

INTERSECTIONS INC.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended June 30,		Six Months Ended June 30,	
	(in thousands, except share and per share data)			
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Revenue	\$ 87,919	\$ 94,085	\$ 178,151	\$ 184,530
Operating expenses:				
Marketing	5,144	9,278	11,233	19,051
Commissions	22,880	27,468	47,396	55,243
Cost of revenue	26,364	27,829	52,575	53,237
General and administrative	19,481	17,287	38,884	33,824
Depreciation	2,456	2,167	4,950	4,090
Amortization	886	1,017	1,771	2,017
Total operating expenses	<u>77,211</u>	<u>85,046</u>	<u>156,809</u>	<u>167,462</u>
Income from operations	10,708	9,039	21,342	17,068
Interest income	-	-	-	6
Interest expense	(130)	(210)	(281)	(316)
Other income, net	16	174	50	127
Income before income taxes	10,594	9,003	21,111	16,885
Income tax expense	(4,392)	(3,818)	(8,683)	(7,116)
Net income	<u>\$ 6,202</u>	<u>\$ 5,185</u>	<u>\$ 12,428</u>	<u>\$ 9,769</u>
Basic earnings per common share	\$ 0.35	\$ 0.31	\$ 0.70	\$ 0.57
Diluted earnings per common share	\$ 0.33	\$ 0.28	\$ 0.66	\$ 0.51
Cash dividends paid per common share	\$ 0.20	\$ 0.15	\$ 0.40	\$ 0.30
Weighted average common shares outstanding – basic	17,784	16,527	17,639	17,229
Weighted average common shares outstanding – diluted	18,804	18,657	18,770	19,041

INTERSECTIONS INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	<u>June 30,</u> <u>2012</u>	<u>December 31,</u> <u>2011</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,192	\$ 30,834
Accounts receivable, net	23,836	24,790
Prepaid expenses and other current assets	6,972	6,440
Income tax receivable	5,087	245
Deferred subscription solicitation costs	<u>10,381</u>	<u>14,463</u>
Total current assets	<u>67,468</u>	<u>76,772</u>
PROPERTY AND EQUIPMENT, net	20,943	23,818
DEFERRED TAX ASSET, net	6	2,188
LONG-TERM INVESTMENT	9,577	4,327
GOODWILL	43,235	43,235
INTANGIBLE ASSETS, net	9,298	11,069
OTHER ASSETS	<u>3,947</u>	<u>5,342</u>
TOTAL ASSETS	\$ <u>154,474</u>	\$ <u>166,751</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 1,636	\$ 1,526
Accrued expenses and other current liabilities	14,073	13,781
Accrued payroll and employee benefits	3,354	5,207
Current portion of debt	-	20,000
Capital leases, current portion	975	1,351
Commissions payable	661	696
Deferred revenue	5,557	4,740
Deferred tax liability, net, current portion	<u>4,506</u>	<u>4,506</u>
Total current liabilities	<u>30,762</u>	<u>51,807</u>
OBLIGATIONS UNDER CAPITAL LEASES, less current portion	1,846	2,301
OTHER LONG-TERM LIABILITIES	<u>6,205</u>	<u>4,756</u>
TOTAL LIABILITIES	\$ <u>38,813</u>	\$ <u>58,864</u>
STOCKHOLDERS' EQUITY:		
Common stock	208	201
Additional paid-in capital	116,343	113,634
Treasury stock	(29,833)	(29,551)
Retained earnings	<u>28,943</u>	<u>23,603</u>
TOTAL STOCKHOLDERS' EQUITY	<u>115,661</u>	<u>107,887</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>154,474</u>	\$ <u>166,751</u>

INTERSECTIONS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

	Six Months Ended June 30,	
	2012	2011
Net income	\$ 12,428	\$ 9,769
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation	4,950	4,090
Amortization	1,771	2,017
Amortization of debt issuance cost	30	-
Provision for doubtful accounts	-	(13)
Share based compensation	3,788	3,495
Amortization of non-cash consideration exchanged for additional investment	(528)	-
Amortization of deferred subscription solicitation costs	13,960	24,443
Foreign currency transaction gains, net	(41)	(46)
Changes in assets and liabilities:		
Accounts receivable	732	(4,323)
Prepaid expenses and other current assets	(532)	(774)
Income tax, net	(4,843)	(5,477)
Excess tax benefit upon vesting of restricted stock units and stock option exercises	(1,523)	(2,180)
Deferred subscription solicitation costs	(8,723)	(20,489)
Other assets	472	(120)
Accounts payable	233	(1,537)
Accrued expenses and other current liabilities	1,012	(1,100)
Accrued payroll and employee benefits	(1,927)	(37)
Commissions payable	(34)	(62)
Deferred revenue	(418)	(296)
Deferred income tax, net	3,704	3,848
Other long-term liabilities	214	326
Cash flows provided by operating activities	<u>24,725</u>	<u>11,534</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Proceeds from sale of short-term investment	-	4,994
Proceeds of additional interest in long-term investment	(2,250)	-
Acquisition of property and equipment	(3,075)	(6,188)
Proceeds from reimbursements for property and equipment	157	720
Cash flows used in investing activities	<u>(5,168)</u>	<u>(474)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Repayments under Credit Agreement	(20,000)	-
Borrowings under Credit Agreement	-	20,000
Cash dividends paid on common shares	(7,088)	(5,189)
Capital lease payments	(831)	(832)
Purchase of treasury stock	(208)	(19,603)
Excess tax benefit upon vesting of restricted stock units and stock option exercises	1,523	2,180
Withholding tax payment on vesting of restricted stock units and stock option exercises	(3,366)	(3,093)
Cash proceeds from stock option exercises	771	639
Cash flows used in financing activities	<u>(29,199)</u>	<u>(5,898)</u>
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(9,642)	5,162
CASH AND CASH EQUIVALENTS—Beginning of period	<u>30,834</u>	<u>14,453</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 21,192</u>	<u>\$ 19,615</u>

