					
Billable services	\$ 82,057	\$ 87,161	\$ 90,659	\$ 95,058	\$ 99,269
Advertising	10,096	9,087	9,683	9,018	9,064
Total revenues	<u>92,153</u>	<u>96,248</u>	<u>100,342</u>	<u>104,076</u>	<u>108,333</u>
Operating expenses					
Cost of revenues	20,338	22,368	25,581	24,247	23,626
Sales and marketing	25,555	28,225	30,342	38,668	40,050
Product development	8,085	8,151	8,628	8,550	7,299
General and administrative	5,871	4,884	5,160	5,138	4,847
Amortization of intangibles	684	684	684	713	736
Total operating expenses	<u>60,533</u>	<u>64,312</u>	<u>70,395</u>	<u>77,316</u>	<u>76,558</u>
Operating income	<u>\$ 31,620</u>	<u>\$ 31,936</u>	<u>\$ 29,947</u>	<u>\$ 26,760</u>	<u>\$ 31,775</u>
Depreciation	3,133	2,954	2,837	2,819	2,361
Amortization	684	684	684	713	736
OIBDA	<u>35,437</u>	<u>35,574</u>	<u>33,468</u>	<u>30,292</u>	<u>34,872</u>
Stock-based compensation	-	-	-	-	-
Restructuring charges	619	-	-	-	-
Adjusted OIBDA ⁽²⁾	<u>\$ 36,056</u>	<u>\$ 35,574</u>	<u>\$ 33,468</u>	<u>\$ 30,292</u>	<u>\$ 34,872</u>
Content & Media					
Billable services	\$ 22,142	\$ 21,697	\$ 20,497	\$ 19,533	\$ 18,401
Advertising	15,341	16,955	6,493	6,623	6,044
Total revenues	<u>37,483</u>	<u>38,652</u>	<u>26,990</u>	<u>26,156</u>	<u>24,445</u>
Operating expenses					
Cost of revenues	8,532	8,522	4,072	3,942	3,558
Sales and marketing	17,205	16,840	12,133	9,637	12,420
Product development	4,279	3,589	2,722	2,353	2,488
General and administrative	5,057	4,735	3,639	2,939	3,014
Amortization of intangibles	3,529	3,868	3,705	4,202	4,516
Total operating expenses	<u>38,602</u>	<u>37,554</u>	<u>26,271</u>	<u>23,073</u>	<u>25,996</u>
Operating income	<u>\$ (1,119)</u>	<u>\$ 1,098</u>	<u>\$ 719</u>	<u>\$ 3,083</u>	<u>\$ (1,551)</u>
Depreciation	2,577	2,391	1,870	1,684	1,359
Amortization	3,529	3,868	3,705	4,202	4,516
OIBDA	<u>4,987</u>	<u>7,357</u>	<u>6,294</u>	<u>8,969</u>	<u>4,324</u>
Stock-based compensation	-	-	-	-	-
Restructuring charges	8	-	-	-	-
Adjusted OIBDA ⁽²⁾	<u>\$ 4,995</u>	<u>\$ 7,357</u>	<u>\$ 6,294</u>	<u>\$ 8,969</u>	<u>\$ 4,324</u>
Unallocated Corporate Expenses					
Billable services	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising	-	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Operating expenses					
Cost of revenues	176	256	237	52	49
Sales and marketing	727	1,072	944	333	297
Product development	1,137	1,645	1,466	327	329
General and administrative	6,576	7,803	7,447	7,049	6,915
Amortization of intangibles	-	-	-	-	-
Total operating expenses	<u>8,616</u>	<u>10,776</u>	<u>10,094</u>	<u>7,761</u>	<u>7,590</u>
Operating income	<u>\$ (8,616)</u>	<u>\$ (10,776)</u>	<u>\$ (10,094)</u>	<u>\$ (7,761)</u>	<u>\$ (7,590)</u>
Depreciation	27	-	-	-	-
Amortization	-	-	-	-	-
OIBDA	<u>(8,589)</u>	<u>(10,776)</u>	<u>(10,094)</u>	<u>(7,761)</u>	<u>(7,590)</u>
Stock-based compensation	4,304	5,864	4,969	3,120	2,837
Restructuring charges	-	-	-	-	-
Adjusted OIBDA ⁽²⁾	<u>\$ (4,285)</u>	<u>\$ (4,912)</u>	<u>\$ (5,125)</u>	<u>\$ (4,641)</u>	<u>\$ (4,753)</u>
Consolidated Adjusted OIBDA ⁽²⁾	<u>\$ 36,766</u>	<u>\$ 38,019</u>	<u>\$ 34,637</u>	<u>\$ 34,620</u>	<u>\$ 34,443</u>

