

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

	Quarter Ended				
	June 30,	March 31,	December 31,	September 30,	June 30,
	2013	2013	2012	2012	2012
Revenues:					
Products	\$ 130,866	\$ 155,087	\$ 120,280	\$ 87,544	\$ 133,813
Services	90,883	92,297	98,703	90,207	98,044
Total revenues	<u>221,749</u>	<u>247,384</u>	<u>218,983</u>	<u>177,751</u>	<u>231,857</u>
Operating expenses:					
Cost of revenues-products ^(a)	100,317	119,191	94,712	67,892	102,826
Cost of revenues-services ^(a)	21,791	22,366	23,957	21,483	22,526
Sales and marketing ^(a)	41,545	45,961	41,822	37,012	46,800
Technology and development ^(a)	12,501	12,424	12,633	11,859	11,918
General and administrative ^(a)	23,833	26,562	25,416	24,663	23,249
Amortization of intangible assets	7,757	7,747	7,834	7,813	7,537
Acquisition-related contingent consideration	25	(5,149)	551	(1,387)	-
Restructuring and other exit costs	(62)	2,289	77	-	85
Impairment of goodwill, intangible assets and long-lived assets	-	-	26,910	-	-
Total operating expenses	<u>207,707</u>	<u>231,391</u>	<u>233,912</u>	<u>169,335</u>	<u>214,941</u>
Operating income (loss)	14,042	15,993	(14,929)	8,416	16,916
Interest income	226	153	348	511	213
Interest expense	(3,191)	(3,192)	(3,261)	(3,260)	(3,583)
Other income (expense), net	221	367	118	(3)	567
Income (loss) before income taxes	11,298	13,321	(17,724)	5,664	14,113
Provision for (benefit from) income taxes	5,046	3,202	(5,048)	217	5,583
Net income (loss)	<u>\$ 6,252</u>	<u>\$ 10,119</u>	<u>\$ (12,676)</u>	<u>\$ 5,447</u>	<u>\$ 8,530</u>
Income allocated to participating securities	(400)	(262)	(331)	(344)	(294)
Net income (loss) attributable to common stockholders	<u>\$ 5,852</u>	<u>\$ 9,857</u>	<u>\$ (13,007)</u>	<u>\$ 5,103</u>	<u>\$ 8,236</u>
Basic net income (loss) per common share	<u>\$ 0.06</u>	<u>\$ 0.11</u>	<u>\$ (0.14)</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>
Shares used to calculate basic net income (loss) per common share	<u>92,386</u>	<u>91,579</u>	<u>90,938</u>	<u>90,657</u>	<u>90,478</u>
Diluted net income (loss) per common share	<u>\$ 0.06</u>	<u>\$ 0.11</u>	<u>\$ (0.14)</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>
Shares used to calculate diluted net income (loss) per common share	<u>92,644</u>	<u>91,812</u>	<u>90,938</u>	<u>90,735</u>	<u>90,505</u>
Shares outstanding at end of period	<u>92,532</u>	<u>92,085</u>	<u>91,092</u>	<u>90,676</u>	<u>90,637</u>
(a) Stock-based compensation was allocated as follows:					
Cost of revenues-products	\$ 11	\$ 10	\$ 18	\$ 19	\$ (2)
Cost of revenues-services	41	41	64	67	31
Sales and marketing	623	635	650	639	559
Technology and development	360	366	461	403	297
General and administrative	2,066	1,994	2,198	2,302	2,148
Total stock-based compensation	<u>\$ 3,101</u>	<u>\$ 3,046</u>	<u>\$ 3,391</u>	<u>\$ 3,430</u>	<u>\$ 3,033</u>

UNITED ONLINE, INC.

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

	Quarter Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Operating income (loss)	\$ 14,042	\$ 15,993	\$ (14,929)	\$ 8,416	\$ 16,916
Depreciation	6,167	6,145	6,057	6,464	6,620
Amortization of intangible assets	9,250	8,860	8,228	8,185	7,888
Operating income (loss) before depreciation and amortization	29,459	30,998	(644)	23,065	31,424
Stock-based compensation	3,101	3,046	3,391	3,430	3,033
Restructuring and other exit costs	(62)	2,289	77	-	85
Litigation or dispute settlement charges	683	195	-	(193)	(396)
Transaction-related costs	1,470	(3,456)	2,968	452	1,040
Impairment of goodwill, intangible assets and long-lived assets	-	-	26,910	-	-
Adjusted OIBDA	<u>\$ 34,651</u>	<u>\$ 33,072</u>	<u>\$ 32,702</u>	<u>\$ 26,754</u>	<u>\$ 35,186</u>
Adjusted OIBDA as a % of revenues	15.6%	13.4%	14.9%	15.1%	15.2%

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

	Quarter Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
FTD:					
Segment income from operations	\$ 21,202	\$ 26,737	\$ 21,273	\$ 14,190	\$ 22,661
Stock-based compensation	1,007	896	1,106	1,216	1,028
Litigation or dispute settlement charges	383	195	-	(193)	-
Transaction-related costs	1,373	-	(26)	19	302
Segment adjusted OIBDA	<u>\$ 23,965</u>	<u>\$ 27,828</u>	<u>\$ 22,353</u>	<u>\$ 15,232</u>	<u>\$ 23,991</u>
Segment adjusted OIBDA as a % of segment revenues	14.6%	14.6%	14.6%	13.1%	14.3%
Content & Media:					
Segment income (loss) from operations	\$ 5,780	\$ 5,794	\$ (20,813)	\$ 8,002	\$ 6,620
Stock-based compensation	536	768	611	580	495
Restructuring and other exit costs	(62)	2,289	77	-	(28)
Litigation or dispute settlement charges	300	-	-	-	(396)
Transaction-related costs	20	(5,128)	613	(1,305)	738
Impairment of goodwill, intangible assets and long-lived assets	-	-	26,910	-	-
Segment adjusted OIBDA	<u>\$ 6,574</u>	<u>\$ 3,723</u>	<u>\$ 7,398</u>	<u>\$ 7,277</u>	<u>\$ 7,429</u>
Segment adjusted OIBDA as a % of segment revenues	20.0%	11.3%	18.7%	19.9%	19.6%
Communications:					
Segment income from operations	\$ 8,288	\$ 6,630	\$ 7,428	\$ 8,770	\$ 8,566
Stock-based compensation	481	470	568	529	438
Segment adjusted OIBDA	<u>\$ 8,769</u>	<u>\$ 7,100</u>	<u>\$ 7,996</u>	<u>\$ 9,299</u>	<u>\$ 9,004</u>
Segment adjusted OIBDA as a % of segment revenues	35.2%	28.8%	30.0%	36.9%	33.6%
Unallocated corporate expenses	<u>\$ (4,657)</u>	<u>\$ (5,579)</u>	<u>\$ (5,045)</u>	<u>\$ (5,054)</u>	<u>\$ (5,238)</u>
Consolidated adjusted OIBDA	<u>\$ 34,651</u>	<u>\$ 33,072</u>	<u>\$ 32,702</u>	<u>\$ 26,754</u>	<u>\$ 35,186</u>

UNITED ONLINE, INC.

