

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>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Revenue	\$ 94,085	\$ 92,126	\$ 184,530	\$ 183,615
Operating expenses:				
Marketing	9,278	12,684	19,051	29,787
Commissions	27,468	29,809	55,243	60,604
Cost of revenue	27,829	21,910	53,237	45,080
General and administrative	17,287	15,244	33,824	30,562
Depreciation	2,167	1,960	4,090	4,056
Amortization	<u>1,017</u>	<u>1,877</u>	<u>2,017</u>	<u>4,176</u>
Total operating expenses	<u>85,046</u>	<u>83,484</u>	<u>167,462</u>	<u>174,265</u>
Income from operations	9,039	8,642	17,068	9,350
Interest income	-	6	6	10
Interest expense	(210)	(526)	(316)	(1,131)
Other income (expense), net	<u>174</u>	<u>(30)</u>	<u>127</u>	<u>(51)</u>
Income from continuing operations before income taxes	9,003	8,092	16,885	8,178
Income tax expense	<u>(3,818)</u>	<u>(3,286)</u>	<u>(7,116)</u>	<u>(3,629)</u>
Income from continuing operations	5,185	4,806	9,769	4,549
Income (loss) from discontinued operations, net of tax	<u>-</u>	<u>370</u>	<u>-</u>	<u>(441)</u>
Income (loss) from discontinued operations	<u>-</u>	<u>370</u>	<u>-</u>	<u>(441)</u>
Net income attributable to Intersections, Inc.	<u>\$ 5,185</u>	<u>\$ 5,176</u>	<u>\$ 9,769</u>	<u>\$ 4,108</u>
Basic earnings per common share:				
Income from continuing operations	\$ 0.31	\$ 0.27	\$ 0.57	\$ 0.26
Income (loss) from discontinued operations	<u>-</u>	<u>0.02</u>	<u>-</u>	<u>(0.03)</u>
Basic earnings per common share	<u>\$ 0.31</u>	<u>\$ 0.29</u>	<u>\$ 0.57</u>	<u>\$ 0.23</u>
Diluted earnings per common share:				
Income from continuing operations	\$ 0.28	\$ 0.27	\$ 0.51	\$ 0.25
Income (loss) from discontinued operations	<u>-</u>	<u>0.02</u>	<u>-</u>	<u>(0.02)</u>
Diluted earnings per common share	<u>\$ 0.28</u>	<u>\$ 0.29</u>	<u>\$ 0.51</u>	<u>\$ 0.23</u>
Cash dividends paid per common share	\$ 0.15	\$ -	\$ 0.30	\$ -
Weighted average common shares outstanding – basic	16,527	17,683	17,229	17,652
Weighted average common shares outstanding – diluted	18,657	18,128	19,041	18,004

INTERSECTIONS INC.
CONSOLIDATED BALANCE SHEETS
(In thousands)

	June 30, <u>2011</u>	December 31, <u>2010</u>
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 19,615	\$ 14,453
Short-term investments	-	4,994
Accounts receivable, net	23,318	19,195
Prepaid expenses and other current assets	7,784	7,010
Prepaid income tax	3,695	-
Deferred subscription solicitation costs	<u>21,855</u>	<u>24,756</u>
Total current assets	<u>76,267</u>	<u>70,408</u>
PROPERTY AND EQUIPMENT – net	23,399	21,569
DEFERRED TAX ASSET – net	630	2,298
LONG-TERM INVESTMENT	4,327	4,327
GOODWILL	43,235	43,235
INTANGIBLE ASSETS – net	12,880	14,897
OTHER ASSETS	<u>5,214</u>	<u>5,893</u>
TOTAL ASSETS	\$ <u>165,952</u>	\$ <u>162,627</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Current portion of debt	\$ 20,000	\$ -
Capital leases – current portion	1,677	1,645
Accounts payable	3,365	5,097
Accrued expenses and other current liabilities	13,746	14,718
Accrued payroll and employee benefits	2,305	2,342
Commissions payable	725	787
Deferred revenue	4,561	4,856
Deferred tax liability – net, current portion	8,662	8,662
Income tax payable	<u>-</u>	<u>1,782</u>
Total current liabilities	<u>55,041</u>	<u>39,889</u>
OBLIGATIONS UNDER CAPITAL LEASES – less current portion	2,852	3,399
OTHER LONG-TERM LIABILITIES	<u>3,310</u>	<u>2,783</u>
TOTAL LIABILITIES	\$ 61,203	\$ 46,071
STOCKHOLDERS' EQUITY:		
Common stock	195	189
Additional paid-in capital	112,465	109,250
Treasury stock	(29,551)	(9,948)
Retained earnings	21,640	17,060
Accumulated other comprehensive income - other	<u>-</u>	<u>5</u>
TOTAL STOCKHOLDERS' EQUITY	<u>104,749</u>	<u>116,556</u>
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ <u>165,952</u>	\$ <u>162,627</u>

