

UNITED ONLINE, INC.

Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share amounts)

	Quarter Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Revenues:					
Products	\$ 90,600	\$ 139,722	\$ 147,361	\$ 115,328	\$ 82,794
Services	87,151	92,135	94,931	102,593	99,900
Total revenues	<u>177,751</u>	<u>231,857</u>	<u>242,292</u>	<u>217,921</u>	<u>182,694</u>
Operating expenses:					
Cost of revenues-products ^(a)	67,892	102,826	109,008	85,671	61,744
Cost of revenues-services ^(a)	21,461	22,502	22,157	23,698	21,579
Sales and marketing ^(a)	37,012	46,800	46,759	36,499	33,315
Technology and development ^(a)	11,859	11,918	11,586	11,581	12,774
General and administrative ^(a)	24,663	23,249	24,287	24,331	25,414
Amortization of intangible assets	7,813	7,537	7,309	7,541	7,571
Acquisition-related contingent consideration	(1,387)	-	-	-	-
Restructuring and other exit costs	-	85	(71)	4,926	74
Total operating expenses	<u>169,313</u>	<u>214,917</u>	<u>221,035</u>	<u>194,247</u>	<u>162,471</u>
Operating income	8,438	16,940	21,257	23,674	20,223
Interest income	511	213	238	396	308
Interest expense	(3,260)	(3,583)	(3,458)	(3,511)	(3,747)
Other income, net	(3)	567	204	426	512
Income before income taxes	5,686	14,137	18,241	20,985	17,296
Provision for income taxes	755	5,592	6,722	8,120	5,380
Net income	<u>\$ 4,931</u>	<u>\$ 8,545</u>	<u>\$ 11,519</u>	<u>\$ 12,865</u>	<u>\$ 11,916</u>
Income allocated to participating securities	(344)	(294)	(336)	(392)	(467)
Net income attributable to common stockholders	<u>\$ 4,587</u>	<u>\$ 8,251</u>	<u>\$ 11,183</u>	<u>\$ 12,473</u>	<u>\$ 11,449</u>
Basic net income per common share	<u>\$ 0.05</u>	<u>\$ 0.09</u>	<u>\$ 0.12</u>	<u>\$ 0.14</u>	<u>\$ 0.13</u>
Shares used to calculate basic net income per common share	<u>90,657</u>	<u>90,478</u>	<u>89,794</u>	<u>89,192</u>	<u>88,773</u>
Diluted net income per common share	<u>\$ 0.05</u>	<u>\$ 0.09</u>	<u>\$ 0.12</u>	<u>\$ 0.14</u>	<u>\$ 0.13</u>
Shares used to calculate diluted net income per common share	<u>90,735</u>	<u>90,505</u>	<u>89,894</u>	<u>89,251</u>	<u>88,812</u>
Shares outstanding at end of period	<u>90,676</u>	<u>90,637</u>	<u>90,156</u>	<u>89,423</u>	<u>88,855</u>
(a) Stock-based compensation was allocated as follows:					
Cost of revenues-products	\$ 19	\$ (2)	\$ 8	\$ 9	\$ 16
Cost of revenues-services	67	31	94	71	101
Sales and marketing	639	559	583	562	660
Technology and development	403	297	498	465	564
General and administrative	2,302	2,148	2,271	2,592	2,952
Total stock-based compensation	<u>\$ 3,430</u>	<u>\$ 3,033</u>	<u>\$ 3,454</u>	<u>\$ 3,699</u>	<u>\$ 4,293</u>

UNITED ONLINE, INC.

Unaudited Reconciliation of Operating Income to Adjusted OIBDA⁽¹⁾
(in thousands, except percentages)

	Quarter Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Operating income	\$ 8,438	\$ 16,940	\$ 21,257	\$ 23,674	\$ 20,223
Depreciation	6,464	6,620	6,475	6,736	6,564
Amortization of intangible assets	8,185	7,888	7,744	7,860	7,870
Operating income before depreciation and amortization	23,087	31,448	35,476	38,270	34,657
Stock-based compensation	3,430	3,033	3,454	3,699	4,293
Restructuring and other exit costs	-	85	(71)	4,926	74
Litigation or dispute settlement charges	(193)	(396)	-	75	661
Transaction-related costs	452	1,040	298	-	-
Adjusted OIBDA	<u>\$ 26,776</u>	<u>\$ 35,210</u>	<u>\$ 39,157</u>	<u>\$ 46,970</u>	<u>\$ 39,685</u>
Adjusted OIBDA as a % of revenues	15.1%	15.2%	16.2%	21.6%	21.7%

Unaudited Reconciliation of Segment Income from Operations to Segment Adjusted OIBDA⁽¹⁾
(in thousands, except percentages)