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

	Quarter Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Net income (loss)	\$ 6,252	\$ 10,119	\$ (12,676)	\$ 5,447	\$ 8,530
Income allocated to participating securities	(400)	(262)	(331)	(344)	(294)
Net income (loss) attributable to common stockholders	<u>5,852</u>	<u>9,857</u>	<u>(13,007)</u>	<u>5,103</u>	<u>8,236</u>
Adjustments:					
Stock-based compensation	3,101	3,046	3,391	3,430	3,033
Amortization of intangible assets	9,250	8,860	8,228	8,185	7,888
Restructuring and other exit costs	(62)	2,289	77	-	85
Litigation or dispute settlement charges	683	195	-	(193)	(396)
Transaction-related costs	1,470	(3,456)	2,968	452	1,040
Impairment of goodwill, intangible assets and long-lived assets	-	-	26,910	-	-
	<u>20,294</u>	<u>20,791</u>	<u>28,567</u>	<u>16,977</u>	<u>19,886</u>
Income tax effect of adjusting entries	(4,581)	(5,857)	(15,383)	(4,474)	(3,936)
Adjusted net income attributable to common stockholders	<u>\$ 15,713</u>	<u>\$ 14,934</u>	<u>\$ 13,184</u>	<u>\$ 12,503</u>	<u>\$ 15,950</u>
GAAP net income (loss) per common share:					
Basic net income (loss) per common share	<u>\$ 0.06</u>	<u>\$ 0.11</u>	<u>\$ (0.14)</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>
Shares used to calculate basic net income (loss) per common share	<u>92,386</u>	<u>91,579</u>	<u>90,938</u>	<u>90,657</u>	<u>90,478</u>
Diluted net income (loss) per common share	<u>\$ 0.06</u>	<u>\$ 0.11</u>	<u>\$ (0.14)</u>	<u>\$ 0.06</u>	<u>\$ 0.09</u>
Shares used to calculate diluted net income (loss) per common share	<u>92,644</u>	<u>91,812</u>	<u>90,938</u>	<u>90,735</u>	<u>90,505</u>
Adjusted net income per common share:					
Adjusted basic net income per common share	<u>\$ 0.17</u>	<u>\$ 0.16</u>	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 0.18</u>
Shares used to calculate adjusted basic net income per common share	<u>92,386</u>	<u>91,579</u>	<u>90,938</u>	<u>90,657</u>	<u>90,478</u>
Adjusted diluted net income per common share	<u>\$ 0.17</u>	<u>\$ 0.16</u>	<u>\$ 0.14</u>	<u>\$ 0.14</u>	<u>\$ 0.18</u>
Shares used to calculate adjusted diluted net income per common share	<u>92,902</u>	<u>92,029</u>	<u>91,321</u>	<u>90,952</u>	<u>90,768</u>

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

	<u>June 30,</u> <u>2013</u>	<u>March 31,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>	<u>September 30,</u> <u>2012</u>	<u>June 30,</u> <u>2012</u>
ASSETS					
Cash and cash equivalents	\$ 122,423	\$ 132,268	\$ 136,444	\$ 108,140	\$ 111,436
Accounts receivable, net	36,606	42,248	43,721	40,362	36,185
Inventories, net	12,329	12,071	16,116	12,934	11,197
Deferred tax assets, net	12,519	12,037	12,279	13,040	15,622
Property and equipment, net	52,679	54,817	57,877	56,238	57,808
Goodwill and intangible assets, net	638,621	647,359	668,479	702,072	704,158
Other assets	27,047	25,635	28,503	30,136	28,666
Total assets	<u>\$ 902,224</u>	<u>\$ 926,435</u>	<u>\$ 963,419</u>	<u>\$ 962,922</u>	<u>\$ 965,072</u>
LIABILITIES AND STOCKHOLDERS' EQUITY					
Accounts payable	\$ 54,243	\$ 68,181	\$ 80,543	\$ 54,785	\$ 55,876
Accrued liabilities	41,617	39,706	45,253	43,503	39,440
Member redemption liability	21,680	21,851	22,575	22,604	22,612
Deferred revenue	48,160	50,145	49,581	51,067	53,621
Debt, net of discounts	233,410	244,092	244,000	243,908	243,816
Deferred tax liabilities, net	28,939	29,230	31,896	41,988	43,624
Other liabilities	8,813	9,327	14,485	12,893	19,019
Total liabilities	<u>436,862</u>	<u>462,532</u>	<u>488,333</u>	<u>470,748</u>	<u>478,008</u>
Stockholders' equity	465,362	463,903	475,086	492,174	487,064
Total liabilities and stockholders' equity	<u>\$ 902,224</u>	<u>\$ 926,435</u>	<u>\$ 963,419</u>	<u>\$ 962,922</u>	<u>\$ 965,072</u>

