



SPARK NETWORKS® REPORTS FOURTH QUARTER AND FULL YEAR 2012 FINANCIAL RESULTS

- **Company-wide 2012 revenue increased 27% to \$61.7 million**
- **Christian Networks 2012 revenue increased 101% to \$31.6 million**
- **Q4 company-wide average paying subscribers¹ grew 31% to 279,000**
- **Q4 Christian Networks average paying subscribers grew 80% to 168,000**

BEVERLY HILLS, Calif., March 7, 2013 -- 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 fourth quarter and full year ended December 31, 2012.

Financial Highlights

	<u>Q4 2012</u>	<u>Full Year 2012</u>
Revenue	\$16.3 Million	\$61.7 Million
Contribution Margin	23%	26%
Net Loss	\$(10.5) Million	\$(15.0) Million
Net Loss Per Share	\$(0.51)	\$(0.72)

Management Commentary

"I am proud of our 2012 performance, which was punctuated by a fourth quarter that marked our best of the year," said Greg Liberman, Spark Networks' President and Chief Executive Officer. "Revenue increased 27%, fueled by a 32% increase in average paying subscribers. That growth was driven by our category-leading Christian Networks segment, where we doubled both revenue and average paying subscribers. We also strengthened our leadership position in the Jewish Networks segment, anchored by the iconic JDate brand, where we exited 2012 with two consecutive quarters of sequential subscriber growth and our first sequential revenue increase since the fourth quarter of 2010. And, importantly, we did so while maintaining the segment's consistent, nearly 90%, contribution margin."

"Looking ahead, we will continue to focus on strengthening our brands and leadership positions in both the Christian and Jewish Networks segments. And, as pleased as we are with our accomplishments in 2011 and 2012, we are even more excited about the opportunities that lie ahead."

Financial Results

Revenue in the fourth quarter of 2012 was \$16.3 million, an increase of 27% compared to the year ago period, and an increase of 3% compared to the prior quarter. Full year 2012 revenue was \$61.7 million, also a 27% increase compared to 2011. The Christian Networks segment was the primary driver of that growth.

Contribution² in the fourth quarter of 2012 was \$3.7 million, a decrease of 29% compared to the year ago period, and a decrease of 5% compared to the prior

quarter. Full year 2012 contribution was \$16.1 million, a 29% decrease compared to 2011. Our increased marketing investment in the Christian Networks segment was responsible for the declines in contribution.

Total cost and expenses in the fourth quarter of 2012 were \$18.9 million, an increase of 40% compared to the year ago period, and an increase of 2% compared to the prior quarter. Full year 2012 total cost and expenses were \$70.9 million, a 43% increase compared to 2011. Our increased marketing investment in the Christian Networks segment drove the majority of growth in total cost and expenses.

Net loss in the fourth quarter of 2012 was \$10.5 million, or \$0.51 per share, compared to a net loss of \$1.1 million, or \$0.05 per share, in the year ago period, and a net loss of \$1.7 million, or \$0.08 per share, in the prior quarter. Full year 2012 net loss was \$15.0 million, or \$0.72 per share, compared to a net loss of \$1.6 million, or \$0.08 per share, in 2011. In the fourth quarter of 2012, the Company recorded an \$8.9 million valuation allowance against its deferred tax assets in accordance with guidance described under ASC-740.

Adjusted EBITDA³ in the fourth quarter of 2012 was a loss of \$2.0 million, compared to a profit of \$1.0 million in the year ago period and a loss of \$2.0 million in the prior quarter. Full year 2012 Adjusted EBITDA was a loss of \$6.7 million, compared to a profit of \$2.6 million in 2011.

Total average paying subscribers in the fourth quarter of 2012 were 279,260, an increase of 31% compared to the year ago period and an increase of 5% compared to the prior quarter. Full year 2012 average paying subscribers were 259,244, a 32% increase compared to 2011. The growth in our Christian Networks average paying subscribers drove the total Company average paying subscriber increases.

Balance Sheet, Cash, Debt

As of December 31, 2012, the Company had cash and cash equivalents of \$10.5 million, a decrease of 31% from \$15.1 million at December 31, 2011. As of December 31, 2012, the Company had no outstanding debt.

Segment Reporting⁴

During the first quarter of 2012, the Company changed its financial reporting to include data on two newly-defined operating segments, leaving two of the previous operating segments intact. The two new segments are Christian Networks and Other Networks. Christian Networks consists of ChristianMingle.com, ChristianMingle.co.uk, ChristianMingle.com.au, Believe.com, ChristianCards.net, ChristianDating.com, DailyBibleVerse.com, and Faith.com. Other Networks 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 composition of our Jewish Networks and Offline and Other Businesses segments remain unchanged.