	Quarter Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
FTD:					
Segment income from operations	\$ 14,190	\$ 22,661	\$ 24,080	\$ 19,879	\$ 15,526
Stock-based compensation	1,216	1,028	1,106	983	1,068
Restructuring and other exit costs	-	-	-	876	-
Litigation or dispute settlement charges	(193)	-	-	75	-
Transaction-related costs	19	302	298	-	-
Segment adjusted OIBDA	<u>\$ 15,232</u>	<u>\$ 23,991</u>	<u>\$ 25,484</u>	<u>\$ 21,813</u>	<u>\$ 16,594</u>
Segment adjusted OIBDA as a % of segment revenues	13.1%	14.3%	14.4%	15.2%	15.3%
Content & Media:					
Segment income from operations	\$ 8,024	\$ 6,644	\$ 7,337	\$ 12,593	\$ 11,526
Stock-based compensation	580	495	648	650	863
Restructuring and other exit costs	-	(28)	(63)	1,616	-
Litigation or dispute settlement charges	-	(396)	-	-	661
Transaction-related costs	(1,305)	738	-	-	-
Segment adjusted OIBDA	<u>\$ 7,299</u>	<u>\$ 7,453</u>	<u>\$ 7,922</u>	<u>\$ 14,859</u>	<u>\$ 13,050</u>
Segment adjusted OIBDA as a % of segment revenues	20.0%	19.6%	20.1%	32.5%	29.6%
Communications:					
Segment income from operations	\$ 8,770	\$ 8,566	\$ 10,365	\$ 14,084	\$ 14,622
Stock-based compensation	529	438	648	601	671
Restructuring and other exit costs	-	-	(8)	648	74
Segment adjusted OIBDA	<u>\$ 9,299</u>	<u>\$ 9,004</u>	<u>\$ 11,005</u>	<u>\$ 15,333</u>	<u>\$ 15,367</u>
Segment adjusted OIBDA as a % of segment revenues	36.9%	33.6%	41.1%	52.3%	50.8%
Unallocated corporate expenses	<u>\$ (5,054)</u>	<u>\$ (5,238)</u>	<u>\$ (5,254)</u>	<u>\$ (5,035)</u>	<u>\$ (5,326)</u>
Consolidated adjusted OIBDA	<u>\$ 26,776</u>	<u>\$ 35,210</u>	<u>\$ 39,157</u>	<u>\$ 46,970</u>	<u>\$ 39,685</u>

UNITED ONLINE, INC.

Unaudited Reconciliation of Net Income to Adjusted Net Income⁽²⁾
(in thousands, except per-share data)

	Quarter Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Net income	\$ 4,931	\$ 8,545	\$ 11,519	\$ 12,865	\$ 11,916
Income allocated to participating securities	(344)	(294)	(336)	(392)	(467)
Net income attributable to common stockholders	4,587	8,251	11,183	12,473	11,449
Adjustments:					
Stock-based compensation	3,430	3,033	3,454	3,699	4,293
Amortization of intangible assets	8,185	7,888	7,744	7,860	7,870
Restructuring and other exit costs	-	85	(71)	4,926	74
Litigation or dispute settlement charges	(193)	(396)	-	75	661
Transaction-related costs	452	1,040	298	-	-
	16,461	19,901	22,608	29,033	24,347
Income tax effect of adjusting entries	(3,945)	(3,936)	(3,456)	(6,323)	(4,060)
Adjusted net income attributable to common stockholders	\$ 12,516	\$ 15,965	\$ 19,152	\$ 22,710	\$ 20,287
GAAP net income per common share:					
Basic net income per common share	\$ 0.05	\$ 0.09	\$ 0.12	\$ 0.14	\$ 0.01
Shares used to calculate basic net income per common share	90,657	90,478	89,794	89,192	88,773
Diluted net income per common share	\$ 0.05	\$ 0.09	\$ 0.12	\$ 0.14	\$ 0.13
Shares used to calculate diluted net income per common share	90,735	90,505	89,894	89,251	88,812
Adjusted net income per common share:					
Adjusted basic net income per common share	\$ 0.14	\$ 0.18	\$ 0.21	\$ 0.25	\$ 0.23
Shares used to calculate adjusted basic net income per common share	90,657	90,478	89,794	89,192	88,773
Adjusted diluted net income per common share	\$ 0.14	\$ 0.18	\$ 0.21	\$ 0.25	\$ 0.23
Shares used to calculate adjusted diluted net income per common share	90,952	90,768	90,101	89,449	88,995

UNITED ONLINE, INC.

