



## SPARK NETWORKS® REPORTS FIRST QUARTER 2011 FINANCIAL RESULTS

BEVERLY HILLS, Calif., May 12, 2011 -- Spark Networks, Inc. (NYSE AMEX: LOV), a leading provider of online personals services, today reported financial results for the first quarter ended March 31, 2011.

	<u>Q1 2011</u>	<u>Q1 2010</u>
Revenue	\$11.0 Million	\$10.5 Million
Contribution Margin	54%	77%
Net Income (loss)	\$(0.2) Million	\$0.9 Million
Net Income (loss) Per Share	\$(0.01)	\$0.05

"I am pleased to report an 8% sequential increase in our overall revenue, marking our second consecutive quarter of sequential revenue growth and our largest quarter over quarter revenue growth in more than five years," said Greg Liberman, Spark's President and Chief Executive Officer. "Jewish Networks performed as expected, with a 2% increase in average paying subscribers, but the lion's share of our growth was driven by our Other Affinity Networks segment. During last quarter's earnings call, we talked about some of the growth we were experiencing in our Other Affinity Networks segment and that growth continued, and was even more pronounced, in the first quarter. Other Affinity Networks revenue, average paying subscribers<sup>1</sup> and ARPU<sup>2</sup> sequentially increased by rates of 35%, 26% and 11%, respectively."

Liberman continued, "The growth in subscriber and revenue levels in our Other Affinity Networks segment reflects improvements in our product as well as improved performance in several of our marketing channels."

### Financial Results

Revenue for the first quarter of 2011 was \$11.0 million, an increase of 4% compared to \$10.5 million for the first quarter of 2010, and an increase of 8% compared to the prior quarter.

Contribution<sup>3</sup> for the first quarter of 2011 was \$5.9 million, a decrease of 27% compared to \$8.1 million for the first quarter of 2010, and a 14% decrease compared to \$6.9 million in the prior quarter.

Total cost and expenses for the first quarter of 2011 were \$11.1 million, an increase of 23% compared to \$9.0 million for the first quarter of 2010 and a 24% increase compared to \$9.0 million in the prior quarter. The sequential increase in operating expenses can be primarily attributed to an increase of \$1.8 million in direct marketing spend.

Net loss for the first quarter of 2011 was \$184,000, or a net loss of \$0.01 per share, compared to net income of \$929,000, or \$0.05 per share, for the first quarter of 2010 and net income of \$0.6 million or \$0.03 per share for the prior quarter.

Adjusted EBITDA<sup>4</sup> for the first quarter of 2011 was \$527,000, a decrease of 80% compared to \$2.7 million for the first quarter of 2010, and a decrease of 73% compared to \$2.0 million in the prior quarter. The growth in direct marketing spend reduced Adjusted EBITDA in the first quarter of 2011.

Average paying subscribers for the Company, as a whole, in the first quarter of 2011 were 178,292, an increase of 5% compared to 169,833 for the first quarter of 2010 and an 11% increase compared to 160,744 for the prior quarter.

## **Segment Reporting<sup>5</sup>**

First quarter 2011 revenue for Jewish Networks was \$6.9 million, a decrease of 3% compared to \$7.1 million for the first quarter of 2010, and no change from \$6.9 million in the prior quarter.

First quarter 2011 revenue for Other Affinity Networks was \$3.8 million, an increase of 27% compared to \$3.0 million for the first quarter of 2010, and an increase of 35% compared to \$2.8 million in the prior quarter.

First quarter 2011 revenue for General Market Networks was \$190,000, a decrease of 49% compared to \$370,000 for the first quarter of 2011, and a 20% decrease compared to \$236,000 in the prior quarter.

First quarter 2011 revenue for Offline & Other Businesses was \$107,000, a decrease of 5% compared to \$113,000 for the first quarter of 2010, and a 33% decrease compared to \$160,000 in the prior quarter. The lower sequential revenue reflects fewer hosted events in the first quarter of 2011.

Average paying subscribers for Jewish Networks were 91,545 during the first quarter of 2011, a decrease of 2% compared to 93,235 for the first quarter of 2010, and a 2% increase compared to 89,723 for the prior quarter.

Average paying subscribers for Other Affinity Networks were 81,889 during the first quarter of 2011, an increase of 20% compared to 68,124 for the first quarter of 2010 and a 26% increase compared to 65,172 for the prior quarter.

Average paying subscribers for General Market Networks were 4,207 during the first quarter of 2011, a decrease of 46% compared to 7,813 for the first quarter of 2010, and a 19% decrease compared to 5,174 for the prior quarter.

## **Balance Sheet, Cash, Debt**

As of March 31, 2011 and December 31, 2010, the Company had cash and cash equivalents of \$13.9 million. As of March 31, 2011, the Company had no outstanding debt.