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

	Q4 2011	Q1 2012	Q2 2012	Q3 2012	Q4 2012	Q4 '12 vs. Q4 '11
Net Revenue						
Jewish Networks	\$ 6,700	\$ 6,580	\$ 6,452	\$ 6,385	\$ 6,617	-1.2%
Christian Networks	4,952	6,853	7,505	8,495	8,721	76.1%
Other Networks	1,104	1,031	995	903	836	-24.3%
Offline & Other Businesses	105	91	94	88	97	-7.6%
Total Net Revenue	\$ 12,861	\$ 14,555	\$ 15,046	\$ 15,871	\$ 16,271	26.5%
Direct Marketing Expenses						
Jewish Networks	\$ 929	\$ 801	\$ 647	\$ 829	\$ 834	-10.2%
Christian Networks	6,303	9,795	9,205	10,920	11,480	82.1%
Other Networks	354	312	251	213	201	-43.2%
Offline & Other Businesses	49	30	37	29	69	40.8%
Total Direct Mktg. Expenses	\$ 7,635	\$ 10,938	\$ 10,140	\$ 11,991	\$ 12,584	64.8%
Contribution						
Jewish Networks	\$ 5,771	\$ 5,779	\$ 5,805	\$ 5,556	\$ 5,783	0.2%
Christian Networks	(1,351)	(2,942)	(1,700)	(2,425)	(2,759)	-104.2%
Other Networks	750	719	744	690	635	-15.3%
Offline & Other Businesses	56	61	57	59	28	-50.0%
Total Contribution	\$ 5,226	\$ 3,617	\$ 4,906	\$ 3,880	\$ 3,687	-29.4%
Average Paying Subscribers						
Jewish Networks	87,101	86,433	84,348	84,650	85,736	-1.6%
Christian Networks	93,357	124,158	137,768	154,747	168,394	80.4%
Other Networks	31,940	30,115	28,818	26,678	25,130	-21.3%
Total Avg. Paying Subscribers⁵	212,398	240,706	250,934	266,075	279,260	31.5%
ARPU						
Jewish Networks	\$ 25.12	\$ 24.99	\$ 24.77	\$ 24.61	\$ 24.93	-0.8%
Christian Networks	16.44	17.35	17.13	17.26	16.43	-0.1%
Other Networks	10.74	10.77	10.36	10.61	10.36	-3.6%
Total ARPU⁶	\$ 19.14	\$ 19.27	\$ 18.92	\$ 18.93	\$ 18.49	-3.4%

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

	<u>12 Mos. 2011</u>	<u>12 Mos. 2012</u>	<u>2012 v. 2011</u>
Net Revenue			
Jewish Networks	\$ 27,054	\$ 26,034	-3.8%
Christian Networks	15,742	31,574	100.6%
Other Networks	4,925	3,765	-23.6%
Offline & Other Businesses	772	370	-52.1%
Total Net Revenue	\$ 48,493	\$ 61,743	27.3%
Direct Marketing Expenses			
Jewish Networks	\$ 3,389	\$ 3,111	-8.2%
Christian Networks	19,356	41,400	113.9%
Other Networks	2,467	977	-60.4%
Offline & Other Businesses	512	165	-67.8%
Total Direct Mktg. Expenses	\$ 25,724	\$ 45,653	77.5%
Contribution			
Jewish Networks	\$ 23,665	\$ 22,923	-3.1%
Christian Networks	(3,614)	(9,826)	-171.9%
Other Networks	2,458	2,788	13.4%
Offline & Other Businesses	260	205	-21.2%
Total Contribution	\$ 22,769	\$ 16,090	-29.3%
Average Paying Subscribers			
Jewish Networks	89,429	85,292	-4.6%
Christian Networks	71,311	146,267	105.1%
Other Networks	35,595	27,685	-22.2%
Total Avg. Paying Subscribers	196,335	259,244	32.0%
ARPU			
Jewish Networks	\$ 24.72	\$ 24.83	0.4%
Christian Networks	17.38	17.01	-2.1%
Other Networks	10.96	10.53	-3.9%
Total ARPU	\$ 19.89	\$ 19.01	-4.4%

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 March 21, 2013.

Replay
Toll-Free (United States): 1- 877-870-5176
International: 1-858-384-5517
Passcode: 409224

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; and obtain financing on acceptable terms. 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

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¹“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.

²“Contribution” is defined as revenue, net of credits and credit card chargebacks, less direct marketing. “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 (“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 (loss) recognized from non-cash assets received in connection with a legal judgment.

⁴ 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.

⁵ Total Average Paying Subscribers excludes results from the Company’s HurryDate business due to its relative size.

⁶ ARPU is defined as average revenue per user. Total ARPU excludes results from the Company’s HurryDate business due to its relative size.

