

INTERSECTIONS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended December 31,		Years Ended December 31,	
	(in thousands, except share and per share data)			
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue	\$ 94,142	\$ 91,196	\$ 373,001	\$ 364,136
Operating expenses:				
Marketing	9,203	11,718	36,960	53,333
Commissions	25,406	28,253	107,198	117,588
Cost of revenue	28,116	22,270	110,657	88,879
General and administrative	21,805	16,585	74,346	63,170
Depreciation	2,453	2,025	9,041	8,119
Amortization	905	1,146	3,828	6,716
Total operating expenses	<u>87,888</u>	<u>81,997</u>	<u>342,030</u>	<u>337,805</u>
Income from operations	6,254	9,199	30,971	26,331
Interest income	-	33	7	48
Interest expense	(309)	(65)	(816)	(1,723)
Gain on settlement, net	1,413	-	1,413	-
Other income (expense), net	31	(167)	282	(442)
Income from continuing operations before income taxes	7,389	9,000	31,857	24,214
Income tax expense	<u>(3,155)</u>	<u>(3,047)</u>	<u>(13,232)</u>	<u>(9,338)</u>
Income from continuing operations	4,234	5,953	18,625	14,876
Loss from discontinued operations, net of tax	-	-	-	(379)
Gain on disposal of discontinued operations	-	-	-	5,868
Income from discontinued operations	-	-	-	5,489
Net income attributable to Intersections, Inc.	<u>\$ 4,234</u>	<u>\$ 5,953</u>	<u>\$ 18,625</u>	<u>\$ 20,365</u>
Basic earnings per common share:				
Income from continuing operations	\$ 0.25	\$ 0.33	\$ 1.08	\$ 0.84
Income from discontinued operations	-	-	-	\$ 0.31
Basic earnings per common share	<u>\$ 0.25</u>	<u>\$ 0.33</u>	<u>\$ 1.08</u>	<u>\$ 1.15</u>
Diluted earnings per common share:				
Income from continuing operations	\$ 0.22	\$ 0.31	\$ 0.97	\$ 0.81
Income from discontinued operations	-	-	-	\$ 0.30
Diluted earnings per common share	<u>\$ 0.22</u>	<u>\$ 0.31</u>	<u>\$ 0.97</u>	<u>\$ 1.11</u>
Cash dividends paid per common share	\$ 0.20	\$ 0.15	\$ 0.70	\$ 0.30
Weighted average common shares outstanding – basic	17,265	17,772	17,214	17,709
Weighted average common shares outstanding – diluted	19,024	19,356	19,167	18,412

INTERSECTIONS INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	December 31, <u>2011</u>	December 31, <u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 30,834	\$ 14,453
Short-term investments	-	4,994
Accounts receivable, net	24,790	19,195
Prepaid expenses and other current assets	6,440	7,010
Income tax receivable	245	-
Deferred subscription solicitation costs	<u>14,463</u>	<u>24,756</u>
Total current assets	<u>76,772</u>	<u>70,408</u>
PROPERTY AND EQUIPMENT – net	23,818	21,569
DEFERRED TAX ASSET – net	2,188	2,298
LONG-TERM INVESTMENT	4,327	4,327
GOODWILL	43,235	43,235
INTANGIBLE ASSETS – net	11,069	14,897
OTHER ASSETS	<u>5,342</u>	<u>5,893</u>
TOTAL ASSETS	\$ <u>166,751</u>	\$ <u>162,627</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,526	\$ 5,097
Accrued expenses and other current liabilities	13,781	14,718
Accrued payroll and employee benefits	5,207	2,342
Current portion of debt	20,000	-
Capital leases – current portion	1,351	1,645
Commissions payable	696	787
Income tax payable	-	1,782
Deferred revenue	4,740	4,856
Deferred tax liability, net, current portion	<u>4,506</u>	<u>8,662</u>
Total current liabilities	<u>51,807</u>	<u>39,889</u>
OBLIGATIONS UNDER CAPITAL LEASES – less current portion	2,301	3,399
OTHER LONG-TERM LIABILITIES	<u>4,756</u>	<u>2,783</u>
TOTAL LIABILITIES	\$ 58,864	\$ 46,071
STOCKHOLDERS' EQUITY:		
Common stock	201	189
Additional paid-in capital	113,634	109,250
Treasury stock	(29,551)	(9,948)
Retained earnings	23,603	17,060
Accumulated other comprehensive income - other	-	<u>5</u>
TOTAL STOCKHOLDERS' EQUITY	<u>107,887</u>	<u>116,556</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>166,751</u>	\$ <u>162,627</u>