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

	Quarter Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
CASH FLOWS FROM OPERATING ACTIVITIES:					
Net income (loss)	\$ 6,252	\$ 10,119	\$ (12,676)	\$ 5,447	\$ 8,530
Adjustments to reconcile net income to net cash provided by operating activities:					
Depreciation, amortization and stock-based compensation	18,518	18,051	17,676	18,079	17,541
Provision for doubtful accounts receivable	419	569	665	524	393
Acquisition-related contingent consideration	25	(5,149)	551	(1,387)	-
Accretion of discounts and amortization of debt issue costs	285	188	188	188	432
Impairment of goodwill, intangible assets and long-lived assets	-	-	26,910	-	-
Deferred taxes and other, net	(1,304)	(1,992)	(8,067)	657	(1,938)
Tax benefits (shortfalls) from equity awards	281	206	94	99	22
Excess tax benefits from equity awards	(58)	(213)	-	(1)	-
Change in operating assets and liabilities (excluding the effects of acquisitions):					
Accounts receivable, net	5,255	580	(3,954)	(4,577)	2,811
Inventories, net	(256)	3,996	(4,374)	(1,721)	(743)
Other assets	(192)	2,732	1,423	(1,725)	632
Accounts payable and accrued liabilities	(12,430)	(13,839)	24,231	1,748	(5,785)
Member redemption liability	(170)	(725)	(28)	(8)	(344)
Deferred revenue	(2,172)	1,105	(1,871)	(2,807)	(3,645)
Other liabilities	(503)	(481)	937	(3,911)	(1,933)
Net cash provided by operating activities	<u>13,950</u>	<u>15,147</u>	<u>41,705</u>	<u>10,605</u>	<u>15,973</u>
CASH FLOWS FROM INVESTING ACTIVITIES:					
Purchases of property and equipment	(4,605)	(5,312)	(4,595)	(4,771)	(4,235)
Purchases of rights, content and intellectual property	(315)	(287)	(472)	(586)	(621)
Purchases of investments	(22)	(11)	(88)	(31)	(47)
Proceeds from sales of investments	154	56	36	70	285
Cash paid for acquisitions, net of cash acquired	-	-	-	-	(11,355)
Net cash used for investing activities	<u>(4,788)</u>	<u>(5,554)</u>	<u>(5,119)</u>	<u>(5,318)</u>	<u>(15,973)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:					
Payments on term loan	(10,857)	-	-	-	(17,000)
Proceeds from exercises of stock options	-	-	-	-	1
Proceeds from employee stock purchase plans	1,699	-	1,215	-	1,793
Repurchases of common stock	(70)	(3,272)	(362)	(117)	(62)
Dividends and dividend equivalents paid on outstanding shares and restricted stock units	(9,651)	(9,438)	(9,441)	(9,417)	(9,420)
Excess tax benefits from equity awards	58	213	-	1	-
Net cash used for financing activities	<u>(18,821)</u>	<u>(12,497)</u>	<u>(8,588)</u>	<u>(9,533)</u>	<u>(24,688)</u>
Effect of foreign currency exchange rate changes on cash and cash equivalents	(186)	(1,272)	306	950	(1,536)
Change in cash and cash equivalents	(9,845)	(4,176)	28,304	(3,296)	(26,224)
Cash and cash equivalents, beginning of period	132,268	136,444	108,140	111,436	137,660
Cash and cash equivalents, end of period	<u>\$ 122,423</u>	<u>\$ 132,268</u>	<u>\$ 136,444</u>	<u>\$ 108,140</u>	<u>\$ 111,436</u>

UNITED ONLINE, INC.

Unaudited Reconciliation of Net Cash Provided by Operating Activities to Free Cash Flow⁽³⁾

(in thousands)

	Quarter Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Net cash provided by operating activities	\$ 13,950	\$ 15,147	\$ 41,705	\$ 10,605	\$ 15,973
Adjustments:					
Capital expenditures	(4,605)	(5,312)	(4,595)	(4,771)	(4,235)
Excess tax benefits from equity awards	58	213	-	1	-
Cash paid for restructuring and other exit costs	315	1,289	226	527	851
Cash paid for litigation or dispute settlement charges	259	571	2,777	656	6
Cash paid for transaction-related costs	2,095	891	1,719	836	795
Free cash flow	<u>\$ 12,072</u>	<u>\$ 12,799</u>	<u>\$ 41,832</u>	<u>\$ 7,854</u>	<u>\$ 13,390</u>

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

	Quarter Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
ETD					
Revenues:					
Products	\$ 129,145	\$ 153,202	\$ 118,428	\$ 85,753	\$ 131,996
Services	35,134	37,081	34,750	30,609	35,531
Total revenues	<u>164,279</u>	<u>190,283</u>	<u>153,178</u>	<u>116,362</u>	<u>167,527</u>
Operating expenses:					
Cost of revenues	103,227	122,250	95,951	71,153	106,387
Sales and marketing	27,723	30,287	26,325	21,181	28,668
Technology and development	4,116	3,833	3,854	3,710	3,782
General and administrative	10,191	9,422	8,109	8,641	8,483
Amortization of intangible assets	6,396	6,407	6,451	6,431	6,383
Total operating expenses	<u>151,653</u>	<u>172,199</u>	<u>140,690</u>	<u>111,116</u>	<u>153,703</u>
Operating income	12,626	18,084	12,488	5,246	13,824
Depreciation	2,180	2,246	2,334	2,513	2,454
Amortization of intangible assets	6,396	6,407	6,451	6,431	6,383
Segment income from operations	21,202	26,737	21,273	14,190	22,661
Stock-based compensation	1,007	896	1,106	1,216	1,028
Litigation or dispute settlement charges	383	195	-	(193)	-
Transaction-related costs	1,373	-	(26)	19	302
Segment adjusted OIBDA ⁽¹⁾	<u>\$ 23,965</u>	<u>\$ 27,828</u>	<u>\$ 22,353</u>	<u>\$ 15,232</u>	<u>\$ 23,991</u>
Content & Media					
Revenues:					
Products	\$ 1,030	\$ 624	\$ 760	\$ 1,105	\$ 881
Services	20,594	21,161	22,233	23,033	24,067
Advertising and other	11,295	11,041	16,516	12,418	13,038
Total revenues	<u>32,919</u>	<u>32,826</u>	<u>39,509</u>	<u>36,556</u>	<u>37,986</u>
Operating expenses:					
Cost of revenues	10,559	10,499	12,447	10,231	10,591
Sales and marketing	10,156	11,390	11,308	11,813	12,919
Technology and development	6,102	6,081	6,151	5,793	5,497
General and administrative	4,893	5,891	5,873	5,186	5,580
Amortization of intangible assets	1,361	1,340	1,383	1,382	1,154
Acquisition-related contingent consideration	25	(5,149)	551	(1,387)	-
Restructuring and other exit costs	(62)	2,289	77	-	(28)
Impairment of goodwill, intangible assets and long-lived assets	-	-	26,910	-	-
Total operating expenses	<u>33,034</u>	<u>32,341</u>	<u>64,700</u>	<u>33,018</u>	<u>35,713</u>
Operating income (loss)	(115)	485	(25,191)	3,538	2,273
Depreciation	3,041	2,856	2,601	2,710	2,842
Amortization of intangible assets	2,854	2,453	1,777	1,754	1,505
Segment income (loss) from operations	5,780	5,794	(20,813)	8,002	6,620
Stock-based compensation	536	768	611	580	495
Restructuring and other exit costs	(62)	2,289	77	-	(28)
Litigation or dispute settlement charges	300	-	-	-	(396)
Transaction-related costs	20	(5,128)	613	(1,305)	738
Impairment of goodwill, intangible assets and long-lived assets	-	-	26,910	-	-
Segment adjusted OIBDA ⁽¹⁾	<u>\$ 6,574</u>	<u>\$ 3,723</u>	<u>\$ 7,398</u>	<u>\$ 7,277</u>	<u>\$ 7,429</u>
Communications					
Revenues:					
Products	\$ 691	\$ 1,261	\$ 1,092	\$ 686	\$ 936
Services	17,321	17,834	18,194	18,882	19,945
Advertising	6,923	5,545	7,383	5,635	5,929
Total revenues	<u>24,935</u>	<u>24,640</u>	<u>26,669</u>	<u>25,203</u>	<u>26,810</u>
Operating expenses:					
Cost of revenues	8,432	8,890	10,367	8,079	8,534
Sales and marketing	3,940	4,567	4,466	4,300	5,519
Technology and development	2,283	2,510	2,628	2,356	2,639
General and administrative	2,851	3,028	2,843	2,880	2,815
Total operating expenses	<u>17,506</u>	<u>18,995</u>	<u>20,304</u>	<u>17,615</u>	<u>19,507</u>
Operating income	7,429	5,645	6,365	7,588	7,303
Depreciation	859	985	1,063	1,182	1,263
Segment income from operations	8,288	6,630	7,428	8,770	8,566
Stock-based compensation	481	470	568	529	438
Segment adjusted OIBDA ⁽¹⁾	<u>\$ 8,769</u>	<u>\$ 7,100</u>	<u>\$ 7,996</u>	<u>\$ 9,299</u>	<u>\$ 9,004</u>
Total segment adjusted OIBDA ⁽¹⁾	<u>\$ 39,308</u>	<u>\$ 38,651</u>	<u>\$ 37,747</u>	<u>\$ 31,808</u>	<u>\$ 40,424</u>