Unaudited Condensed Consolidated Balance Sheets

(in thousands)

	<u>September 30, 2012</u>	<u>June 30, 2012</u>	<u>March 31, 2012</u>	<u>December 31, 2011</u>	<u>September 30, 2011</u>
ASSETS					
Cash and cash equivalents	\$ 108,140	\$ 111,436	\$ 137,660	\$ 136,105	\$ 112,842
Accounts receivable, net	40,362	36,185	39,547	43,177	38,230
Inventories, net	12,934	11,197	10,464	8,832	7,115
Deferred tax assets, net	13,040	15,622	15,167	15,587	14,346
Property and equipment, net	56,238	57,808	60,452	62,460	63,977
Goodwill and intangible assets, net	702,072	704,158	691,614	693,279	701,242
Other assets	29,607	28,666	30,178	36,917	30,873
Total assets	<u>\$ 962,393</u>	<u>\$ 965,072</u>	<u>\$ 985,082</u>	<u>\$ 996,357</u>	<u>\$ 968,625</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	\$ 52,655	\$ 54,181	\$ 57,006	\$ 64,649	\$ 48,769
Accrued liabilities	46,044	41,537	44,808	54,850	44,915
Member redemption liability	21,528	21,558	21,927	22,453	22,798
Deferred revenue	51,067	53,621	58,183	57,915	63,078
Debt, net of discounts	243,908	243,816	260,563	261,124	261,684
Deferred tax liabilities, net	41,988	43,624	42,523	44,098	42,481
Other liabilities	12,587	18,713	11,284	11,133	11,055
Total liabilities	<u>469,777</u>	<u>477,050</u>	<u>496,294</u>	<u>516,222</u>	<u>494,780</u>
Stockholders' equity	492,616	488,022	488,788	480,135	473,845
Total liabilities and stockholders' equity	<u>\$ 962,393</u>	<u>\$ 965,072</u>	<u>\$ 985,082</u>	<u>\$ 996,357</u>	<u>\$ 968,625</u>

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

	Quarter Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income	\$ 4,931	\$ 8,545	\$ 11,519	\$ 12,865	\$ 11,916
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, amortization and stock-based compensation	18,079	17,541	17,673	18,295	18,727
Provision for doubtful accounts receivable	524	393	729	1,014	428
Acquisition-related contingent consideration	(1,387)	-	-	-	-
Accretion of discounts and amortization of debt issue costs	188	432	202	203	229
Deferred taxes and other	657	(1,938)	(1,530)	455	(581)
Tax benefits (shortfalls) from equity awards	99	22	(274)	(568)	(156)
Excess tax benefits from equity awards	(1)	-	(13)	-	(14)
Change in operating assets and liabilities (excluding the effects of acquisitions):					
Accounts receivable	(4,577)	2,811	3,077	(6,081)	(126)
Inventories	(1,721)	(743)	(1,614)	(1,723)	(835)
Other assets	(1,196)	632	6,283	(6,280)	(1,094)
Accounts payable and accrued liabilities	1,757	(5,776)	(18,457)	26,063	456
Member redemption liability	(30)	(368)	(527)	(344)	(1,371)
Deferred revenue	(2,807)	(3,645)	(286)	(4,667)	(6,179)
Other liabilities	(3,911)	(1,933)	93	151	57
Net cash provided by operating activities	<u>10,605</u>	<u>15,973</u>	<u>16,875</u>	<u>39,383</u>	<u>21,457</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(4,771)	(4,235)	(4,212)	(5,341)	(5,549)
Purchases of rights, content and intellectual property	(586)	(621)	(519)	(408)	(791)
Purchases of investments	(31)	(47)	(18)	-	-
Proceeds from sales of investments	70	285	89	403	-
Cash paid for acquisitions, net of cash acquired	-	(11,355)	-	-	-
Proceeds from sales of assets, net	-	-	-	-	221
Net cash used for investing activities	<u>(5,318)</u>	<u>(15,973)</u>	<u>(4,660)</u>	<u>(5,346)</u>	<u>(6,119)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on term loans	-	(17,000)	(663)	(662)	(663)
Payments for debt issue costs	-	-	-	-	(748)
Proceeds from exercises of stock options	-	1	4	4	9
Proceeds from employee stock purchase plans	-	1,793	-	1,558	-
Repurchases of common stock	(117)	(62)	(2,082)	(764)	(649)
Dividends and dividend equivalents paid on outstanding shares and restricted stock units	(9,417)	(9,420)	(9,250)	(9,267)	(9,262)
Excess tax benefits from equity awards	1	-	13	-	14
Net cash used for financing activities	<u>(9,533)</u>	<u>(24,688)</u>	<u>(11,978)</u>	<u>(9,131)</u>	<u>(11,299)</u>
Effect of foreign currency exchange rate changes on cash and cash equivalents	950	(1,536)	1,318	(1,643)	(2,641)
Change in cash and cash equivalents	(3,296)	(26,224)	1,555	23,263	1,398
Cash and cash equivalents, beginning of period	111,436	137,660	136,105	112,842	111,444
Cash and cash equivalents, end of period	<u>\$ 108,140</u>	<u>\$ 111,436</u>	<u>\$ 137,660</u>	<u>\$ 136,105</u>	<u>\$ 112,842</u>

UNITED ONLINE, INC.**Unaudited Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow⁽³⁾****(in thousands)**

