



**SPARK NETWORKS® REPORTS FOURTH QUARTER REVENUE GROWTH OF 27% BEHIND 114% INCREASE IN OTHER AFFINITY NETWORKS REVENUE**

BEVERLY HILLS, Calif., March 1, 2012 -- Spark Networks, Inc. (NYSE AMEX: LOV), a leading provider of online personals services, today reported financial results for the fourth quarter and full year ended December 31, 2011.

	<b>Q4 2011</b>	<b>Full Year 2011</b>
Revenue	\$12.9 Million	\$48.5 Million
Contribution Margin	41%	47%
Net Loss	\$1.1 Million	\$1.6 Million
Net Loss Per Share	\$0.05	\$0.08

"2011 was a year of many 'firsts' for us. Most notably, we objectively demonstrated Spark is more than just Jewish Networks with our Other Affinity Networks subscriber base cresting 100,000 and surpassing that of our Jewish Networks segment," said Greg Liberman, Spark's President and Chief Executive Officer. "The 78% increase in Other Affinity Networks revenue drove company-wide revenue up 19% for the year, the first time since 2006 we have grown annual revenue. And, that revenue growth was driven by an increase in subscribers, with company-wide average paying subscribers<sup>1</sup> up 21% for the year behind a 60% increase in Other Affinity Networks average paying subscribers."

"Not only am I pleased to report our full year results, but also another solid quarter, as company-wide revenue and average paying subscribers grew 27% and 32%, respectively, powered by Other Affinity Networks' 114% increase in revenue and 89% increase in average paying subscribers when compared to Q4 2010."

**Financial Results**

Revenue for the fourth quarter of 2011 was \$12.9 million, an increase of 27% compared to \$10.1 million for the fourth quarter of 2010, and an increase of 1% compared to \$12.7 million in the prior quarter. Full year 2011 revenue was \$48.5 million, a 19% increase compared to \$40.9 million for full year 2010.

Contribution<sup>2</sup> for the fourth quarter of 2011 was \$5.2 million, a decrease of 24% compared to \$6.9 million for the fourth quarter of 2010, and a 15% decrease compared to \$6.2 million in the prior quarter. Full year 2011 contribution was \$22.8 million, a 24% decrease compared to \$30.1 million for full year 2010.

Total cost and expenses for the fourth quarter of 2011 were \$13.5 million, a 51% increase compared to \$9.0 million in the fourth quarter of 2010, and a 7% increase compared to \$12.7 million in the prior quarter. Full year total cost and expenses were \$49.6 million, a 43% increase compared to \$34.6 million for full year 2010.

Net loss for the fourth quarter of 2011 was \$1.1 million, or \$0.05 per share, compared to net income of \$626,000 or \$0.03 per share, for the fourth quarter of 2010 and a net loss of \$238,000 or \$0.01 per share for the prior quarter. Full year 2011 net loss was \$1.6 million, or \$0.08 per share, compared to net income of \$3.7 million or \$0.18 per share for full year 2010.

Adjusted EBITDA<sup>3</sup> for the fourth quarter of 2011 was \$1.0 million, a decrease of 47% compared to \$2.0 million for the fourth quarter of 2010, and an increase of 61% compared to \$639,000 in the prior quarter. A 173% increase in Other Affinity Networks direct marketing expense accounted for a substantial portion of the decrease in year-over-year Adjusted EBITDA results. Full year 2011 Adjusted EBITDA was \$2.6 million, a 72% decrease compared to \$9.4 million for full year 2010.

Average paying subscribers for the Company, as a whole, in the fourth quarter of 2011 were 212,850, an increase of 32% compared to 160,744 for the fourth quarter of 2010 and a 3% increase compared to 206,099 for the prior quarter. Full year 2011 average paying subscribers were 196,850, a 21% increase compared to 162,311 for full year 2010.

### **Segment Reporting<sup>4</sup>**

Fourth quarter 2011 revenue for Jewish Networks was \$6.7 million, a decrease of 3% compared to \$6.9 million in the fourth quarter of 2010 and flat compared to the prior quarter. Full year 2011 Jewish Networks revenue was \$27.1 million, a decrease of 1% compared to \$27.4 million for full year 2010.

Fourth quarter 2011 revenue for Other Affinity Networks was \$5.9 million, an increase of 114% compared to \$2.8 million in fourth quarter 2010, and an increase of 4% compared to \$5.7 million in the prior quarter. Full year 2011 Other Affinity Networks revenue was \$20.1 million, a 78% increase compared to \$11.3 million for full year 2010.

Fourth quarter 2011 revenue for General Market Networks was \$107,000, a decrease of 55% compared to \$236,000 in fourth quarter 2010, and a 16% decrease compared to \$127,000 in the prior quarter. Full year 2011 General Market Networks revenue was \$578,000, a 51% decrease compared to \$1.2 million for full year 2010.