INTERSECTIONS INC.
CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands)

	Six Months Ended	
	June 30,	
	<u>2011</u>	<u>2010</u>
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 9,769	\$ 4,108
Adjustments to reconcile net income to cash flows provided by operating activities:		
Depreciation	4,090	4,472
Amortization	2,017	4,176
Amortization of debt issuance cost	-	34
Provision for doubtful accounts	(13)	(164)
Share based compensation	3,495	2,785
Amortization of deferred subscription solicitation costs	24,443	31,996
Foreign currency transaction (gains) losses, net	(46)	506
Changes in assets and liabilities:		
Accounts receivable	(4,323)	507
Prepaid expenses and other current assets	(774)	(501)
Income tax, net	(5,477)	743
Deferred subscription solicitation costs	(20,489)	(26,027)
Other assets	(120)	5,203
Accounts payable	(1,537)	(3,386)
Tax benefit upon vesting of restricted stock units and stock options Exercised	(2,180)	(208)
Accrued expenses and other current liabilities	(1,100)	1,227
Accrued payroll and employee benefits	(37)	1,352
Commissions payable	(62)	(1,104)
Deferred revenue	(296)	(182)
Deferred income tax, net	3,848	(2,773)
Other long-term liabilities	<u>326</u>	<u>3,498</u>
Cash flows provided by operating activities	<u>11,534</u>	<u>26,262</u>
CASH FLOWS USED IN INVESTING ACTIVITIES:		
Proceeds from sale of short-term investment	4,994	-
Purchase of additional interest in long-term investment	-	(1,000)
Acquisition of property and equipment	(6,188)	(3,251)
Proceeds from reimbursements for property and equipment	<u>720</u>	<u>-</u>
Cash flows used in investing activities	<u>(474)</u>	<u>(4,251)</u>
CASH FLOWS USED IN FINANCING ACTIVITIES:		
Purchase of treasury stock	(19,603)	-
Repayment under Credit Agreement	-	(3,500)
Borrowings under Credit Agreement	20,000	-
Tax benefit upon vesting of restricted stock units and stock options exercised	2,180	(208)
Capital lease payments	(832)	(478)
Cash dividends paid on common shares	(5,189)	-
Cash proceeds from stock options exercised	639	-
Cash distribution on vesting of restricted stock units	-	(970)
Withholding tax payment on vesting of restricted stock units	<u>(3,093)</u>	<u>(284)</u>
Cash flows used in financing activities	<u>(5,898)</u>	<u>(5,440)</u>
EFFECT OF EXCHANGE RATE ON CASH	<u>-</u>	<u>(3)</u>
INCREASE IN CASH AND CASH EQUIVALENTS	5,162	16,568
CASH AND CASH EQUIVALENTS—Beginning of period	<u>14,453</u>	<u>12,394</u>
CASH AND CASH EQUIVALENTS—End of period	<u>\$ 19,615</u>	<u>\$ 28,962</u>

INTERSECTIONS INC.
OTHER DATA
(In thousands)