(Consolidated financial statements to follow)

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

	<u>December 31,</u> <u>2011</u>	<u>December 31,</u> <u>2012</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 15,106	\$ 10,458
Restricted cash	958	1,232
Accounts receivable	1,146	1,510
Deferred tax asset – current	44	8
Prepaid expenses and other	1,164	861
Total current assets	<u>18,418</u>	<u>14,069</u>
Property and equipment, net	2,839	3,133
Goodwill	8,683	8,861
Intangible assets, net	1,900	2,143
Deferred tax asset – non-current	5,641	5
Deposits and other assets	455	153
Total assets	<u>\$ 37,936</u>	<u>\$ 28,364</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 952	\$ 1,093
Accrued liabilities	4,046	5,339
Deferred revenue	5,723	8,128
Deferred tax liability – current	203	257
Total current liabilities	<u>10,924</u>	<u>14,817</u>
Deferred tax liability	1,219	1,413
Other liabilities non-current	1,141	588
Total liabilities	<u>13,284</u>	<u>16,818</u>
Commitments and contingencies		
Stockholders' equity:		
Authorized capital stock consists of 100,000,000 shares of Common Stock, \$0.001 par value; issued and outstanding: 20,945,364 shares at December 31, 2012 and 20,594,670 shares at December 31, 2011:		
	21	21
Additional paid-in-capital	53,014	54,857
Accumulated other comprehensive income	672	712
Accumulated deficit	(29,055)	(44,044)
Total stockholders' equity	<u>24,652</u>	<u>11,546</u>
Total liabilities and stockholders' equity	<u>\$ 37,936</u>	<u>\$ 28,364</u>

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

	Three Months Ended December 31,		Years Ended December 31,		
	2011	2012	2010	2011	2012
Revenue.....	\$ 12,861	\$ 16,271	\$ 40,851	\$ 48,493	\$ 61,743
Cost and expenses:					
Cost of revenue (exclusive of depreciation shown separately below)	8,420	13,491	13,749	28,955	49,216
Sales and marketing	1,062	1,015	3,496	3,722	3,991
Customer service	539	647	1,601	1,980	2,534
Technical operations.....	281	296	1,232	1,367	1,363
Development.....	643	797	3,092	2,710	3,346
General and administrative	1,071	2,237	9,782	8,068	8,787
Depreciation.....	343	431	962	1,320	1,673
Amortization of intangible assets	89	-	421	370	13
Impairment of long-lived assets and other assets	1,100	-	308	1,145	-
Total cost and expenses	13,548	18,914	34,643	49,637	70,923
Operating (loss) income	(687)	(2,643)	6,208	(1,144)	(9,180)
Interest (income) expense and other, net.....	144	(188)	(54)	162	(238)
(Loss) income before income taxes.....	(831)	(2,455)	6,262	(1,306)	(8,942)
Provision (benefit) for income taxes.....	277	8,083	2,558	305	6,047
Net (loss) income	<u>\$ (1,108)</u>	<u>\$ (10,538)</u>	<u>\$ 3,704</u>	<u>\$ (1,611)</u>	<u>\$ (14,989)</u>
Net (loss) income per share—basic and diluted	<u>\$ (0.05)</u>	<u>\$ (0.51)</u>	<u>\$ 0.18</u>	<u>\$ (0.08)</u>	<u>\$ (0.72)</u>
Weighted average shares outstanding – basic.....	20,595	20,816	20,586	20,591	20,781
Weighted average shares outstanding – diluted	20,595	20,816	20,590	20,591	20,781

Stock-based compensation:
(in thousands)

	Three Months Ended December 31,		Year Ended December 31,		
	2011	2012	2010	2011	2012
Cost of revenue	\$ 2	\$ 2	\$ 11	\$ 8	\$ 8
Sales and marketing	15	21	233	80	76
Customer service	-	1	1	-	2
Technical operations	31	29	167	119	118
Development	10	11	54	42	42
General and administrative	125	150	1,044	657	567

Reconciliation of Net Loss (Income) to Adjusted
EBITDA:

(in thousands)

	Three Months Ended December 31,		Years Ended December 31,		
	2011	2012	2010	2011	2012
Net (loss) income	\$ (1,108)	\$ (10,538)	\$ 3,704	\$ (1,611)	\$ (14,989)
Interest	13	16	207	102	59
Taxes	277	8,083	2,558	305	6,047
Depreciation	343	431	962	1,320	1,673
Amortization	89	-	421	370	13
EBITDA	(386)	(2,008)	7,852	486	(7,197)
Stock-based compensation	183	214	1,510	906	813
Impairment of long-lived assets and other assets	1,100	-	308	1,145	-
Non-cash currency translation adjustments	132	(201)	(269)	337	(124)
Non-repetitive property possession	-	-	-	(247)	(151)
Adjusted EBITDA	\$ 1,029	\$ (1,995)	\$ 9,401	\$ 2,627	\$ (6,659)