INTERSECTIONS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)

	Years Ended December 31,	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 18,625	\$ 20,365
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation	9,041	8,546
Amortization	3,828	6,716
Net gain on legal settlement, net of cash	(981)	-
Amortization of debt issuance cost	-	104
Accretion of interest on note payable	-	73
Provision for doubtful accounts	(27)	(210)
Share based compensation	6,590	5,677
Amortization of deferred subscription solicitation costs	44,918	61,824
Gain on disposal of discontinued operations	-	(5,868)
Foreign currency transaction (gains) losses, net	(94)	307
Derivative loss reclassified to earnings	-	565
Changes in assets and liabilities:		
Accounts receivable	(6,300)	2,869
Prepaid expenses and other current assets	(1,180)	(538)
Income tax, net	(2,027)	4,242
Tax benefit upon vesting of restricted stock units and stock options exercised	(7,214)	(198)
Deferred subscription solicitation costs	(32,454)	(48,991)
Other assets	455	4,897
Accounts payable	(3,431)	(2,887)
Accrued expenses and other current liabilities	(1,368)	(2,340)
Accrued payroll and employee benefits	2,865	180
Commissions payable	(92)	(1,257)
Deferred revenue	(116)	(342)
Deferred income tax, net	3,168	(5,570)
Other long-term liabilities	<u>1,342</u>	<u>121</u>
Cash flows provided by operating activities	<u>35,548</u>	<u>48,285</u>
CASH FLOWS (USED IN) PROVIDED BY INVESTING ACTIVITIES:		
Proceeds from the sale of discontinued operations	1,750	12,640
Proceeds from sale of short-term investment	4,994	-
Purchase of long-term investment	-	(1,000)
Acquisition of property and equipment	(11,543)	(10,616)
Proceeds from reimbursements for property and equipment	<u>1,220</u>	<u>-</u>
Cash flows (used in) provided by investing activities	<u>(3,579)</u>	<u>1,024</u>
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Repayments under Credit Agreement	-	(37,583)
Repayment of note payable	-	(1,400)
Borrowings under Credit Agreement	20,000	-
Cash dividends paid on common shares	(12,082)	(5,332)
Cash distribution on vesting of restricted stock units	-	(970)
Capital lease payments	(1,709)	(1,264)
Purchase of treasury stock	(19,603)	(432)
Tax benefit upon vesting of restricted stock units and stock options exercised	7,214	198
Withholding tax payment on vesting of restricted stock units and stock options exercised	(10,341)	(375)
Cash paid to terminate interest rate swaps	-	(477)
Cash proceeds from stock options exercised	<u>933</u>	<u>371</u>
Cash flows used in financing activities	<u>(15,588)</u>	<u>(47,264)</u>
EFFECT OF EXCHANGE RATE ON CASH	<u>-</u>	<u>14</u>
INCREASE IN CASH AND CASH EQUIVALENTS	16,381	2,059
CASH AND CASH EQUIVALENTS—Beginning of period	<u>14,453</u>	<u>12,394</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 30,834</u>	<u>\$ 14,453</u>

INTERSECTIONS INC.
OTHER DATA
(In thousands)