	Three Months Ended June 30,		Six Months Ended June 30,	
	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
Subscribers at beginning of period	4,148	4,238	4,150	4,301
Reclassified subscribers	148	-	148	-
New subscribers – indirect	588	191	820	420
New subscribers – direct	346	293	659	765
Cancelled subscribers within first 90 days of subscription	(150)	(203)	(327)	(443)
Cancelled subscribers after first 90 days of subscription	<u>(338)</u>	<u>(412)</u>	<u>(708)</u>	<u>(936)</u>
Subscribers at end of period	4,742	4,107	4,742	4,107
Non-Subscriber customers	4,866	3,532	4,866	3,532
Transactional and Other	61	225	61	225
Total customers at end of period	<u>9,669</u>	<u>7,864</u>	<u>9,669</u>	<u>7,864</u>
Indirect subscribers	46.7%	39.2%	46.7%	39.2%
Direct subscribers	<u>53.3</u>	<u>60.8</u>	<u>53.3</u>	<u>60.8</u>
	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
*Cancellations within first 90 days of subscription	16.1%	42.0%	22.1%	37.4%
**Cancellations after first 90 days of subscription	24.4%	33.9%	24.4%	33.9%
***Overall retention	70.8%	57.6%	70.8%	57.6%
Percentage of revenue from indirect marketing arrangements to total customer revenue	14.6%	11.2%	12.7%	11.3%
Percentage of revenue from direct marketing arrangements to total customer revenue	<u>85.4</u>	<u>88.8</u>	<u>87.3</u>	<u>88.7</u>
Total customer revenue	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>
Total revenue	\$ 94,085	\$ 92,126	\$ 184,530	\$ 183,615
Other revenue	<u>(1,237)</u>	<u>(1,199)</u>	<u>(2,406)</u>	<u>(2,044)</u>
Customer revenue	<u>92,848</u>	<u>90,927</u>	<u>182,124</u>	<u>181,571</u>
Marketing and commissions	36,746	42,493	74,294	90,391
Other commissions paid	<u>(9)</u>	<u>(22)</u>	<u>(32)</u>	<u>(35)</u>
Marketing and commissions associated with customer revenue	<u>36,737</u>	<u>42,471</u>	<u>74,262</u>	<u>90,356</u>
Customer revenue, net of marketing and commissions associated with customer revenue	<u>\$ 56,111</u>	<u>\$ 48,456</u>	<u>\$ 107,862</u>	<u>\$ 91,215</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 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 three months ended June 30, 2011 we refined the definition of subscribers and, as a result, approximately 148 thousand customers were reclassified into our subscriber base. Subscribers for the three months ended June 30, 2011 include subscribers that were converted to our subscriber base from an indirect marketing arrangement from a new client. The addition of these converted subscribers had the effect of lowering our rate of cancellations within first 90 days of subscription, without the impact of these converted subscribers our rate of cancellations within first 90 days of subscription would have been approximately 28%.

Non-Subscriber customers include customers for which we provide administrative services and failure to fully convert some or all of the transferred customers to subscribers could result in volatility in our customer numbers. We expect to experience increased cancels during the second half of 2011 as the result of changes to the billing processes at some of our clients.

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), 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 (loss) from continuing operations before income taxes to consolidated adjusted EBITDA from continuing operations before share related compensation, as defined for the previous six quarters and year-to-date through December 31, 2010. 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 (loss) from continuing operations before income tax basis.

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

	2010				2011	
	For the Three Months Ended				For the Three Months Ended	
	March 31	June 30	September 30	December 31	March 31	June 30
<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
Non-cash share based compensation	1,419	1,366	1,383	1,509	1,690	1,805
Dividend equivalent payments to RSU holders	-	-	291	290	384	341
Goodwill, intangible, and long-lived asset impairment charges	-	-	-	-	-	-
Depreciation	2,096	1,960	2,039	2,025	1,923	2,167
Amortization	2,299	1,877	1,394	1,146	1,000	1,017
Interest expense, net	601	520	522	32	100	210
Other expense (income), net	<u>21</u>	<u>30</u>	<u>224</u>	<u>167</u>	<u>47</u>	<u>(174)</u>
Consolidated adjusted EBITDA from continuing operations before share related compensation (1)	<u>\$ 6,522</u>	<u>\$ 13,845</u>	<u>\$ 12,889</u>	<u>\$ 14,169</u>	<u>\$ 13,026</u>	<u>\$ 14,369</u>

	For the Six Months Ended June 30,	
	<u>2010</u>	<u>2011</u>
<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	\$ 8,178	\$ 16,885
Non-cash share based compensation	2,785	3,495
Dividend equivalent payments to RSU holders	-	725
Goodwill, intangible and long-lived asset impairment charges	-	-
Depreciation	4,056	4,090
Amortization	4,176	2,017
Interest expense, net	1,121	310
Other expense (income), net	<u>51</u>	<u>(127)</u>
Consolidated adjusted EBITDA from continuing operations before share related compensation (1)	<u>\$ 20,367</u>	<u>\$ 27,395</u>

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

(2) Net amortization and share related compensation per share is not a measurement under GAAP, may not be similar to net amortization share related compensation per share measures of other companies and should be considered in addition to, but not as a substitute for, the information contained in our statement of operations. We believe that net amortization and share related compensation per share provides useful information to investors because it is an indicator of operating performance since it excludes items that are not directly attributable to ongoing business operations, as well as a share related compensation expense that we are required to record under GAAP. We believe our net amortization and share related compensation per share calculations are commonly used as some of the bases for investors, analysts and credit rating agencies to evaluate and compare the periodic and future operating performance and value of companies.