	Quarter Ended				
	June 30, 2013	March 31, 2013	December 31, 2012	September 30, 2012	June 30, 2012
Reconciliation of segment revenues to consolidated revenues:					
FTD	\$ 164,279	\$ 190,283	\$ 153,178	\$ 116,362	\$ 167,527
Content & Media	32,919	32,826	39,509	36,556	37,986
Communications	24,935	24,640	26,669	25,203	26,810
Intersegment eliminations	(384)	(365)	(373)	(370)	(466)
Consolidated revenues	<u>\$ 221,749</u>	<u>\$ 247,384</u>	<u>\$ 218,983</u>	<u>\$ 177,751</u>	<u>\$ 231,857</u>
Reconciliation of segment operating expenses to consolidated operating expenses:					
FTD	\$ 151,653	\$ 172,199	\$ 140,690	\$ 111,116	\$ 153,703
Content & Media	33,034	32,341	64,700	33,018	35,713
Communications	17,506	18,995	20,304	17,615	19,507
Unallocated corporate expenses	5,898	8,221	8,591	7,956	6,484
Intersegment eliminations	(384)	(365)	(373)	(370)	(466)
Consolidated operating expenses	<u>\$ 207,707</u>	<u>\$ 231,391</u>	<u>\$ 233,912</u>	<u>\$ 169,335</u>	<u>\$ 214,941</u>
Reconciliation of segment income (loss) from operations to consolidated operating income (loss):					
FTD	\$ 21,202	\$ 26,737	\$ 21,273	\$ 14,190	\$ 22,661
Content & Media	5,780	5,794	(20,813)	8,002	6,620
Communications	8,288	6,630	7,428	8,770	8,566
Total segment income from operations	<u>35,270</u>	<u>39,161</u>	<u>7,888</u>	<u>30,962</u>	<u>37,847</u>
Depreciation	(6,167)	(6,145)	(6,057)	(6,464)	(6,620)
Amortization of intangible assets	(9,250)	(8,860)	(8,228)	(8,185)	(7,888)
Unallocated corporate expenses, excluding depreciation	(5,811)	(8,163)	(8,532)	(7,897)	(6,423)
Consolidated operating income (loss)	<u>\$ 14,042</u>	<u>\$ 15,993</u>	<u>\$ (14,929)</u>	<u>\$ 8,416</u>	<u>\$ 16,916</u>
Reconciliation of segment adjusted OIBDA to consolidated adjusted OIBDA:					
FTD adjusted OIBDA	\$ 23,965	\$ 27,828	\$ 22,353	\$ 15,232	\$ 23,991
Content & Media adjusted OIBDA	6,574	3,723	7,398	7,277	7,429
Communications adjusted OIBDA	8,769	7,100	7,996	9,299	9,004
Total segment adjusted OIBDA	<u>39,308</u>	<u>38,651</u>	<u>37,747</u>	<u>31,808</u>	<u>40,424</u>
Unallocated corporate expenses	(4,657)	(5,579)	(5,045)	(5,054)	(5,238)
Consolidated adjusted OIBDA	<u>\$ 34,651</u>	<u>\$ 33,072</u>	<u>\$ 32,702</u>	<u>\$ 26,754</u>	<u>\$ 35,186</u>
Stock-based compensation was allocated as follows:					
FTD:					
Cost of revenues-products	\$ 11	\$ 10	\$ 18	\$ 19	\$ (2)
Cost of revenues-services	6	4	8	11	(1)
Sales and marketing	462	412	438	435	394
Technology and development	8	18	33	32	16
General and administrative	520	452	609	719	621
FTD stock-based compensation	<u>\$ 1,007</u>	<u>\$ 896</u>	<u>\$ 1,106</u>	<u>\$ 1,216</u>	<u>\$ 1,028</u>
Content & Media:					
Cost of revenues-services	\$ 3	\$ 3	\$ 7	\$ 8	\$ 6
Sales and marketing	86	153	135	127	105
Technology and development	136	130	168	143	94
General and administrative	311	482	301	302	290
Content & Media stock-based compensation	<u>\$ 536</u>	<u>\$ 768</u>	<u>\$ 611</u>	<u>\$ 580</u>	<u>\$ 495</u>
Communications:					
Cost of revenues-services	\$ 32	\$ 34	\$ 49	\$ 48	\$ 26
Sales and marketing	75	70	77	77	60
Technology and development	216	218	260	228	187
General and administrative	158	148	182	176	165
Communications stock-based compensation	<u>\$ 481</u>	<u>\$ 470</u>	<u>\$ 568</u>	<u>\$ 529</u>	<u>\$ 438</u>
Unallocated corporate stock-based compensation	1,077	912	1,106	1,105	1,072
Consolidated stock-based compensation	<u>\$ 3,101</u>	<u>\$ 3,046</u>	<u>\$ 3,391</u>	<u>\$ 3,430</u>	<u>\$ 3,033</u>