	Quarter Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Net cash provided by operating activities	\$ 10,605	\$ 15,973	\$ 16,875	\$ 39,383	\$ 21,457
Adjustments:					
Capital expenditures	(4,771)	(4,235)	(4,212)	(5,341)	(5,549)
Excess tax benefits from equity awards	1	-	13	-	14
Cash paid for restructuring and other exit costs	527	851	2,570	886	205
Cash paid for litigation or dispute settlement charges	656	6	102	320	4
Cash paid for transaction-related costs	836	795	5	-	-
Free cash flow	<u>\$ 7,854</u>	<u>\$ 13,390</u>	<u>\$ 15,353</u>	<u>\$ 35,248</u>	<u>\$ 16,131</u>

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

	Quarter Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
FTD					
Revenues:					
Products	\$ 88,809	\$ 137,905	\$ 146,164	\$ 114,520	\$ 82,447
Services	27,553	29,622	30,283	28,784	26,300
Total revenues	<u>116,362</u>	<u>167,527</u>	<u>176,447</u>	<u>143,304</u>	<u>108,747</u>
Operating expenses:					
Cost of revenues	71,153	106,387	113,255	90,164	66,352
Sales and marketing	21,181	28,668	28,739	22,851	17,469
Technology and development	3,710	3,782	3,706	3,627	3,591
General and administrative	8,641	8,483	9,182	8,405	8,101
Amortization of intangible assets	6,431	6,383	6,278	6,275	6,301
Restructuring and other exit costs	-	-	-	876	-
Total operating expenses	<u>111,116</u>	<u>153,703</u>	<u>161,160</u>	<u>132,198</u>	<u>101,814</u>
Operating income	5,246	13,824	15,287	11,106	6,933
Depreciation	2,513	2,454	2,515	2,498	2,292
Amortization of intangible assets	6,431	6,383	6,278	6,275	6,301
Segment income from operations	<u>14,190</u>	<u>22,661</u>	<u>24,080</u>	<u>19,879</u>	<u>15,526</u>
Stock-based compensation	1,216	1,028	1,106	983	1,068
Restructuring and other exit costs	-	-	-	876	-
Litigation or dispute settlement charges	(193)	-	-	75	-
Transaction-related costs	19	302	298	-	-
Segment adjusted OIBDA ⁽¹⁾	<u>\$ 15,232</u>	<u>\$ 23,991</u>	<u>\$ 25,484</u>	<u>\$ 21,813</u>	<u>\$ 16,594</u>
Content & Media					
Revenues:					
Products	\$ 1,105	\$ 881	\$ 900	\$ 808	\$ 347
Services	23,033	24,067	25,786	28,388	30,826
Advertising	12,418	13,038	12,759	16,469	12,897
Total revenues	<u>36,556</u>	<u>37,986</u>	<u>39,445</u>	<u>45,665</u>	<u>44,070</u>
Operating expenses:					
Cost of revenues	10,209	10,567	10,064	11,512	8,590
Sales and marketing	11,813	12,919	14,342	11,867	13,913
Technology and development	5,793	5,497	5,198	5,163	6,210
General and administrative	5,186	5,580	5,653	6,074	6,848
Amortization of intangible assets	1,382	1,154	1,031	1,052	1,055
Acquisition-related contingent consideration	(1,387)	-	-	-	-
Restructuring and other exit costs	-	(28)	(63)	1,616	-
Total operating expenses	<u>32,996</u>	<u>35,689</u>	<u>36,225</u>	<u>37,284</u>	<u>36,616</u>
Operating income	3,560	2,297	3,220	8,381	7,454
Depreciation	2,710	2,842	2,651	2,841	2,718
Amortization of intangible assets	1,754	1,505	1,466	1,371	1,354
Segment income from operations	<u>8,024</u>	<u>6,644</u>	<u>7,337</u>	<u>12,593</u>	<u>11,526</u>
Stock-based compensation	580	495	648	650	863
Restructuring and other exit costs	-	(28)	(63)	1,616	-
Litigation or dispute settlement charges	-	(396)	-	-	661
Transaction-related costs	(1,305)	738	-	-	-
Segment adjusted OIBDA ⁽¹⁾	<u>\$ 7,299</u>	<u>\$ 7,453</u>	<u>\$ 7,922</u>	<u>\$ 14,859</u>	<u>\$ 13,050</u>
Communications					
Revenues:					
Products	\$ 686	\$ 936	\$ 297	\$ -	\$ -
Services	18,882	19,945	21,068	22,621	24,158
Advertising	5,635	5,929	5,395	6,674	6,102
Total revenues	<u>25,203</u>	<u>26,810</u>	<u>26,760</u>	<u>29,295</u>	<u>30,260</u>
Operating expenses:					
Cost of revenues	8,079	8,534	7,972	7,825	8,505
Sales and marketing	4,300	5,519	3,912	1,992	2,192
Technology and development	2,356	2,639	2,682	2,791	2,973
General and administrative	2,880	2,815	3,084	3,301	3,376
Amortization of intangible assets	-	-	-	214	215
Restructuring and other exit costs	-	-	(8)	648	74
Total operating expenses	<u>17,615</u>	<u>19,507</u>	<u>17,642</u>	<u>16,771</u>	<u>17,335</u>
Operating income	7,588	7,303	9,118	12,524	12,925
Depreciation	1,182	1,263	1,247	1,346	1,482
Amortization of intangible assets	-	-	-	214	215
Segment income from operations	<u>8,770</u>	<u>8,566</u>	<u>10,365</u>	<u>14,084</u>	<u>14,622</u>
Stock-based compensation	529	438	648	601	671
Transaction-related costs	-	-	(8)	648	74
Segment adjusted OIBDA ⁽¹⁾	<u>\$ 9,299</u>	<u>\$ 9,004</u>	<u>\$ 11,005</u>	<u>\$ 15,333</u>	<u>\$ 15,367</u>
Total segment adjusted OIBDA ⁽¹⁾	<u>\$ 31,830</u>	<u>\$ 40,448</u>	<u>\$ 44,411</u>	<u>\$ 52,005</u>	<u>\$ 45,011</u>