## **Investor Conference Call**

The Company will discuss its financial results during a live teleconference today at 1:30 p.m. Pacific time.

Call Title: Spark Networks Q1 '11 Financial Results  
Toll-Free (United States): 1-888-668-1639  
International: 1-913-312-0635  
Confirmation #: 8881205

Digital Replay through May 26, 2011:  
Toll-Free (United States): 1-888-203-1112  
International: 1-719-457-0820  
Confirmation #: 8881205

In addition, the Company will host a webcast of the call which will be accessible in the Investor Relations section of the Company's website under "Conference Calls and Presentations" at: <http://www.spark.net/investor.htm>.

### **Safe Harbor Statement:**

This press release contains forward-looking statements. Any statements in this news release that are not statements of historical fact may be considered to be forward-looking statements. Written words, such as "may," "will," "expect," "believe," "anticipate," "estimate," "intends," "goal," "objective," "seek," "attempt," or variations of these or similar words, identify forward-looking statements. By their nature, forward-looking statements and forecasts involve risks and uncertainties because they relate to events and depend on circumstances that will occur in the near future. There are a number of factors that could cause actual results and developments to differ materially, including, but not limited to our ability to: attract members; convert members into paying subscribers and retain our paying subscribers; develop or acquire new product offerings and successfully implement and expand those offerings; keep pace with rapid technological changes; maintain the strength of our existing brands and maintain and enhance those brands and our dependence upon the telecommunications infrastructure and our networking hardware and software infrastructure; identify and consummate strategic acquisitions and integrate acquired companies or assets; obtain financing on acceptable terms; and successfully implement both cost cutting initiatives and our current long-term growth strategy. For a discussion of these and further risks and uncertainties, please see our filings with the Securities and Exchange Commission. We file annual, quarterly and special reports, proxy statements and other information with the SEC. You may read and copy any reports, statements or other information that we file at the SEC's public reference room at 100 F Street, N.E., Washington, D.C., 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our public filings with the SEC also are available from commercial document retrieval services and at the web site maintained by the SEC at <http://www.sec.gov>.

## **About Spark Networks, Inc.:**

The Spark Networks portfolio of consumer websites includes, among others, JDate®.com (www.jdate.com), Spark®.com (www.spark.com), BlackSingles.com® (www.blacksingles.com), and ChristianMingle®.com (www.christianmingle.com).

### **For More Information**

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<sup>1</sup> "Average paying subscribers" are defined as individuals who have paid a monthly fee for access to communication and Web site features beyond those provided to our members. Average paying subscribers for each month are calculated as the sum of the paying subscribers at the beginning and end of the month, divided by two. Average paying subscribers for periods longer than one month are calculated as the sum of the average paying subscribers for each month, divided by the number of months in such period.

<sup>2</sup> "ARPU" is defined as average revenue per user.

<sup>3</sup> "Contribution" is defined as revenue, net of credits and credit card chargebacks, less direct marketing and "Contribution Margin" is defined as Contribution divided by revenue, net of credits and credit card chargebacks.

<sup>4</sup> The Company reports Adjusted EBITDA as a supplemental measure to generally accepted accounting principles ("GAAP"). This measure is one of the primary metrics by which we evaluate the performance of our businesses, budget, forecast and compensate management. We believe this measure provides management and investors with a consistent view, period to period, of the core earnings generated from on-going operations and excludes the impact of: (i) non-cash items such as stock-based compensation, asset impairments, non-cash currency translation adjustments related to an inter-company loan and (ii) one-time items that have not occurred in the past two years and are not expected to recur in the next two years, such as the Scheme of Arrangement. Adjusted EBITDA should not be construed as a substitute for net income (loss) (as determined in accordance with GAAP) for the purpose of analyzing our operating performance or financial position, as Adjusted EBITDA is not defined by GAAP.

"Adjusted EBITDA" is defined as earnings before interest, taxes, depreciation, amortization, stock-based compensation, impairment of long-lived assets, non-cash currency translation adjustments for inter-company loans and the income recognized from assets received in connection with a legal judgment.

<sup>5</sup> In accordance with Segment Reporting guidance, the Company's financial reporting includes detailed data on four separate operating segments. The Jewish Networks segment consists of the Company's JDate.com, JDate.co.il, JDate.fr, JDate.co.uk and Cupid.co.il Web sites and their respective co-branded Web sites. The General Market Networks segment consists of the Company's Spark.com Web site (formerly known as AmericanSingles.com, Date.co.uk and Date.ca) and its co-branded and private label Web sites. The Other Affinity Networks segment consists of all of the Company's Provo, Utah-based properties which primarily consist of sites targeted at various religious, ethnic, geographic and special interest groups including BlackSingles.com and ChristianMingle.com. The Offline & Other Businesses segment consists of net revenue generated from offline activities, HurryDate events and subscriptions and other Web sites and businesses.