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

	<u>June 30, 2013</u>	<u>March 31, 2013</u>	<u>December 31, 2012</u>	<u>September 30, 2012</u>	<u>June 30, 2012</u>
Consolidated:					
Revenues (in thousands)	\$ 221,749	\$ 247,384	\$ 218,983	\$ 177,751	\$ 231,857
FTD:					
Segment revenues (in thousands)	\$ 164,279	\$ 190,283	\$ 153,178	\$ 116,362	\$ 167,527
<i>% of consolidated revenues</i>	74%	77%	70%	65%	72%
Consumer orders ⁽⁴⁾ (in thousands)	1,921	2,204	1,787	1,239	1,997
Average order value ⁽⁴⁾	\$ 61.27	\$ 61.01	\$ 60.13	\$ 61.06	\$ 60.75
Average currency exchange rate: GBP to USD	1.54	1.54	1.61	1.58	1.58
Content & Media:					
Segment revenues (in thousands)	\$ 32,919	\$ 32,826	\$ 39,509	\$ 36,556	\$ 37,986
<i>% of consolidated revenues</i>	15%	13%	18%	21%	16%
Pay accounts ⁽⁵⁾ (in thousands)	2,720	2,786	2,864	2,987	3,120
Segment churn ⁽⁷⁾	3.1%	3.3%	3.5%	3.4%	3.6%
ARPU ⁽⁶⁾	\$ 2.48	\$ 2.48	\$ 2.52	\$ 2.50	\$ 2.50
Segment active accounts ⁽⁵⁾ (in millions)	10.5	11.4	11.5	10.9	10.3
Average currency exchange rate: EUR to USD	1.31	1.32	1.30	1.25	1.28
Communications:					
Segment revenues (in thousands)	\$ 24,935	\$ 24,640	\$ 26,669	\$ 25,203	\$ 26,810
<i>% of consolidated revenues</i>	11%	10%	12%	14%	12%
Pay accounts ⁽⁵⁾ (in thousands):					
Access	378	404	421	440	467
Other	217	222	229	235	242
Total Communications pay accounts	<u>595</u>	<u>626</u>	<u>650</u>	<u>675</u>	<u>709</u>
Segment churn ⁽⁷⁾	3.0%	3.0%	2.9%	3.1%	3.2%
ARPU ⁽⁶⁾	\$ 9.34	\$ 9.21	\$ 9.05	\$ 8.97	\$ 8.97
Segment active accounts ⁽⁵⁾ (in millions)	1.2	1.3	1.3	1.4	1.4

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

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Revenues:					
Products	\$ 484,236	\$ 455,362	\$ 420,470	\$ 402,424	\$ 129,540
Services	386,647	442,323	500,083	587,708	539,863
Total revenues	<u>870,883</u>	<u>897,685</u>	<u>920,553</u>	<u>990,132</u>	<u>669,403</u>
Operating expenses:					
Cost of revenues-products ^(a)	374,438	352,207	327,963	304,868	100,069
Cost of revenues-services ^(a)	90,149	94,166	103,228	113,976	116,278
Sales and marketing ^(a)	172,393	166,760	175,865	202,810	172,207
Technology and development ^(a)	47,996	49,847	54,517	63,356	55,799
General and administrative ^(a)	97,615	104,369	111,471	120,913	91,716
Amortization of intangible assets	30,493	30,455	32,110	34,844	18,415
Acquisition-related contingent consideration	(836)	-	-	-	-
Restructuring and other exit costs	91	5,677	2,815	3,494	1,692
Impairment of goodwill, intangible assets and long-lived assets	26,910	-	-	-	176,150
Total operating expenses	<u>839,249</u>	<u>803,481</u>	<u>807,969</u>	<u>844,261</u>	<u>732,326</u>
Operating income (loss)	31,634	94,204	112,584	145,871	(62,923)
Interest income	1,310	1,536	1,673	1,545	4,527
Interest expense	(13,562)	(23,075)	(24,900)	(33,524)	(13,170)
Other income (expense), net	886	2,643	452	4,215	(48)
Income (loss) before income taxes	20,268	75,308	89,809	118,107	(71,614)
Provision for (benefit from) income taxes	7,464	23,639	36,188	48,144	23,287
Net income (loss)	<u>\$ 12,804</u>	<u>\$ 51,669</u>	<u>\$ 53,621</u>	<u>\$ 69,963</u>	<u>\$ (94,901)</u>
Income allocated to participating securities	(1,225)	(1,990)	(3,229)	(4,640)	(3,065)
Net income (loss) attributable to common stockholders	<u>\$ 11,579</u>	<u>\$ 49,679</u>	<u>\$ 50,392</u>	<u>\$ 65,323</u>	<u>\$ (97,966)</u>
Basic net income (loss) per common share	<u>\$ 0.13</u>	<u>\$ 0.56</u>	<u>\$ 0.58</u>	<u>\$ 0.78</u>	<u>\$ (1.34)</u>
Shares used to calculate basic net income (loss) per common share	<u>90,469</u>	<u>88,478</u>	<u>86,429</u>	<u>83,698</u>	<u>73,236</u>
Diluted net income (loss) per common share	<u>\$ 0.13</u>	<u>\$ 0.56</u>	<u>\$ 0.58</u>	<u>\$ 0.77</u>	<u>\$ (1.34)</u>
Shares used to calculate diluted net income (loss) per common share	<u>90,564</u>	<u>88,631</u>	<u>87,062</u>	<u>84,386</u>	<u>73,236</u>
Shares outstanding at end of period	<u>91,092</u>	<u>89,423</u>	<u>86,745</u>	<u>84,958</u>	<u>82,107</u>
(a) Stock-based compensation was allocated as follows:					
Cost of revenues-products	\$ 43	\$ 46	\$ 41	\$ 43	\$ -
Cost of revenues-services	256	354	502	943	1,049
Sales and marketing	2,431	2,329	3,957	5,472	7,250
Technology and development	1,659	2,159	3,109	4,856	6,410
General and administrative	8,919	12,325	19,434	28,766	21,818
Total stock-based compensation	<u>\$ 13,308</u>	<u>\$ 17,213</u>	<u>\$ 27,043</u>	<u>\$ 40,080</u>	<u>\$ 36,527</u>

UNITED ONLINE, INC.