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

	Quarter Ended				
	September 30, 2012	June 30, 2012	March 31, 2012	December 31, 2011	September 30, 2011
Reconciliation of segment revenues to consolidated revenues:					
FTD	\$ 116,362	\$ 167,527	\$ 176,447	\$ 143,304	\$ 108,747
Content & Media	36,556	37,986	39,445	45,665	44,070
Communications	25,203	26,810	26,760	29,295	30,260
Intersegment eliminations	(370)	(466)	(360)	(343)	(383)
Consolidated revenues	<u>\$ 177,751</u>	<u>\$ 231,857</u>	<u>\$ 242,292</u>	<u>\$ 217,921</u>	<u>\$ 182,694</u>
Reconciliation of segment operating expenses to consolidated operating expenses:					
FTD	\$ 111,116	\$ 153,703	\$ 161,160	\$ 132,198	\$ 101,814
Content & Media	32,996	35,689	36,225	37,284	36,616
Communications	17,615	19,507	17,642	16,771	17,335
Unallocated corporate expenses	7,956	6,484	6,368	8,337	7,089
Intersegment eliminations	(370)	(466)	(360)	(343)	(383)
Consolidated operating expenses	<u>\$ 169,313</u>	<u>\$ 214,917</u>	<u>\$ 221,035</u>	<u>\$ 194,247</u>	<u>\$ 162,471</u>
Reconciliation of segment income from operations to consolidated operating income:					
FTD	\$ 14,190	\$ 22,661	\$ 24,080	\$ 19,879	\$ 15,526
Content & Media	8,024	6,644	7,337	12,593	11,526
Communications	8,770	8,566	10,365	14,084	14,622
Total segment income from operations	30,984	37,871	41,782	46,556	41,674
Depreciation	(6,464)	(6,620)	(6,475)	(6,736)	(6,564)
Amortization of intangible assets	(8,185)	(7,888)	(7,744)	(7,860)	(7,870)
Unallocated corporate expenses, excluding depreciation	(7,897)	(6,423)	(6,306)	(8,286)	(7,017)
Consolidated operating income	<u>\$ 8,438</u>	<u>\$ 16,940</u>	<u>\$ 21,257</u>	<u>\$ 23,674</u>	<u>\$ 20,223</u>
Reconciliation of segment adjusted OIBDA to consolidated adjusted OIBDA:					
FTD adjusted OIBDA	\$ 15,232	\$ 23,991	\$ 25,484	\$ 21,813	\$ 16,594
Content & Media adjusted OIBDA	7,299	7,453	7,922	14,859	13,050
Communications adjusted OIBDA	9,299	9,004	11,005	15,333	15,367
Total segment adjusted OIBDA	31,830	40,448	44,411	52,005	45,011
Unallocated corporate expenses	(5,054)	(5,238)	(5,254)	(5,035)	(5,326)
Consolidated adjusted OIBDA	<u>\$ 26,776</u>	<u>\$ 35,210</u>	<u>\$ 39,157</u>	<u>\$ 46,970</u>	<u>\$ 39,685</u>
Stock-based compensation was allocated as follows:					
FTD:					
Cost of revenues-products	\$ 19	\$ (2)	\$ 8	\$ 9	\$ 16
Cost of revenues-services	11	(1)	7	3	7
Sales and marketing	435	394	354	306	312
Technology and development	32	16	33	20	37
General and administrative	719	621	704	645	696
FTD stock-based compensation	<u>\$ 1,216</u>	<u>\$ 1,028</u>	<u>\$ 1,106</u>	<u>\$ 983</u>	<u>\$ 1,068</u>
Content & Media:					
Cost of revenues-services	\$ 8	\$ 6	\$ 24	\$ 17	\$ 28
Sales and marketing	127	105	149	191	252
Technology and development	143	94	173	171	239
General and administrative	302	290	302	271	344
Content & Media stock-based compensation	<u>\$ 580</u>	<u>\$ 495</u>	<u>\$ 648</u>	<u>\$ 650</u>	<u>\$ 863</u>
Communications:					
Cost of revenues-services	\$ 48	\$ 26	\$ 63	\$ 51	\$ 66
Sales and marketing	77	60	80	65	96
Technology and development	228	187	292	274	288
General and administrative	176	165	213	211	221
Communications stock-based compensation	<u>\$ 529</u>	<u>\$ 438</u>	<u>\$ 648</u>	<u>\$ 601</u>	<u>\$ 671</u>
Unallocated corporate stock-based compensation	1,105	1,072	1,052	1,465	1,691
Consolidated stock-based compensation	<u>\$ 3,430</u>	<u>\$ 3,033</u>	<u>\$ 3,454</u>	<u>\$ 3,699</u>	<u>\$ 4,293</u>