The following table provides the consolidated Net Amortization and Share Related Compensation per Share amount:

	2010				2011	
	March 31	For the Three Months Ended			For the Three Months Ended	
	June 30	September 30	December 31	March 31	June 30	
<u>Net amortization and share related compensation per share</u>						
Amortization	\$ 2,299	\$ 1,877	\$ 1,394	\$ 1,146	\$ 1,000	\$ 1,017
Non-cash share based compensation	1,419	1,366	1,383	1,509	1,690	1,805
Dividend equivalent payments to RSU holders	-	-	291	290	384	341
Subtotal	3,718	3,243	3,068	2,945	3,074	3,163
Estimated tax effect at 40%	<u>(1,487)</u>	<u>(1,297)</u>	<u>(1,227)</u>	<u>(1,178)</u>	<u>(1,230)</u>	<u>(1,265)</u>
Net amortization and share related compensation	2,231	1,946	1,841	1,767	1,844	1,898
Diluted shares	<u>17,621</u>	<u>18,128</u>	<u>18,568</u>	<u>19,356</u>	<u>19,543</u>	<u>18,657</u>
Net amortization and share related compensation per share (2)	<u>\$ 0.13</u>	<u>\$ 0.11</u>	<u>\$ 0.10</u>	<u>\$ 0.09</u>	<u>\$ 0.09</u>	<u>\$ 0.10</u>

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

	For the Six Months Ended June 30,	
	2010	2011
<u>Net amortization and share related compensation per share</u>		
Amortization	\$ 4,176	\$ 2,017
Non-cash share based compensation	2,785	3,495
Dividend equivalent payments to RSU holders	-	725
Subtotal	6,961	6,237
Estimated tax effect at 40%	(2,784)	(2,495)
Net amortization and share related compensation	4,177	3,742
Diluted shares	18,004	19,041
Net amortization and share related compensation per share (2)	\$ 0.23	\$ 0.20

Beginning this year, we will no longer provide separate tables for our CPS segment.

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

(5) Consolidated adjusted net income excluding non-cash charges represents consolidated net income (loss) plus non-cash goodwill, intangible and long-lived asset impairment charges and valuation allowances on deferred tax assets. We believe that the consolidated adjusted net income excluding non-cash charges provides a more meaningful representation of our on-going economic performance and therefore we utilize this non-GAAP financial measure internally to evaluate our operating results. We have chosen to provide this information to investors to enable them to make a more meaningful comparison of operating results.

Management uses consolidated adjusted net income excluding non-cash charges to measure the core operating performance of the company's business units. Management believes that this non-GAAP financial measure presents the company's operating results in the ordinary and ongoing course of its business. Given the significant amount of judgment involved in making impairment determinations and that the company does not control two of the key factors – the deterioration in the general economic environment and the decline in the company's market capitalization – which go into the determination, management finds it helpful, and believes that investors find it useful, to consider an operating measure that excludes non-cash charges, such as goodwill, intangible and long-lived asset impairment charge expenses, which are not directly related to the company's operating performance. We believe this permits investors to better understand the company's operating trends and to enable them to make a more meaningful comparison of operating results.

For the quarter ended June 30, 2011, we reported adjusted net income without these non-cash charges. In the future, we expect that we may again report adjusted net income excluding these items and may incur expenses similar to these excluded items. Accordingly, the exclusion of these and similar items in the company's non-GAAP presentation should not be interpreted as implying that these items are non-recurring, infrequent or unusual.

Consolidated adjusted net income excluding non-cash charges has limitations due to the fact it excludes the effect of charges that management does not believe is indicative of the company's ongoing operations. We compensate for these limitations by providing extensive GAAP-based disclosure about the non-cash goodwill, intangible and long-lived asset impairment charges and valuation allowances on the deferred tax assets in the footnotes to our financial statements and MD&A section in our SEC filings.

INTERSECTIONS INC.
OTHER DATA, continued
(Unaudited)

	For the Six Months Ended June 30 2010	For the Six Months Ended June 30 2011
<u>Consolidated net income reconciliation from net income to consolidated adjusted net income excluding non-cash charges</u>		
Consolidated net income	\$ 4,108	\$ 9,769
Valuation allowance on deferred tax assets	<u>-</u>	<u>-</u>
Consolidated adjusted net income excluding non-cash charges (5)	<u>\$ 4,108</u>	<u>\$ 9,769</u>

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

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