Fourth quarter 2011 revenue for Offline & Other Businesses was \$105,000, a decrease of 34% compared to \$160,000 in fourth quarter 2010, and a 5% decrease compared to \$111,000 in the prior quarter. Full year 2011 Offline & Other Businesses revenue was \$772,000, a 20% decrease compared to \$964,000 for full year 2010.

Average paying subscribers for Jewish Networks were 87,101 during the fourth quarter of 2011, a decrease of 3% compared to 89,723 in the fourth quarter of 2010, and a decrease of 2% compared to 88,976 in the prior quarter. Full year 2011 Jewish Networks average paying subscribers were 89,429, a decrease of 1% compared to 90,452 for full year 2010.

Average paying subscribers for Other Affinity Networks were 123,139 during the fourth quarter of 2011, an increase of 89% compared to 65,172 in the fourth quarter of 2010 and an increase of 8% compared to 113,972 in the prior quarter. Full year

Other Affinity Networks average paying subscribers were 103,768, an increase of 60% compared to 64,851 for full year 2010.

Average paying subscribers for General Market Networks were 2,158 during the fourth quarter of 2011, a decrease of 58% compared to 5,174 in the fourth quarter of 2010, and a decrease of 20% compared to 2,702 in the prior quarter. Full year 2011 General Market Networks average paying subscribers were 3,138, a decrease of 50% compared to 6,328 for full year 2010.

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

As of December 31, 2011, the Company had cash and cash equivalents of \$15.1 million, an increase of 8.7% compared to \$13.9 million at December 31, 2010. As of December 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 Q4 '11 Financial Results  
Toll-Free (United States): 1-888-634-7543  
International: 1-719-325-2106  
Passcode: 1049461

Digital Replay through March 15, 2012:  
Toll-Free (United States): 1-888-203-1112  
International: 1-719-457-0820  
Passcode: 1049461

In addition, the Company will host a webcast of the call which will be accessible in the Investor Relations section of the Company's Web site 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 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 websites includes, among others, JDate®.com ([www.jdate.com](http://www.jdate.com)), Spark®.com ([www.spark.com](http://www.spark.com)), BlackSingles.com® ([www.blacksingles.com](http://www.blacksingles.com)), ChristianMingle®.com ([www.christianmingle.com](http://www.christianmingle.com)) and SilverSingles®.com ([www.silversingles.com](http://www.silversingles.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> “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>3</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 non-cash assets received in connection with a legal judgment.

<sup>4</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, ChristianMingle.com and SilverSingles.com. The Offline & Other Businesses segment consists of revenue generated from offline activities and HurryDate events and subscriptions.

**(Consolidated financial statements to follow)**

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

	<b>December 31, 2011</b>	<b>December 31, 2010</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents.....	\$ 15,106	\$ 13,901
Restricted cash.....	958	996
Accounts receivable .....	1,146	847
Deferred tax asset – current .....	44	43
Prepaid expenses and other .....	1,164	911
Total current assets .....	18,418	16,698
Property and equipment, net .....	2,839	2,520
Goodwill.....	8,683	9,156
Intangible assets, net .....	1,900	3,017
Deferred tax asset – non-current .....	5,641	4,882
Deposits and other assets .....	455	295
Total assets .....	\$ 37,936	\$ 36,568
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable.....	\$ 952	\$ 1,371
Accrued liabilities .....	4,046	3,635
Deferred revenue.....	5,723	4,331
Deferred tax liability - current.....	203	--
Total current liabilities .....	10,924	9,337
Deferred tax liability .....	1,219	825
Other liabilities non-current.....	1,141	1,036
Total liabilities.....	13,284	11,198
Commitments and contingencies.....	--	--
Stockholders' equity:		
Authorized capital stock consists of 100,000,000 Common Stock, \$0.001 par value; issued and outstanding 20,594,670 at December 31, 2011 and 20,587,336 shares as of December 31, 2010, at stated values of: .....	21	21
Additional paid-in-capital.....	53,014	52,020
Accumulated other comprehensive income.....	672	773
Accumulated deficit .....	(29,055)	(27,444)
Total stockholders' equity .....	24,652	25,370
Total liabilities and stockholders' equity.....	\$ 37,936	\$ 36,568