	Three Months Ended December 31,		Years Ended December 31,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Subscribers at beginning of period	4,894	4,101	4,150	4,301
Reclassified subscribers	-	-	148	-
New subscribers – indirect	377	271	1,597	934
New subscribers – direct	168	302	1,100	1,365
Cancelled subscribers within first 90 days of subscription	(100)	(150)	(560)	(737)
Cancelled subscribers after first 90 days of subscription	<u>(394)</u>	<u>(374)</u>	<u>(1,490)</u>	<u>(1,713)</u>
Subscribers at end of period	4,945	4,150	4,945	4,150
Non-Subscriber customers	<u>4,525</u>	<u>3,817</u>	<u>4,525</u>	<u>3,817</u>
Total customers at end of period	<u>9,470</u>	<u>7,967</u>	<u>9,470</u>	<u>7,967</u>
Indirect subscribers	50.9%	40.9%	50.9%	40.9%
Direct subscribers	<u>49.1</u>	<u>59.1</u>	<u>49.1</u>	<u>59.1</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
*Cancellations within first 90 days of subscription	18.3%	26.1%	20.8%	32.0%
**Cancellations after first 90 days of subscription	23.7%	29.2%	23.7%	29.2%
***Overall retention	72.2%	62.9%	72.2%	62.9%
Percentage of revenue from indirect marketing arrangements to total customer revenue	17.6%	10.2%	15.0%	9.5%
Percentage of revenue from direct marketing arrangements to total customer revenue	<u>82.4</u>	<u>89.8</u>	<u>85.0</u>	<u>90.5</u>
Total customer revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

* Percentage of cancellation within the first 90 days to subscriber additions for the period

** Percentage of cancellations greater than 90 days to the number of subscribers at the beginning of the period plus new subscribers during the period less cancellations within the first 90 days on a rolling 12 month basis

*** On a rolling 12 month basis by taking subscribers at the end of the period divided by the sum of the subscribers at the beginning of the period plus additions for the period

During the year ended December 31, 2011, we refined the criteria we use to calculate and report the “Other Data” depicted in the table above. For all periods presented, the changes in our criteria include, but are limited to (1) adjustments to the definition of subscribers, resulting in approximately 148 thousand customers being reclassified into our Subscriber count, (2) inclusion of a Non-Subscriber Customers count, and (3) inclusion of a total Customers count which adds together Subscribers and Non-Subscriber Customers.

Non-Subscriber Customers include customers who receive or are eligible for certain limited versions of our products and services as benefits of their accounts with our clients. Non-Subscriber Customers also includes consumers for whom we provide limited administrative services in connection with their transfer from a client’s prior service provider. We generate an immaterial percentage of our revenue from Non-Subscriber Customers. We expect that our Non-Subscriber Customer counts may be more volatile from period to period than Subscriber counts.

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

Intersections Inc.
Reconciliation of Non-GAAP Financial Measures
(dollars in thousands, except for per subscriber information)

The table below includes financial information prepared in accordance with accounting principles generally accepted in the United States, or GAAP, as well as other financial measures referred to as non-GAAP financial measures. Consolidated adjusted EBITDA from continuing operations before share related compensation and consolidated adjusted net income excluding non-cash charges are presented in a manner consistent with the way management evaluates operating results and which management believes is useful to investors and others. Share related compensation includes non-cash share based compensation, as well as, dividend equivalent cash payments to restricted stock unit (“RSU”) holders. An explanation regarding the company’s use of non-GAAP financial measures and a reconciliation of non-GAAP financial measures used by the company to GAAP measures is provided below. These non-GAAP financial measures should be considered in addition to, but not as a substitute for, net income and the other information prepared in accordance with GAAP, and may not be comparable to similarly titled measures reported by other companies. Management strongly encourages shareholders to review our financial statements and publicly-filed reports in their entirety and not to rely on any single financial measure.

(1) Consolidated adjusted EBITDA from continuing operations before share related compensation, represents consolidated income (loss) from continuing operations before income taxes plus share related compensation, non-cash goodwill, intangible and long-lived asset impairment charges, depreciation and amortization, interest income (expense), gain on settlement, net and other income (expense). We believe that the consolidated adjusted EBITDA from continuing operations before share related compensation calculation provides useful information to investors because they are indicators of our operating performance. Consolidated adjusted EBITDA from continuing operations before share related compensation is commonly used as a basis for investors and analysts to evaluate and compare the periodic and future operating performance and value of companies within our industry. Our Board of Directors and management use consolidated adjusted EBITDA from continuing operations before share related compensation to evaluate the operating performance of the company and to make compensation and bonus determinations.

We provide this information to show the impact of share related compensation on our operating results, as it is excluded from our internal operating and budgeting plans and measurements of financial performance; however, we do consider the dilutive impact to our shareholders when awarding share related compensation and consider both the Black-Scholes value and GAAP value in connection therewith, and value such awards accordingly.

