



SPARK NETWORKS® REPORTS FIRST QUARTER FINANCIAL RESULTS

- **Christian Networks contribution improved 83% Y/Y**
 - **Total contribution¹ grew 15% Y/Y**
- **Christian Networks advertising revenue grew 28% Y/Y**

LOS ANGELES, Calif., May 12, 2014 -- Spark Networks, Inc. (NYSE MKT: LOV), a leader in creating niche-focused brands that build and strengthen the communities they serve, today reported financial results for the first quarter ended March 31, 2014.

Financial Highlights

	<u>Q1 2013</u>	<u>Q1 2014</u>
Revenue	\$17.3 Million	\$16.6 Million
Contribution Margin ²	26%	31%
Net Loss	\$2.9 Million	\$2.9 Million
Net Loss Per Share	\$0.14	\$0.12

Management Commentary

"We are pleased with our first quarter results that clearly demonstrate the value being created by the successful execution of our strategic plan. After reaching critical mass in subscribers and building ChristianMingle into the undisputed leader in Christian dating, we are now focused on driving greater efficiencies and profitability," said Greg Liberman, Spark Networks' Chairman and Chief Executive Officer.

"Our focus on realizing the operating leverage inherent in our business model yielded significant benefits in the first quarter. Company-wide contribution grew 15% to hit its highest mark in nearly three years, largely driven by an 83% improvement in contribution in our Christian Networks business. That improvement was driven by increases in marketing efficiency, growth in our winback and renewal subscriber bases and a 28% increase in Christian Networks' advertising revenue. As we focus on driving further efficiencies in the business, we expect our profitability to continue to improve.

"Additionally, as we focus on high growth opportunities in adjacent markets, we are especially excited about the early success we are seeing in our media business. Not only is it starting to generate cash for us, but the continued expansion of our media-focused assets demonstrates the further potential to leverage our Christian platform to scale beyond dating and into the \$4-plus billion Christian commerce market."

Financial Results

Revenue in the first quarter of 2014 was \$16.6 million, a decrease of 4% compared to the year ago period, and a 3% decrease compared to the prior quarter.

Contribution in the first quarter of 2014 was \$5.2 million, an increase of 15% compared to the year ago period, and a 22% increase compared to the prior quarter. An 83% and 82% increase in Christian Networks contribution for the year ago and prior quarter periods, respectively, drove the gains in total company contribution.

Total cost and expenses in the first quarter of 2014 were \$19.4 million, a decrease of 4% compared to the year ago period, and a decrease of 6% compared to the prior quarter. The decrease in expenditures during the first quarter of 2014 is largely attributed to a reduction in Christian Networks direct marketing expense.

Net loss in the first quarter of 2014 was \$2.9 million, or \$0.12 per share, compared to a net loss of \$2.9 million, or \$0.14 per share, in the year ago period and a net loss of \$3.5 million or \$0.15 per share in the prior quarter.

Adjusted EBITDA³ in the first quarter of 2014 was a loss of \$2.1 million, an improvement of 7% compared to the year ago period and a 26% improvement compared to the prior quarter.

Total average paying subscribers⁴ in the first quarter of 2014 were 286,042, a decrease of 3% compared to the year ago period and a decrease of 2% compared to the prior quarter.

Balance Sheet, Cash, Debt

As of March 31, 2014, the company had cash and cash equivalents of \$10.9 million, a decrease of 26% from \$14.7 million at December 31, 2013. As of March 31, 2014, the company had no outstanding debt.

SPARK NETWORKS, INC.
SEGMENT RESULTS FROM OPERATIONS⁵
(in thousands except subscriber and ARPU information)