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Operating income (loss)	\$ 31,634	\$ 94,204	\$ 112,584	\$ 145,871	\$ (62,923)
Depreciation	25,616	25,854	26,412	24,829	21,358
Amortization of intangible assets	32,045	31,506	32,233	34,844	18,415
Operating income (loss) before depreciation and amortization	89,295	151,564	171,229	205,544	(23,150)
Stock-based compensation	13,308	17,213	27,043	40,080	36,527
Restructuring and other exit costs	91	5,677	2,815	3,494	1,692
Litigation or dispute settlement charges	(589)	2,999	1,367	2,200	(375)
Transaction-related costs	4,758	-	1,989	-	-
Impairment of goodwill, intangible assets and long-lived assets	26,910	-	-	-	176,150
Adjusted OIBDA	<u>\$ 133,773</u>	<u>\$ 177,453</u>	<u>\$ 204,443</u>	<u>\$ 251,318</u>	<u>\$ 190,844</u>
Adjusted OIBDA as a % of revenues	15.4%	19.8%	22.2%	25.4%	28.5%

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
FTD:					
Segment income from operations	\$ 82,204	\$ 78,660	\$ 70,198	\$ 87,402	\$ (146,755)
Stock-based compensation	4,456	3,878	3,193	3,255	382
Restructuring and other exit costs	-	876	1,574	-	-
Litigation or dispute settlement charges	(193)	75	400	-	-
Transaction-related costs	593	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	175,867
Segment adjusted OIBDA	<u>\$ 87,060</u>	<u>\$ 83,489</u>	<u>\$ 75,365</u>	<u>\$ 90,657</u>	<u>\$ 29,494</u>
Segment adjusted OIBDA as a % of segment revenues	14.2%	14.2%	13.6%	16.6%	16.2%
Content & Media:					
Segment income from operations	\$ 1,120	\$ 43,352	\$ 56,512	\$ 68,971	\$ 56,858
Stock-based compensation	2,334	3,301	4,793	9,419	7,846
Restructuring and other exit costs	(14)	1,616	(91)	2,121	40
Litigation or dispute settlement charges	(396)	2,924	967	2,200	-
Transaction-related costs	46	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	26,910	-	-	-	-
Segment adjusted OIBDA	<u>\$ 30,000</u>	<u>\$ 51,193</u>	<u>\$ 62,181</u>	<u>\$ 82,711</u>	<u>\$ 64,744</u>
Segment adjusted OIBDA as a % of segment revenues	19.5%	27.6%	30.8%	35.0%	28.1%
Communications:					
Segment income from operations	\$ 35,129	\$ 61,196	\$ 77,092	\$ 83,812	\$ 97,238
Stock-based compensation	2,183	2,493	6,773	11,217	14,634
Restructuring and other exit costs	(8)	1,399	1,332	1,373	1,652
Litigation or dispute settlement charges	-	-	-	-	(375)
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	283
Segment adjusted OIBDA	<u>\$ 37,304</u>	<u>\$ 65,088</u>	<u>\$ 85,197</u>	<u>\$ 96,402</u>	<u>\$ 113,432</u>
Segment adjusted OIBDA as a % of segment revenues	35.4%	51.4%	51.0%	45.6%	44.1%
Unallocated corporate expenses	<u>\$ (20,591)</u>	<u>\$ (22,317)</u>	<u>\$ (18,300)</u>	<u>\$ (18,452)</u>	<u>\$ (16,826)</u>
Consolidated adjusted OIBDA	<u>\$ 133,773</u>	<u>\$ 177,453</u>	<u>\$ 204,443</u>	<u>\$ 251,318</u>	<u>\$ 190,844</u>

UNITED ONLINE, INC.

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Net income (loss)	\$ 12,804	\$ 51,669	\$ 53,621	\$ 69,963	\$ (94,901)
Income allocated to participating securities	(1,225)	(1,990)	(3,229)	(4,960)	(3,065)
Net income (loss) applicable to common stockholders	<u>11,579</u>	<u>49,679</u>	<u>50,392</u>	<u>65,003</u>	<u>(97,966)</u>
Adjustments:					
Stock-based compensation	13,308	17,213	27,043	40,080	36,527
Amortization of intangible assets	32,045	31,506	32,233	34,844	18,415
Restructuring and other exit costs	91	5,677	2,815	3,494	1,692
Litigation or dispute settlement charges	(589)	2,999	1,117	2,200	(375)
Transaction-related costs	4,758	6,078	1,989	-	-
Impairment of goodwill, intangible assets and long-lived assets	26,910	-	-	-	176,150
	<u>88,102</u>	<u>113,152</u>	<u>115,589</u>	<u>145,621</u>	<u>134,443</u>
Income tax effect of adjusting entries	(27,249)	(21,353)	(19,659)	(23,198)	(38,539)
Adjusted net income applicable to common stockholders	<u>\$ 60,853</u>	<u>\$ 91,799</u>	<u>\$ 95,930</u>	<u>\$ 122,423</u>	<u>\$ 95,904</u>
GAAP net income (loss) per common share:					
Basic net income (loss) per common share	<u>\$ 0.13</u>	<u>\$ 0.56</u>	<u>\$ 0.58</u>	<u>\$ 0.78</u>	<u>\$ (1.34)</u>
Shares used to calculate basic net income (loss) per common share	<u>90,469</u>	<u>88,478</u>	<u>86,429</u>	<u>83,698</u>	<u>73,236</u>
Diluted net income (loss) per common share	<u>\$ 0.13</u>	<u>\$ 0.56</u>	<u>\$ 0.58</u>	<u>\$ 0.77</u>	<u>\$ (1.34)</u>
Shares used to calculate diluted net income (loss) per common share	<u>90,564</u>	<u>88,631</u>	<u>87,062</u>	<u>84,386</u>	<u>73,236</u>
Adjusted net income per common share:					
Adjusted basic net income per common share	<u>\$ 0.67</u>	<u>\$ 1.04</u>	<u>\$ 1.11</u>	<u>\$ 1.46</u>	<u>\$ 1.31</u>
Shares used to calculate adjusted basic net income per common share	<u>90,469</u>	<u>88,478</u>	<u>86,429</u>	<u>83,698</u>	<u>73,236</u>
Adjusted diluted net income per common share	<u>\$ 0.67</u>	<u>\$ 1.03</u>	<u>\$ 1.10</u>	<u>\$ 1.45</u>	<u>\$ 1.29</u>
Shares used to calculate adjusted diluted net income per common share	<u>90,787</u>	<u>88,788</u>	<u>87,155</u>	<u>84,684</u>	<u>74,088</u>