UNITED ONLINE, INC.
Unaudited Selected Quarterly Historical Key Metrics (a)

	<u>September 30, 2012</u>	<u>June 30, 2012</u>	<u>March 31, 2012</u>	<u>December 31, 2011</u>	<u>September 30, 2011</u>
Consolidated:					
Revenues (in thousands)	\$ 177,751	\$ 231,857	\$ 242,292	\$ 217,921	\$ 182,694
FTD:					
Segment revenues (in thousands)	\$ 116,362	\$ 167,527	\$ 176,447	\$ 143,304	\$ 108,747
<i>% of consolidated revenues</i>	65%	72%	73%	66%	60%
Consumer orders ⁽⁴⁾ (in thousands)	1,239	1,997	1,997	1,615	1,104
Average order value ⁽⁴⁾	\$ 61.06	\$ 60.75	\$ 62.91	\$ 62.31	\$ 63.46
Average currency exchange rate: GBP to USD	1.58	1.58	1.58	1.57	1.61
Content & Media:					
Segment revenues (in thousands)	\$ 36,556	\$ 37,986	\$ 39,445	\$ 45,665	\$ 44,070
<i>% of consolidated revenues</i>	21%	16%	16%	21%	24%
Pay accounts ⁽⁵⁾ (in thousands)	2,987	3,120	3,293	3,484	3,780
Segment churn ⁽⁷⁾	3.4%	3.6%	3.9%	4.1%	3.9%
ARPU ⁽⁶⁾	\$ 2.50	\$ 2.50	\$ 2.54	\$ 2.60	\$ 2.64
Segment active accounts ⁽⁵⁾ (in millions)	10.9	10.3	11.3	10.3	11.9
Average currency exchange rate: EUR to USD	1.25	1.28	1.31	1.35	1.41
Communications:					
Segment revenues (in thousands)	\$ 25,203	\$ 26,810	\$ 26,760	\$ 29,295	\$ 30,260
<i>% of consolidated revenues</i>	14%	12%	11%	13%	17%
Pay accounts ⁽⁵⁾ (in thousands):					
Access	440	467	498	535	577
Other	235	242	249	259	266
Total Communications pay accounts	<u>675</u>	<u>709</u>	<u>747</u>	<u>794</u>	<u>843</u>
Segment churn ⁽⁷⁾	3.1%	3.2%	3.4%	3.4%	3.4%
ARPU ⁽⁶⁾	\$ 8.97	\$ 8.97	\$ 8.99	\$ 9.09	\$ 9.14
Segment active accounts ⁽⁵⁾ (in millions)	1.4	1.4	1.5	1.5	1.6

(a) More information on the financial results for these quarters can be found in the company's filings with the Securities and Exchange Commission.

Non-GAAP Measures:

In evaluating the company's performance, management uses one or more of the following measures that are not determined in accordance with accounting principles generally accepted in the United States of America ("GAAP"): adjusted OIBDA, adjusted net income, adjusted basic and diluted net income per common share, and free cash flow. These measures are adjusted to exclude certain non-cash expenses such as depreciation, amortization, stock-based compensation, and impairment of goodwill, intangible assets and long-lived assets. In addition, these measures are adjusted to exclude the items discussed below because such items are either operating expenses which would not otherwise have been incurred by the company in the normal course of the company's business operations or are not reflective of the company's core results over time. These items may include recurring as well as non-recurring items. These adjustments should not be construed as an inference that all of these adjustments or costs are unusual, infrequent or non-recurring. For example, certain restructuring and other exit costs may be considered recurring given the company's ongoing efforts to be more cost effective and efficient, certain litigation or dispute settlement charges or gains may be viewed as recurring given that the company is continually involved in, and resolving, litigation, arbitration, investigations, disputes and similar matters, and certain transaction-related costs may be deemed recurring given the company's regular evaluation of potential transactions. Notwithstanding that certain charges, costs or gains may be considered recurring, in order to provide meaningful comparisons, the company believes that it is appropriate to adjust for such charges, costs or gains because they are not reflective of the company's core results and tend to vary based on timing, frequency and magnitude.