	<u>Q1 2013</u>	<u>Q2 2013</u>	<u>Q3 2013</u>	<u>Q4 2013</u>	<u>Q1 2014</u>	<u>Q1 '14 v. Q1 '13</u>
Net Revenue						
Jewish Networks	\$ 6,452	\$ 6,460	\$ 6,433	\$ 6,444	\$ 6,124	-5.1%
Christian Networks	9,908	10,260	10,088	9,989	9,789	-1.2%
Other Networks	815	775	715	667	610	-25.2%
Offline & Other Businesses	<u>88</u>	<u>86</u>	<u>125</u>	<u>104</u>	<u>93</u>	<u>5.7%</u>
Total Net Revenue	\$17,263	\$17,581	\$17,361	\$ 17,204	\$ 16,616	-3.7%
Direct Mktg. Exp.						
Jewish Networks	\$ 751	\$ 776	\$ 822	\$ 991	\$ 1,115	48.5%
Christian Networks	11,722	12,866	11,659	11,769	10,104	-13.8%
Other Networks	199	152	123	121	142	-28.6%
Offline & Other Businesses	<u>26</u>	<u>31</u>	<u>30</u>	<u>36</u>	<u>25</u>	<u>-3.8%</u>
Total Direct Mktg. Exp.	\$12,698	\$13,825	\$12,634	\$ 12,917	\$ 11,386	-10.3%
Contribution						
Jewish Networks	\$ 5,701	\$ 5,684	\$ 5,611	\$ 5,453	\$ 5,009	-12.1%
Christian Networks	(1,814)	(2,606)	(1,571)	(1,780)	(315)	82.6%
Other Networks	616	623	592	546	468	-24.0%
Offline & Other Businesses	<u>62</u>	<u>55</u>	<u>95</u>	<u>68</u>	<u>68</u>	<u>9.7%</u>
Total Contribution	\$ 4,565	\$ 3,756	\$ 4,727	\$ 4,287	\$ 5,230	14.6%
Average Paying Subs.						
Jewish Networks	85,200	84,487	83,732	83,175	80,395	-5.6%
Christian Networks	186,896	196,598	197,420	192,349	189,251	1.3%
Other Networks	<u>23,435</u>	<u>21,183</u>	<u>19,073</u>	<u>17,236</u>	<u>16,396</u>	<u>-30.0%</u>
Total Avg. Paying Subs.⁶	295,531	302,268	300,225	292,760	286,042	-3.2%
ARPU⁷						
Jewish Networks	\$ 24.86	\$ 25.15	\$ 25.28	\$ 25.34	\$ 24.87	0.0%
Christian Networks	16.84	16.55	16.07	16.14	16.19	-3.9%
Other Networks	<u>10.84</u>	<u>11.49</u>	<u>12.08</u>	<u>12.44</u>	<u>12.08</u>	<u>11.4%</u>
Total ARPU⁷	\$ 18.68	\$ 18.60	\$ 18.38	\$ 18.54	\$ 18.40	-1.5%

Distribution of New Subscription Purchases⁸

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Jewish Networks					
1 month plans	40.1%	42.2%	40.1%	39.9%	39.5%
3 month plans	24.8%	25.0%	27.3%	26.2%	26.7%
6 month plans	35.1%	32.8%	32.6%	33.9%	33.8%
	100.0%	100.0%	100.0%	100.0%	100.0%
Christian Networks					
1 month plans	47.0%	44.9%	43.6%	43.5%	44.4%
3 month plans	23.3%	25.3%	23.1%	25.9%	21.7%
6 month plans	29.7%	29.8%	33.3%	30.6%	33.9%
	100.0%	100.0%	100.0%	100.0%	100.0%
Other Networks					
1 month plans	57.8%	58.5%	60.8%	57.5%	57.9%
3 month plans	15.8%	13.0%	12.6%	12.8%	13.2%
6 month plans	26.4%	28.5%	26.5%	29.7%	28.9%
	100.0%	100.0%	100.0%	100.0%	100.0%

Composition of Average Paying Subscriber Base⁹

	Q1 2013	Q2 2013	Q3 2013	Q4 2013	Q1 2014
Jewish Networks					
First Time Subscribers	25.1%	24.8%	25.3%	24.2%	23.1%
Winback Subscribers	31.7%	31.5%	30.6%	29.9%	29.3%
Renewal Subscribers	43.2%	43.7%	44.1%	45.9%	47.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Christian Networks					
First Time Subscribers	55.8%	55.0%	53.8%	52.0%	49.1%
Winback Subscribers	18.0%	18.4%	18.5%	18.9%	19.3%
Renewal Subscribers	26.2%	26.6%	27.7%	29.1%	31.6%
Total	100.0%	100.0%	100.0%	100.0%	100.0%
Other Networks					
First Time Subscribers	35.4%	34.3%	33.9%	31.8%	32.1%
Winback Subscribers	21.6%	22.9%	24.7%	24.2%	23.2%
Renewal Subscribers	43.0%	42.8%	41.4%	44.0%	44.7%
Total	100.0%	100.0%	100.0%	100.0%	100.0%

Investor Conference Call

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

Toll-Free (United States): 1-877-407-0789
International: 1-201-689-8562

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 at www.spark.net or by clicking <http://investor.spark.net>.

A replay will begin approximately three hours after completion of the call and run until May 26, 2014.

Replay
Toll-Free (United States): 1-877-870-5176
International: 1-858-384-5517
Passcode: 13580619

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; continue to depend 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 current 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 Web sites includes, among others, JDate®.com (www.jdate.com), ChristianMingle®.com (www.christianmingle.com), Spark®.com (www.spark.com), BlackSingles.com® (www.blacksingles.com), and SilverSingles®.com (www.silversingles.com).

For More Information

Investors:

Addo Communications

Laura Bainbridge

laurab@addocommunications.com

310-829-5400

¹ "Contribution" is defined as revenue, net of credits and credit card chargebacks, less direct marketing.

² "Contribution Margin" is defined as Contribution divided by revenue, net of credits and credit card chargebacks.