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

	<b>Three Months Ended December 31,</b>		<b>Years Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
	Revenue .....	\$ 12,861	\$ 10,109	\$48,493	\$40,851
Cost and expenses:					
Cost of revenue (exclusive of depreciation shown separately below) .....	8,420	4,002	28,955	13,749	15,207
Sales and marketing .....	1,062	788	3,722	3,496	3,507
Customer service .....	539	420	1,980	1,601	1,832
Technical operations.....	281	302	1,367	1,232	1,504
Development.....	643	760	2,710	3,092	3,895
General and administrative .....	1,071	2,141	8,068	9,782	9,932
Depreciation.....	343	263	1,320	962	873
Amortization of intangible assets.....	89	97	370	421	663
Impairment of intangible assets and other assets....	1,100	187	1,145	308	11,999
Total cost and expenses.....	<u>13,548</u>	<u>8,960</u>	<u>49,637</u>	<u>34,643</u>	<u>49,412</u>
Operating (loss) income.....	(687)	1,149	(1,144)	6,208	(4,024)
Interest expense (income) and other, net .....	144	(72)	162	(54)	(1,099)
(Loss) income before income taxes .....	(831)	1,221	(1,306)	6,262	(2,925)
Provision for income taxes .....	277	595	305	2,558	3,479
Net (loss) income.....	<u>\$ (1,108)</u>	<u>\$ 626</u>	<u>\$ (1,611)</u>	<u>\$ 3,704</u>	<u>\$ (6,404)</u>
Net (loss) income per share – basic and diluted .....	<u>\$ (0.05)</u>	<u>\$ 0.03</u>	<u>\$ (0.08)</u>	<u>\$ 0.18</u>	<u>\$ (0.31)</u>
Weighted average shares outstanding – basic.....	20,595	20,587	20,591	20,586	20,570
Weighted average shares outstanding – diluted .....	20,595	20,588	20,591	20,590	20,570

<b>Stock-Based Compensation</b> (in thousands)	<b>Three Months Ended December 31,</b>		<b>Twelve Months Ended December 31,</b>		
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Cost of revenue	\$ 2	\$ 3	\$ 8	\$ 11	\$ 17
Sales and marketing	15	35	80	233	184
Customer service	-	-	-	1	(14)
Technical operations	31	33	119	167	158
Development	10	12	42	54	29
General and administrative	125	187	657	1,044	667

Reconciliation of Net Income to Adjusted EBITDA:

(in thousands)	<b>Three Months Ended December 31,</b>	<b>Years Ended December 31,</b>
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	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>	<b>2009</b>
Net (loss) income	\$ (1,108)	\$ 626	\$(1,611)	\$3,704	\$(6,404)
Interest	13	51	102	207	378
Taxes	277	595	305	2,558	3,479
Depreciation	343	263	1,320	962	873
Amortization	89	97	370	421	663
EBITDA	(386)	1,632	486	7,852	(1,011)
Stock-based compensation	183	270	906	1,510	1,041
Impairment of intangible assets and other assets	1,100	187	1,145	308	11,999
Non-cash currency translation adjustments	132	(133)	337	(269)	(30)
Non-repetitive property possession	--	--	(247)	--	(1,507)
Adjusted EBITDA	\$ 1,029	\$ 1,956	\$ 2,627	\$9,401	\$ 10,492



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

	Three Months Ended December 31,		Years Ended December 31,		
	2011	2010	2011	2010	2009
<b>Revenue</b>					
Jewish Networks .....	\$ 6,700	\$ 6,930	\$ 27,054	\$ 27,440	\$ 28,842
Other Affinity Networks.....	5,949	2,783	20,089	11,279	12,771
General Market Networks.....	107	236	578	1,168	2,692
Offline & Other Businesses .....	105	160	772	964	1,083
Total Revenue.....	<u>\$ 12,861</u>	<u>\$ 10,109</u>	<u>\$ 48,493</u>	<u>\$ 40,851</u>	<u>\$ 45,388</u>
<b>Direct Marketing Expenses</b>					
Jewish Networks .....	\$ 929	\$ 586	\$ 3,389	\$ 2,321	\$ 2,346
Other Affinity Networks.....	6,640	2,436	21,459	7,292	8,502
General Market Networks.....	17	175	364	582	676
Offline & Other Businesses .....	49	62	512	535	541
Total Direct Marketing Expenses .....	<u>\$ 7,635</u>	<u>\$ 3,259</u>	<u>\$ 25,724</u>	<u>\$ 10,730</u>	<u>\$ 12,065</u>
<b>Contribution</b>					
Jewish Networks .....	\$ 5,771	\$ 6,344	\$ 23,665	\$ 25,119	\$ 26,496
Other Affinity Networks.....	(691)	347	(1,370)	3,987	4,269
General Market Networks.....	90	61	214	586	2,016
Offline & Other Businesses .....	56	98	260	429	542
Total Contribution .....	<u>\$ 5,226</u>	<u>\$ 6,850</u>	<u>\$ 22,769</u>	<u>\$ 30,121</u>	<u>\$ 33,323</u>
<b>Average Paying Subscribers</b>					
Jewish Networks .....	87,101	89,723	89,429	90,452	86,030
Other Affinity Networks.....	123,139	65,172	103,768	64,851	66,078
General Market Networks.....	2,158	5,174	3,138	6,328	13,219
Offline & Other Businesses .....	452	675	515	680	940
Total Average Paying Subscribers....	<u>212,850</u>	<u>160,744</u>	<u>196,850</u>	<u>162,311</u>	<u>166,267</u>