Restructuring and Other Exit Costs — Restructuring and other exit costs consist primarily of employee termination costs, facility closure and relocation costs and contract termination costs.

Litigation or Dispute Settlement Charges or Gains — These charges or gains include estimated losses for which we have established a reserve, as well as actual settlements, judgments, fines, penalties, assessments or other resolutions against, or in favor of, the company related to litigation, arbitration, investigations, disputes or similar matters. Insurance recoveries received by the company related to such matters are also included in these adjustments.

Transaction-Related Costs — The company excludes certain expense items resulting from actual or potential transactions such as business combinations, mergers, acquisitions, and financing transactions, including, without limitation, (i) compensation expenses and (ii) expenses for advisors and representatives such as investment bankers, consultants, attorneys, and accounting firms. Transaction-related costs may also include, without limitation, transition and integration costs such as retention bonuses and acquisition-related milestone payments to acquired employees.

Definitions of Non-GAAP Measures:

(1) Adjusted operating income before depreciation and amortization ("adjusted OIBDA") is defined by the company as operating income before depreciation; amortization; stock-based compensation; restructuring and other exit costs; litigation or dispute settlement charges or gains; transaction-related costs; and impairment of goodwill, intangible assets and long-lived assets. The company's definition of adjusted OIBDA has been modified from time to time. Management believes that because adjusted OIBDA excludes (i) certain non-cash expenses (such as depreciation, amortization, stock-based compensation, and impairment of goodwill, intangible assets and long-lived assets) and (ii) expenses that are not reflective of the company's core operating results over time (such as restructuring and other exit costs, litigation or dispute settlement charges or gains, and transaction-related costs), this measure provides investors with additional useful information to measure the company's financial performance, particularly with respect to changes in performance from period to period. Management uses adjusted OIBDA to measure the company's

performance. The company's board of directors has used this measure as a basis in determining certain compensation incentives for certain members of the company's management. Adjusted OIBDA 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 is that it does not reflect the periodic costs of certain 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 activities such as evaluations of 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 a summary of stock-based compensation expenses within the accompanying tables and in the footnotes accompanying its financial statements. A further limitation associated with the use of this measure is that it does not reflect the costs of restructuring and other exit costs, litigation or dispute settlement charges or gains, transaction-related costs, and the impairment of goodwill, intangible assets and long-lived assets. Management compensates for this limitation by providing supplemental information about such charges, gains and costs within its financial press releases and SEC filings, when applicable. An additional limitation associated with the use of this measure is that the term "adjusted OIBDA" does not have a standardized meaning. Therefore, other companies may use the same or a similarly named measure 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. Management compensates for this limitation by presenting the most comparable GAAP measure, operating income, directly ahead of adjusted OIBDA within its financial press releases and by providing a reconciliation that shows and describes the adjustments made. A reconciliation to operating income is provided in the accompanying tables. In addition, many of the adjustments to our GAAP financial measures reflect the exclusion of items that are recurring in nature and will be reflected in our financial results for the foreseeable future.

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 Forms 10-K and Forms 10-Q, before stock-based compensation, restructuring and other exit costs, litigation or dispute settlement charges or gains, transaction-related costs and the impairment of goodwill, intangible assets and long-lived assets. The company's definition of adjusted OIBDA for each of the company's segments has been modified from time to time. Management believes that because segment adjusted OIBDA and segment adjusted OIBDA as a percentage of segment revenues exclude (i) certain non-cash expenses (such as stock-based compensation, and the impairment of goodwill, intangible assets and long-lived assets); and (ii) expenses that are not reflective of the segment's core operating results over time (such as restructuring and other exit costs, litigation or dispute settlement charges or gains, and transaction-related costs), these measures provide investors with additional useful information to evaluate the company's segment financial performance, particularly with respect to changes in performance from period to period. Segment adjusted OIBDA and segment adjusted OIBDA as a percentage of segment revenues are 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 these measures is that they do not include stock-based compensation expenses related to the company's workforce. Management compensates for this limitation by providing a summary of stock-based compensation expenses within the accompanying tables and in the footnotes accompanying its financial statements. A further limitation associated with the use of these measures is that they do not reflect the costs of restructuring and other exit costs, litigation or dispute settlement charges or gains, transaction-related costs and impairment charges related to an operating segment. Management compensates for this limitation by providing supplemental information about such charges, gains and costs by segment within its financial press releases and SEC filings, when applicable. A reconciliation to segment income from operations, its most comparable GAAP measure, is provided in the accompanying tables.