³ The company reports Adjusted EBITDA as a supplemental measure to generally accepted accounting principles in the United States ("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. 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 an inter-company loan and the income (loss) recognized from non-cash assets received in connection with a legal judgment.

⁴ "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.

⁵ 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 Christian Networks segment consists of the company's ChristianMingle.com, ChristianMingle.co.uk, ChristianMingle.com.au, Believe.com, ChristianCards.net, ChristianDating.com, DailyBibleVerse.com and Faith.com Web sites. The Other Networks segment consists of Spark.com and related other general market Web sites as well as other properties which are primarily composed of sites targeted towards various religious, ethnic, geographic and special interest groups. The Offline & Other Businesses segment consists of revenue generated from offline activities and HurryDate events and subscriptions.

⁶ Total Average Paying Subscribers excludes results from the company's HurryDate business due to its relative size.

⁷ ARPU is defined as average revenue per user per month. Total ARPU excludes results from the company's HurryDate business due to its relative size.

⁸ One month plans may also include a small amount of two month plans. Three month plans may include a small amount of four month plans. Six month plans may include a small amount of twelve month plans.

⁹ Represents the type of subscriber comprising the average paying subscribers in that period. First Time Subscribers are defined as those subscribers that have never purchased a subscription from the company for that reporting segment. Winback Subscribers are defined as those individuals who have purchased a subscription from the company for that reporting segment, allowed their subscription to lapse, and subsequently purchased a subscription from the company for that reporting segment. Renewal Subscribers are defined as those subscribers that have auto-renewed a subscription from the company for that reporting segment.

SPARK NETWORKS, INC.
CONSOLIDATED BALANCE SHEETS
(in thousands, except share data)

	<u>December 31,</u> <u>2013</u>	<u>March 31,</u> <u>2014</u> (unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 14,723	\$ 10,938
Restricted cash	1,296	1,279
Accounts receivable.....	1,569	1,263
Deferred tax asset – current	10	11
Prepaid expenses and other.....	1,787	1,800
Total current assets	19,385	15,291
Property and equipment, net	3,901	3,949
Goodwill.....	9,305	9,274
Intangible assets, net	2,269	2,259
Deferred tax asset – non-current	186	157
Deposits and other assets	208	212
Total assets	<u>\$ 35,254</u>	<u>\$ 31,142</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 1,516	\$ 1,969
Accrued liabilities	5,761	5,061
Deferred revenue	8,830	8,963
Deferred tax liability – current portion	526	526
Total current liabilities.....	16,633	16,519
Deferred tax liability	1,781	1,784
Other liabilities – non-current	1,717	1,705
Total liabilities.....	20,131	20,008
Commitments and contingencies		
Stockholders' equity:		
Authorized capital stock consists of 100,000,000 shares of Common Stock, \$0.001 par value; issued and outstanding: 23,800,958 and 24,001,937 shares at March 31, 2014 and December 31, 2013, respectively:	24	26
Additional paid-in-capital.....	70,747	69,649
Accumulated other comprehensive income	776	775
Accumulated deficit	(56,424)	(59,316)
Total stockholders' equity	15,123	11,134
Total liabilities and stockholders' equity.....	<u>\$ 35,254</u>	<u>\$ 31,142</u>

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

	Three Months Ended March 31,	
	2013	2014
Revenue.....	\$ 17,263	\$ 16,616
Cost and expenses:		
Cost of revenue (exclusive of depreciation shown separately below)	13,657	12,364
Sales and marketing.....	1,262	1,562
Customer service	703	788
Technical operations.....	332	341
Development.....	791	859
General and administrative	2,934	2,957
Depreciation.....	453	517
Amortization of intangible assets.....	-	10
Total cost and expenses	20,132	19,398
Operating loss.....	(2,869)	(2,782)
Interest (income) expense and other, net.....	(53)	31
Loss before income taxes	(2,816)	(2,813)
Provision for income taxes	124	79
Net loss.....	<u>\$ (2,940)</u>	<u>\$ (2,892)</u>
Net loss per share—basic and diluted	<u>\$ (0.14)</u>	<u>\$ (0.12)</u>
Weighted average shares outstanding – basic and diluted.....	<u>20,960</u>	<u>23,922</u>

Stock-based compensation:
(in thousands)

	Three Months Ended March 31,	
	2013	2014
Sales and marketing	\$ 34	\$ 38
Technical operations	1	-
Development	4	-
General and administrative	149	140

Reconciliation of Net Loss to Adjusted EBITDA:
(in thousands)

	Three Months Ended	
	March 31,	
	2013	2014
Net loss	\$ (2,940)	\$ (2,892)
Interest	15	12
Taxes	124	79
Depreciation	453	517
Amortization	-	10
EBITDA	(2,348)	(2,274)
Stock-based compensation	188	178
Non-cash currency translation adjustments	(79)	20
Adjusted EBITDA	<u>\$ (2,239)</u>	<u>\$ (2,076)</u>