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

We do not consider share related compensation charges when we evaluate the performance of our individual business groups or formulate our short and long-term operating plans. Due to its nature, individual managers generally are unable to project the impact of share related compensation and accordingly we do not hold them accountable for the impact of equity award grants. When we consider making share related compensation grants, we primarily take into account the need to attract and retain high quality employees, overall shareholder dilution and the Black-Scholes values of the equity grant to the recipient, rather than the potential accounting charges associated with such grants. For comparability purposes, we believe it is useful to provide a non-GAAP financial measure that excludes share related compensation in order to better understand the long-term performance of our core business and to compare our results to the results of our peer companies because of varying available valuation methodologies and the variety of award types that companies can use under GAAP. Furthermore, the value of share related compensation is determined using a complex formula that incorporates factors, such as market volatility, that are beyond our control. Accordingly, we believe that the presentation of adjusted EBITDA from continuing operations before share related compensation when read in conjunction with our reported GAAP results can provide useful supplemental information to our management, to investors and to our lenders regarding financial and business trends relating to our financial condition and results of operations.

Adjusted EBITDA from continuing operations before share related compensation has limitations due to the fact it does not include all compensation related expenses. For example, if we only paid cash based compensation as opposed to a portion in share related compensation, the cash compensation expense included in our general and administrative expenses would be higher. We compensate for this limitation by providing information required by GAAP about outstanding share based awards in the footnotes to our financial statements in our SEC filings. We believe equity based compensation is an important element of our compensation program and all forms of share related awards are valued and included as appropriate in our operating results.

The following table reconciles consolidated income from continuing operations before income taxes to consolidated adjusted EBITDA from continuing operations before share related compensation, as defined for the previous eight quarters and year-to-date through December 31, 2010 and December 31, 2011. Due to the sale of Screening International LLC on July 19, 2010, we have recast our consolidated statement of operations and presented the results of Screening International as discontinued operations for all periods presented. In managing our business, we analyze our performance quarterly on a consolidated income from continuing operations before income tax basis.

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

	2010				2011			
	For the Three Months Ended							
	March 31	June 30	September 30	December 31	March 31	June 30	September 30	December 31
<u>Reconciliation from consolidated income from continuing operations before income taxes to consolidated adjusted EBITDA before share related compensation</u>								
Consolidated income from continuing operations before income taxes	\$86	\$8,092	\$ 7,036	\$9,000	\$7,882	\$9,003	\$7,583	\$7,389
Non-cash share based compensation	1,419	1,366	1,383	1,509	1,690	1,805	1,828	1,267
Dividend equivalent payments to RSU holders	-	-	291	290	384	341	454	455
Depreciation	2,096	1,959	2,039	2,025	1,923	2,167	2,498	2,453
Amortization	2,299	1,877	1,394	1,146	1,000	1,017	906	905
Interest expense, net	601	520	522	32	100	210	189	310
Gain on settlement, net	-	-	-	-	-	-	-	(1,413)
Other expense (income), net	<u>22</u>	<u>29</u>	<u>224</u>	<u>167</u>	<u>47</u>	<u>(174)</u>	<u>(124)</u>	<u>(31)</u>
Consolidated adjusted EBITDA from continuing operations before share related compensation (1)	<u>\$6,523</u>	<u>\$13,843</u>	<u>\$ 12,889</u>	<u>\$14,169</u>	<u>\$13,026</u>	<u>\$14,369</u>	<u>\$13,334</u>	<u>\$11,335</u>

	For the Years Ended	
	December 31,	
	2010	2011
<u>Reconciliation from consolidated income from continuing operations before income taxes to consolidated adjusted EBITDA from continuing operations before share related compensation</u>		
Consolidated income from continuing operations before income taxes	\$24,214	\$31,857
Non-cash share based compensation	5,677	6,590
Dividend equivalent payments to RSU holders	581	1,634
Depreciation	8,119	9,041
Amortization	6,716	3,828
Interest expense, net	1,675	809
Gain on settlement, net	-	(1,413)
Other expense (income), net	<u>442</u>	<u>(282)</u>
Consolidated adjusted EBITDA from continuing operations before share related compensation (1)	<u>\$47,424</u>	<u>\$52,064</u>

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

For the reconciliation of certain non-GAAP measures visit our website at www.intersections.com.

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