(2) Adjusted net income is defined by the company as net income before the after-tax effect of: stock-based compensation; amortization of intangible assets; impairment of goodwill, intangible assets and long-lived assets; restructuring and other exit costs; litigation or dispute settlement charges or

gains; transaction-related costs; and the re-measurement of certain deferred tax assets. Adjusted diluted net income per common share includes the adjustment for shares resulting from the elimination of stock-based compensation. Management believes that adjusted net income and adjusted diluted net income per common share provide investors with additional useful information to measure the company's financial performance, particularly with respect to changes in performance from period to period, because these measures are exclusive of (i) certain non-cash expenses (such as stock-based compensation, amortization of intangible assets, and the impairment of goodwill, intangible assets and long-lived assets) and (ii) expenses that are not reflective of the company's core results over time (such as restructuring and other exit costs, litigation or dispute settlement charges or gains, and transaction-related costs). Management also uses adjusted net income and adjusted diluted net income per common share for this purpose. Adjusted net income and adjusted diluted net income per common share are 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. The limitations of adjusted net income and adjusted diluted net income per common share are that, similar to adjusted OIBDA, they do not include certain costs, and the terms "adjusted net income" and "adjusted diluted net income per common 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. Management compensates for this limitation by presenting the most comparable GAAP measures, net income and diluted net income per common share, directly ahead of adjusted net income and adjusted diluted net income per common share within its financial press releases and by providing a reconciliation of adjusted net income that shows and describes the adjustments made. A reconciliation of adjusted net income to net income, its most comparable GAAP measure, 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 cash received for litigation or dispute settlement gains, and plus the excess tax benefits from equity awards, cash paid for restructuring and other exit costs, cash paid for litigation or dispute settlement charges, and cash paid for transaction-related costs. 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 prior to cash paid for restructuring and other exit costs, cash paid or received for litigation or dispute settlement charges or gains, and cash paid for transaction-related costs. It also fully reflects the tax benefits realized by the company from stock-based compensation. 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, generate cash flow for a variety of strategic opportunities, including reinvestment in the business, and effect potential acquisitions and share repurchases. Free cash flow is not determined in accordance with GAAP and should be considered in addition to, not as a substitute for or superior to, measures determined in accordance with GAAP. A limitation of free cash flow is that it does not represent the total increase or decrease in cash during the period. An additional limitation associated with the use of this measure is that the term "free cash flow" does not have a standardized meaning. Therefore, other companies may use the same or a similarly named measure 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. Management compensates for this limitation by presenting the most comparable GAAP measure, net cash provided by operating activities, directly ahead of free cash flow within its financial press releases and by providing a reconciliation that shows and describes the adjustments made. A reconciliation to net cash provided by operating activities is provided in the accompanying tables.

(4) Consumer orders are orders delivered during the period that originated in the U.S. and Canada, primarily from the www.ftd.com and www.ftd.ca websites and the 1-800-SEND-FTD telephone number, and in the U.K. and the Republic of Ireland, primarily from the www.interflora.co.uk, www.flyingflowers.co.uk, www.flowersdirect.co.uk, and www.interflora.ie websites and various telephone numbers. The number of consumer orders is not adjusted for non-delivered orders that are refunded after the scheduled delivery date. Orders originating with a florist or other retail location for delivery to consumers are not included.

Average order value represents the average U.S. Dollar amount received for consumer orders delivered during a period. For orders placed outside the U.S. (principally in the U.K. and the Republic of Ireland), this average U.S. Dollar amount is determined after translating the local currency amounts received into U.S. Dollars. Average order value includes merchandise revenues and shipping and service fees paid by the consumer, less discounts and refunds (net of refund-related fees charged to floral network members).

(5) A pay account is defined as a member who has paid for a subscription to a Content & Media or Communications service, and whose subscription has not terminated or expired. A subscription provides the member with access to our service for a specific term (for example, a month or a year) and may be renewed upon the expiration of each term. One-time purchases of our services are not considered subscriptions and thus, are not included in the pay accounts metric. A pay account does not equate to a unique subscriber since one subscriber could have several pay accounts. In addition, at any point in time, our pay account base includes a number of accounts receiving a free period of service as either a promotion or retention tool, such as the subscribers receiving our free NetZero 4G mobile broadband service, and a number of accounts that have notified us that they are terminating their service but whose service remains in effect.

Content & Media segment active accounts are defined as the sum of all pay accounts as of the date presented; the monthly average for the period of all free accounts who have visited our domestic or international online nostalgia websites (excluding schoolFeed and The Names Database) at least once during the period; and the monthly average for the period of all online loyalty marketing members who have earned or redeemed points during such period. Communications segment active accounts include all Communications segment pay accounts as of the date presented combined with the number of free dial-up Internet access and email accounts that logged on to our services at least once during the preceding 31 days.

(6) ARPU is calculated by dividing services revenues generated from the pay accounts of our Content & Media or Communications segment, as applicable, for a period (after translation into U.S. Dollars) by the average number of segment pay accounts for that period, divided by the number of months in that period.

(7) Churn is calculated as the total number of pay accounts that terminated or expired in a period divided by the average number of pay accounts for that period, divided by the number of months in that period.