**(Consolidated financial statements to follow)**

**SPARK NETWORKS, INC.**  
**BALANCE SHEET**  
(in thousands, except share data)

	<b>March 31,</b>	<b>December 31,</b>
	<b>2011</b>	<b>2010</b>
	(Unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents.....	\$ 13,888	\$ 13,901
Restricted cash .....	827	996
Accounts receivable .....	611	847
Deferred tax asset – current .....	45	43
Prepaid expenses and other.....	990	911
Total current assets .....	16,361	16,698
Property and equipment, net.....	2,588	2,520
Goodwill .....	9,286	9,156
Intangible assets, net.....	2,939	3,017
Deferred tax asset – non-current.....	4,882	4,882
Deposits and other assets.....	351	295
Total assets .....	\$ 36,407	\$ 36,568
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable.....	\$ 1,136	\$ 1,371
Accrued liabilities.....	2,903	3,635
Deferred revenue.....	4,978	4,331
Total current liabilities .....	9,017	9,337
Deferred tax liability.....	872	825
Other liabilities non-current.....	1,036	1,036
Total liabilities .....	10,925	11,198
Commitments and contingencies.....	—	—
Stockholders' equity:		
Authorized capital stock consists of 100,000,000 Common Stock, \$0.001 par value; issued and outstanding 20,587,336 at March 31, 2011 and December 31, 2010, at stated values of:.....	21	21
Additional paid-in-capital .....	52,281	52,020
Accumulated other comprehensive income.....	808	773
Accumulated deficit.....	(27,628)	(27,444)
Total stockholders' equity .....	25,482	25,370
Total liabilities and stockholders' equity .....	\$ 36,407	\$ 36,568

**SPARK NETWORKS, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(unaudited, in thousands, except per share data)

	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Revenue .....	\$ 10,960	\$ 10,537
Cost and expenses:		
Cost of revenue (exclusive of depreciation shown separately below) .....	5,815	3,157
Sales and marketing .....	900	1,083
Customer service .....	461	396
Technical operations.....	414	363
Development .....	745	781
General and administrative .....	2,363	2,787
Depreciation.....	290	235
Amortization of intangible assets other than goodwill.....	98	122
Impairment of goodwill, long-lived assets and other assets .....	-	121
Total cost and expenses.....	11,086	9,045
Operating (loss) income.....	(126)	1,492
Interest (income) and other expenses, net.....	(57)	(41)
(Loss) income before income taxes .....	(69)	1,533
Provision for income taxes .....	115	604
Net (loss) income.....	\$ (184)	\$ 929
Net (loss) income per share – basic and diluted.....	\$ (0.01)	\$ 0.05
Weighted average shares outstanding – basic and diluted.....	20,587	20,582

<b>Stock-Based Compensation</b> (in thousands)	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Cost of revenue	\$ 2	\$ 2
Sales and marketing	34	117
Customer service	-	1
Technical operations	31	73
Development	12	13
General and administrative	182	504

Reconciliation of Net Income to Adjusted EBITDA (in thousands)	<b>Three Months Ended March 31,</b>	
	<b>2011</b>	<b>2010</b>
Net (loss) income	\$ (184)	\$ 929
Interest	31	51
Taxes	115	604
Depreciation	290	235
Amortization	98	122
EBITDA	350	1,941
Stock-based compensation	261	710
Impairment	-	121
Non-cash currency translation adjustments	(84)	(74)
Adjusted EBITDA	\$ 527	\$ 2,698

**SPARK NETWORKS, INC.**  
**SEGMENT RESULTS FROM OPERATIONS**  
(in thousands except subscriber information)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2011</b>	<b>2010</b>
<b>Revenue</b>		
Jewish Networks .....	\$ 6,899	\$ 7,080
Other Affinity Networks.....	3,764	2,974
General Market Networks .....	190	370
Offline & Other Businesses .....	107	113
Total Revenue.....	\$ 10,960	\$ 10,537
<b>Direct Marketing Expenses</b>		
Jewish Networks .....	\$ 659	\$ 507
Other Affinity Networks.....	4,039	1,714
General Market Networks .....	312	139
Offline & Other Businesses .....	30	43
Total Direct Marketing Expenses .....	\$ 5,040	\$ 2,403
<b>Contribution</b>		
Jewish Networks .....	\$ 6,240	\$ 6,573
Other Affinity Networks.....	(275)	1,260
General Market Networks .....	(122)	231
Offline & Other Businesses .....	77	70
Total Contribution .....	\$ 5,920	\$ 8,134
<b>Average Paying Subscribers</b>		
Jewish Networks .....	91,545	93,235
Other Affinity Networks.....	81,889	68,124
General Market Networks .....	4,207	7,813
Offline & Other Businesses .....	651	661
Total Average Paying Subscribers....	178,292	169,833