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Net cash provided by operating activities	\$ 85,158	\$ 111,117	\$ 143,803	\$ 163,526	\$ 164,049
Adjustments:					
Capital expenditures	(17,813)	(24,552)	(27,269)	(26,196)	(19,886)
Excess tax benefits from equity awards	14	265	1,099	584	295
Cash paid for restructuring and other exit costs	4,174	2,923	1,543	3,330	1,328
Cash paid for litigation or dispute settlement charges	3,541	247	1,102	-	306
Cash paid for transaction-related costs	3,355	-	1,994	-	-
Free cash flow	<u>\$ 78,429</u>	<u>\$ 90,000</u>	<u>\$ 122,272</u>	<u>\$ 141,244</u>	<u>\$ 146,092</u>

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

	Year Ended December 31,				
	2012	2011	2010	2009	2008
FTD					
Revenues:					
Products	\$ 477,579	\$ 454,207	\$ 420,470	\$ 402,424	\$ 129,540
Services	135,935	133,042	133,206	137,133	50,720
Advertising	-	-	900	6,288	1,705
Total revenues	613,514	587,249	554,576	545,845	181,965
Operating expenses:					
Cost of revenues	386,746	371,716	347,565	325,216	107,513
Sales and marketing	104,913	97,605	94,230	89,975	30,717
Technology and development	15,052	14,450	13,890	13,692	4,144
General and administrative	34,415	32,776	34,912	34,465	11,899
Amortization of intangible assets	25,543	25,188	26,008	26,584	9,106
Restructuring and other exit costs	-	876	1,574	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	175,867
Total operating expenses	566,669	542,611	518,179	489,932	339,246
Operating income (loss)	46,845	44,638	36,397	55,913	(157,281)
Depreciation	9,816	8,834	7,793	4,905	1,420
Amortization of intangible assets	25,543	25,188	26,008	26,584	9,106
Segment income (loss) from operations	82,204	78,660	70,198	87,402	(146,755)
Stock-based compensation	4,456	3,878	3,193	3,255	382
Restructuring and other exit costs	-	876	1,574	-	-
Litigation or dispute settlement charges	(193)	75	400	-	-
Transaction-related costs	593	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	175,867
Segment adjusted OIBDA ⁽¹⁾	\$ 87,060	\$ 83,489	\$ 75,365	\$ 90,657	\$ 29,494
Content & Media					
Revenues:					
Products	\$ 3,646	\$ 1,155	\$ -	\$ -	\$ -
Services	95,119	123,992	134,055	151,902	139,386
Advertising and other	54,731	60,328	67,589	84,120	90,849
Total revenues	153,496	185,475	201,644	236,022	230,235
Operating expenses:					
Cost of revenues	43,359	40,654	43,103	42,201	46,445
Sales and marketing	50,382	59,913	63,047	75,554	82,163
Technology and development	22,639	23,892	23,831	26,014	22,271
General and administrative	22,292	27,781	26,294	31,264	30,759
Amortization of intangible assets	4,950	4,358	5,054	7,209	8,061
Acquisition-related contingent consideration	(836)	-	-	-	-
Restructuring and other exit costs	(14)	1,616	(91)	2,121	40
Impairment of goodwill, intangible assets and long-lived assets	26,910	-	-	-	-
Total operating expenses	169,682	158,214	161,238	184,363	189,739
Operating income (loss)	(16,186)	27,261	40,406	51,659	40,496
Depreciation	10,804	10,682	10,929	10,104	8,301
Amortization of intangible assets	6,502	5,409	5,177	7,209	8,061
Segment income (loss) from operations	1,120	43,352	56,512	68,972	56,858
Stock-based compensation	2,334	3,301	4,793	9,419	7,846
Restructuring and other exit costs	(14)	1,616	(91)	2,121	40
Litigation or dispute settlement charges	(396)	2,924	967	2,200	-
Transaction-related costs	46	-	-	-	-
Impairment of goodwill, intangible assets and long-lived assets	26,910	-	-	-	-
Segment adjusted OIBDA ⁽¹⁾	\$ 30,000	\$ 51,193	\$ 62,181	\$ 82,712	\$ 64,744
Communications					
Revenues:					
Products	\$ 3,011	\$ -	\$ -	\$ -	\$ -
Services	78,089	100,770	135,342	175,207	218,414
Advertising	24,342	25,762	31,811	36,026	39,024
Total revenues	105,442	126,532	167,153	211,233	257,438
Operating expenses:					
Cost of revenues	34,952	34,637	41,185	51,637	62,398
Sales and marketing	18,197	10,179	20,746	40,039	59,553
Technology and development	10,305	11,505	16,796	23,650	29,384
General and administrative	11,622	13,818	17,204	19,686	17,749
Amortization of intangible assets	-	909	1,048	1,050	1,248
Restructuring and other exit costs	(8)	1,399	1,332	1,373	1,652
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	283
Total operating expenses	75,068	72,447	98,311	137,435	172,267
Operating income	30,374	54,085	68,842	73,798	85,171
Depreciation	4,755	6,202	7,202	8,963	10,819
Amortization of intangible assets	-	909	1,048	1,051	1,248
Segment income from operations	35,129	61,196	77,092	83,812	97,238
Stock-based compensation	2,183	2,493	6,773	11,217	14,634
Restructuring and other exit costs	(8)	1,399	1,332	1,373	1,652
Litigation or dispute settlement charges	-	-	-	-	(375)
Impairment of goodwill, intangible assets and long-lived assets	-	-	-	-	283
Segment adjusted OIBDA ⁽¹⁾	\$ 37,304	\$ 65,088	\$ 85,197	\$ 96,402	\$ 113,432
Total segment adjusted OIBDA ⁽¹⁾	\$ 154,364	\$ 199,770	\$ 222,743	\$ 269,771	\$ 207,670