INTERSECTIONS INC.
OTHER DATA
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
Subscribers at beginning of period	4,763	4,148	4,945	4,150
Reclassified subscribers	-	148	-	148
New subscribers – indirect	142	588	330	820
New subscribers – direct	114	346	239	659
Cancelled subscribers within first 90 days of subscription	(65)	(150)	(138)	(327)
Cancelled subscribers after first 90 days of subscription	<u>(286)</u>	<u>(338)</u>	<u>(708)</u>	<u>(708)</u>
Subscribers at end of period	4,668	4,742	4,668	4,742
Non-Subscriber customers	<u>4,195</u>	<u>4,927</u>	<u>4,195</u>	<u>4,927</u>
Total customers at end of period	<u>8,863</u>	<u>9,669</u>	<u>8,863</u>	<u>9,669</u>
Indirect subscribers	51.5%	46.7%	51.5%	46.7%
Direct subscribers	<u>48.5</u>	<u>53.3</u>	<u>48.5</u>	<u>53.3</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
*Cancellations within first 90 days of subscription	25.5%	16.1%	24.3%	22.1%
**Cancellations after first 90 days of subscription	24.2%	24.4%	24.2%	24.4%
***Overall retention	71.5%	70.8%	71.5%	70.8%
Percentage of revenue from indirect marketing arrangements to total customer revenue	17.0%	14.6%	17.2%	12.7%
Percentage of revenue from direct marketing arrangements to total customer revenue	<u>83.0</u>	<u>85.4</u>	<u>82.8</u>	<u>87.3</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

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 before share related compensation is 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 before share related compensation, represents consolidated income (loss) 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 before share related compensation calculation provides useful information to investors because they are indicators of our operating performance. Consolidated adjusted EBITDA 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 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 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 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 (loss) before income taxes to consolidated adjusted EBITDA before share related compensation, as defined for the previous six quarters and year-to-date through December 31, 2011. In managing our business, we analyze our performance quarterly on a consolidated income (loss) before income tax basis.

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

2011
For the Three Months Ended

2012
For the Three Months Ended

	March 31	June 30	September 30	December 31	March 31	June 30
<u>Reconciliation from consolidated income before income taxes to consolidated adjusted EBITDA before share related compensation</u>						
Consolidated income before income taxes	\$ 7,882	\$ 9,003	\$ 7,583	\$ 7,389	\$ 10,517	\$ 10,594
Non-cash share based compensation	1,690	1,805	1,828	1,267	1,841	1,947
Dividend equivalent payments to RSU holders	384	341	454	455	436	371
Depreciation	1,923	2,167	2,498	2,453	2,494	2,456
Amortization	1,000	1,017	906	905	885	886
Interest expense, net	100	210	189	310	151	130
Gain on settlement, net	-	-	-	(1,413)	-	-
Other expense (income), net	<u>47</u>	<u>(174)</u>	<u>(124)</u>	<u>(31)</u>	<u>(34)</u>	<u>(16)</u>
Consolidated adjusted EBITDA before share related compensation (1)	<u>\$ 13,026</u>	<u>\$ 14,369</u>	<u>\$ 13,334</u>	<u>\$ 11,335</u>	<u>\$ 16,290</u>	<u>\$ 16,368</u>

For the Six Months Ended
June 30,

	<u>2011</u>	<u>2012</u>
<u>Reconciliation from consolidated income before income taxes to consolidated adjusted EBITDA before share related compensation</u>		
Consolidated income before income taxes	\$ 16,885	\$ 21,111
Non-cash share based compensation	3,495	3,788
Dividend equivalent payments to RSU holders	725	807
Depreciation	4,090	4,950
Amortization	2,017	1,771
Interest expense, net	310	281
Gain on settlement, net	-	-
Other income, net	<u>(127)</u>	<u>(50)</u>
Consolidated adjusted EBITDA before share related compensation (1)	<u>\$ 27,395</u>	<u>\$ 32,658</u>

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

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