UNITED ONLINE, INC.
Selected Quarterly Historical Key Metrics

	<u>Sep 30, 2006</u>	<u>Jun 30, 2006</u>	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>
Pay accounts (in thousands) ⁽⁴⁾	4,912	4,996	5,093	5,009	5,040
Active accounts (in millions) ⁽⁴⁾	20.8	20.7	18.7	17.6	16.9
Number of employees at end of period	1,023	1,016	912	900	868

UNITED ONLINE, INC.
Analysis of Pay Accounts⁽⁴⁾
(in thousands)

	<u>Sep 30, 2006</u>	<u>Jun 30, 2006</u>	<u>Mar 31, 2006</u>	<u>Dec 31, 2005</u>	<u>Sep 30, 2005</u>
Communications ^(a)					
Access	2,425	2,556	2,751	2,855	2,980
Other	323	330	321	313	301
Total	<u>2,748</u>	<u>2,886</u>	<u>3,072</u>	<u>3,168</u>	<u>3,281</u>
Content & media ^(b)					
Social networking	2,079	2,029	1,945	1,766	1,686
Other	85	81	76	75	73
Total	<u>2,164</u>	<u>2,110</u>	<u>2,021</u>	<u>1,841</u>	<u>1,759</u>
Total pay accounts ⁽⁴⁾	<u><u>4,912</u></u>	<u><u>4,996</u></u>	<u><u>5,093</u></u>	<u><u>5,009</u></u>	<u><u>5,040</u></u>

(a) Communications includes Internet access, VoIP, premium content, premium email and security suite.

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

Definition of Terms

- (1) Adjusted net income is defined by the company as net income before the after-tax effect of amortization of intangible assets, stock-based compensation, restructuring charges and the cumulative effect of a change in accounting principle as a result of the adoption of FAS 123R, and the re-measurement of certain deferred tax assets. Management believes that adjusted net income and adjusted net income per share provide investors with additional useful information to measure the company's financial performance, particularly from period to period, exclusive of (1) certain non-cash expenses (such as amortization and stock-based compensation) and (2) expenses that are not reflective of the company's core results over time. Management also uses adjusted net income and adjusted net income per share for this purpose. Adjusted net income and adjusted net income per share are not determined in accordance with accounting principles generally accepted in the United States of America (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 and adjusted net income per share are that, similar to adjusted OIBDA, they do not include certain costs, and the terms adjusted net income and adjusted net income per share do not have standardized meanings. Therefore, other companies may use the same or similarly named measures but exclude different items or use different computations, 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.
- (2) Adjusted operating income before depreciation and amortization (adjusted OIBDA) is defined by the company as operating income before depreciation, amortization, stock-based compensation and restructuring charges. Management believes that because adjusted OIBDA excludes (1) certain non-cash expenses (such as depreciation, amortization and stock-based compensation); and (2) expenses that 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. 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 accounting principles generally accepted in the United States of America (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-based 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. A further limitation associated with the use of this measure is that it does not reflect the costs of restructuring charges. Management compensates for this limitation by providing information about restructuring charges. Management does not believe any of these limitations are 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.

Adjusted OIBDA for each of the Company's segments is defined by the Company as segment income from operations as set forth in the Company's Form 10-Q before restructuring charges. Management believes that because adjusted OIBDA for a segment excludes expenses that are not reflective of the segment's core operating results over time, this measure provides investors with additional useful information to measure the Company's segment performance, particularly with respect to changes in performance from period to period. Adjusted OIBDA for the Company's segments is not determined in accordance with 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 for a segment is that it does not reflect the costs of restructuring charges related to an operating segment. Management compensates for this limitation by providing

information about restructuring charges by segment. Management does not believe this limitation is material, particularly when such measure is disclosed with its most comparable GAAP financial measure, segment income from operations. A reconciliation to segment income from operations is provided in the accompanying tables.

- (3) Free cash flow is defined by the company as net cash provided by operating activities, less capital expenditures and including the excess tax benefits from stock-based compensation and cash paid for restructuring charges. Management believes that this measure of 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 accounting principles generally accepted in the United States of America (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.
- (4) 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 pay accounts. Active accounts are defined as all free access, VoIP, social-networking and email users that logged on to our services at least once during the preceding 31 days, together with all pay accounts. Additionally, active accounts include the number of free Web sites that received at least one unique visitor within the preceding 90 days; the number of free photo-sharing users that logged on to the service at least once within the preceding 90 days; and the number of MyPoints members who earned points or spent points within the preceding 90 days.