	Year Ended December 31,				
	2012	2011	2010	2009	2008
Reconciliation of segment revenues to consolidated revenues:					
FTD	\$ 613,514	\$ 587,249	\$ 554,576	\$ 545,845	\$ 181,965
Content & Media	153,496	185,475	201,644	236,022	230,235
Communications	105,442	126,532	167,153	211,233	257,438
Intersegment eliminations	(1,569)	(1,571)	(2,820)	(2,968)	(235)
Consolidated revenues	<u>\$ 870,883</u>	<u>\$ 897,685</u>	<u>\$ 920,553</u>	<u>\$ 990,132</u>	<u>\$ 669,403</u>
Reconciliation of segment operating expenses to consolidated operating expenses:					
FTD	\$ 566,669	\$ 542,611	\$ 518,179	\$ 489,932	\$ 339,246
Content & Media	169,682	158,214	161,238	184,363	189,739
Communications	75,068	72,447	98,311	137,435	172,267
Unallocated corporate expenses	29,399	31,780	33,061	35,498	31,309
Intersegment eliminations	(1,569)	(1,571)	(2,820)	(2,968)	(235)
Consolidated operating expenses	<u>\$ 839,249</u>	<u>\$ 803,481</u>	<u>\$ 807,969</u>	<u>\$ 844,260</u>	<u>\$ 732,326</u>
Reconciliation of segment income (loss) from operations to consolidated operating income (loss):					
FTD	\$ 82,204	\$ 78,660	\$ 70,198	\$ 87,402	\$ (146,755)
Content & Media	1,120	43,352	56,512	68,972	56,858
Communications	35,129	61,196	77,092	83,812	97,238
Total segment income from operations	118,453	183,208	203,802	240,186	7,341
Depreciation	(25,616)	(25,854)	(26,412)	(24,829)	(21,358)
Amortization of intangible assets	(32,045)	(31,506)	(32,233)	(34,844)	(18,415)
Unallocated corporate expenses, excluding depreciation	(29,158)	(31,644)	(32,573)	(34,638)	(30,491)
Consolidated operating income (loss)	<u>\$ 31,634</u>	<u>\$ 94,204</u>	<u>\$ 112,584</u>	<u>\$ 145,875</u>	<u>\$ (62,923)</u>
Reconciliation of segment adjusted OIBDA to consolidated adjusted OIBDA:					
FTD adjusted OIBDA	\$ 87,060	\$ 83,489	\$ 75,365	\$ 90,657	\$ 29,494
Content & Media adjusted OIBDA	30,000	51,193	62,181	82,712	64,744
Communications adjusted OIBDA	37,304	65,088	85,197	96,402	113,432
Total segment adjusted OIBDA	154,364	199,770	222,743	269,771	207,670
Unallocated corporate expenses	(20,591)	(22,317)	(18,300)	(18,452)	(16,826)
Consolidated adjusted OIBDA	<u>\$ 133,773</u>	<u>\$ 177,453</u>	<u>\$ 204,443</u>	<u>\$ 251,319</u>	<u>\$ 190,844</u>
Stock-based compensation was allocated as follows:					
FTD:					
Cost of revenues-products	\$ 43	\$ 46	\$ 41	\$ 43	\$ -
Cost of revenues-services	25	18	12	57	-
Sales and marketing	1,621	1,163	674	542	65
Technology and development	114	112	77	77	8
General and administrative	2,653	2,539	2,389	2,536	309
FTD stock-based compensation	<u>\$ 4,456</u>	<u>\$ 3,878</u>	<u>\$ 3,193</u>	<u>\$ 3,255</u>	<u>\$ 382</u>
Content & Media:					
Cost of revenues-services	\$ 45	\$ 103	\$ 203	\$ 426	\$ 575
Sales and marketing	516	944	1,440	2,262	2,018
Technology and development	578	918	1,241	1,852	1,409
General and administrative	1,195	1,336	1,909	4,879	3,844
Content & Media stock-based compensation	<u>\$ 2,334</u>	<u>\$ 3,301</u>	<u>\$ 4,793</u>	<u>\$ 9,419</u>	<u>\$ 7,846</u>
Communications:					
Cost of revenues-services	\$ 186	\$ 233	\$ 287	\$ 460	\$ 474
Sales and marketing	294	222	1,843	2,668	5,167
Technology and development	967	1,129	1,791	2,927	4,993
General and administrative	736	909	2,852	5,162	4,000
Communications stock-based compensation	<u>\$ 2,183</u>	<u>\$ 2,493</u>	<u>\$ 6,773</u>	<u>\$ 11,217</u>	<u>\$ 14,634</u>
Unallocated corporate stock-based compensation	4,335	7,541	12,284	16,189	13,665
Consolidated stock-based compensation	<u>\$ 13,308</u>	<u>\$ 17,213</u>	<u>\$ 27,043</u>	<u>\$ 40,080</u>	<u>\$ 36,527</u>

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, dispositions, spin offs, financing transactions, and other strategic 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* website 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* website 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 (“AOV”) 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, handling 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, with the exception of our free NetZero Mobile Broadband service, 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 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) Our average monthly churn rate 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. Our average monthly churn percentage may fluctuate from period to period due to our mix of subscription terms, which affects the timing of subscription expirations, and other factors. We make certain normalizing adjustments to the calculation of our churn percentage for periods in which we add a significant number of pay accounts due to acquisitions. For our Communications segment pay accounts, we do not include in our churn calculation accounts canceled during the first 30 days of service, other than dial-up accounts that have upgraded from free accounts. A number of such accounts nevertheless will be included in our account totals at any given measurement date. Subscribers who cancel one pay service but subscribe to another pay service are not necessarily considered to have canceled a pay account depending on the services and, as such, our segment churn rates are not necessarily indicative of the percentage of subscribers canceling any particular service.