



THE MARKET

The Internet is an incredible medium that has developed from a fad into a utility that consumers regularly access from both work and home. As recognizable as any other utility in the country today, the Internet provides consumers with a wealth of knowledge unmatched by any other medium. So how do consumers enter the information super-highway? One short little acronym: ISPs.

The U.S. consumer Internet Service Provider (ISP) market has been growing since mass consumer adoption in the mid-1990s. Currently the market is split roughly 60/40 between dial-up and broadband. Estimates from the leading technology analyst firms peg the U.S. dial-up market to be roughly 45 million at the end of 2004 and predict the value segment of the market will be the dominant segment in the years to come. NetZero is a pioneer of the value segment, offering its millions of users high-quality, very reliable Internet access at affordable prices to the residential consumer market.

ACHIEVEMENTS

NetZero is a leading ISP as a result of its extensive achievements, innovation, and pioneering spirit. Along with its sister brands Juno and BlueLight Internet, NetZero has propelled its parent company United Online, Inc. (NASDAQ: UNTD), to the number-two position within the Internet

access market and the number-one position in the value-priced Internet access market. NetZero has been able to generate millions of sign-ups to its services, forever changing the landscape of the consumer ISP industry.

The brand has introduced some of the most innovative Internet



services and technologies that the dial-up industry has ever seen. Originally known as the pioneer of free Internet access, NetZero turned the industry on its ear in October 1998 by giving away a product for which most providers charged \$20 or more per month. Reaching an innovative crescendo in April 2003, the company launched an accelerated dial-up access service called NetZero HiSpeed. By embracing speed and affordability as its key product benefits, NetZero HiSpeed took off among consumers and solidified itself as the leader in the market.

With innovative services and marketing acumen, NetZero has achieved a great deal in its short history. The brand is widely known across all

industries as a leader and has an 87 percent aided brand awareness level in the United States. With all this recognition, it's no surprise that *Advertising Age* named NetZero a Mega Brand in 2004.

HISTORY

NetZero was founded in 1997 and launched its service in 1998, offering free unlimited nationwide Internet access and email. The advertising-driven free Internet access service became the fastest-growing access provider in history with sign-ups occurring at a rate of one every 45 seconds.

Six months after its free Internet service launch and while still a raw start-up, NetZero hired Mark R. Goldston, a well-known marketing expert and highly accomplished CEO, to join in as chairman and CEO in early 1999. Shortly after joining the company, which at the time consisted of only 35 employees, Goldston led NetZero to a successful IPO in September 1999.

NetZero, Inc., and Juno Online Services, two of the nation's leading Internet Service Providers, merged to form United Online, Inc., in September 2001 and created a company that had more than 6.7 million active users in the United States and Canada. Mark Goldston and the senior management team at NetZero ran the combined company. To this day both NetZero and Juno continue to be actively marketed.

In April 2003, NetZero HiSpeed, a next-generation dial-up accelerator service, was launched, and with it the brand once again revolutionized and continued to expand the dial-up industry. NetZero HiSpeed provided Web surfing at up to five times the speed of standard dial-up at \$14.95 a month, still 30 percent less expensive than the premium-priced ISPs. Since this launch, United Online has expanded its family again — with a mission of becoming the leading consumer Internet subscription service company in the United States — by acquiring the consumer Web-hosting business from About, Inc., in April 2004; Classmates.com (a leading social networking site) in November 2004; and Photosite.com (an online digital photo sharing business) in March 2005.

THE PRODUCT

NetZero provides a variety of Internet access and subscription services geared for the residential consumer market. The brand's services provide consumers with a compelling set of features and a very attractive price point; according to J.D. Power, NetZero ranks higher than America Online, MSN, SBC/Yahoo, and AT&T in overall customer satisfaction. Even though its services

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are value-priced, NetZero's quality and reliability rank near the top of the industry.

NetZero's primary service is Internet access. The brand cut its teeth offering free Internet access in the late 1990s and transitioned to a hybrid business model offering both free and value-priced access, the most expensive of which costs \$14.95 a month. With each service, NetZero users receive everything they may need to navigate their way through the Internet. Depending on the service plan, features include Web-based email so users can check from any Internet connection, spam and email virus security, accelerated dial-up service creating more of a "broadband-like" speed experience, and unlimited Internet access.

RECENT DEVELOPMENTS

NetZero is a subsidiary of United Online, which owns and markets several brands of Internet subscription services including Juno, Classmates.com, emailMyName, BizHosting.com, MySite.com, and PhotoSite. United Online has continued to diversify its services and offers consumers a choice of quality, easy-to-use options to fit their personal Internet needs. The company's pay services include Internet access, accelerated dial-up services, premium email, personal and business Web hosting and domain services, online digital photo sharing, community-based networking, and premium content.

As United Online has grown its offerings, it has also grown considerably in size. United Online leapt from 56th on the Nielsen NetRating's list of most popular Internet properties to the 13th spot, with just over 30 million unique users creating an advertiser's dream.



NetZero continues to attract millions of active pay and free members on a monthly basis.

PROMOTION

With a mixture of edgy, hard-hitting messages, NetZero has, in a very short time, built a well-known brand that is synonymous with value and quality. Along with Mark R. Goldston, chairman, president, and CEO of United Online, the company's marketing team is well known for its extremely efficient and creative media buys, garnering high awareness numbers and successfully selling NetZero in an intensely competitive marketplace.

From the company's inception, NetZero has run clutter-busting advertising campaigns



across traditional and new media outlets. Right out of the chute, the company introduced its popular "Defenders of the Free World" campaign, introducing NetZero free Internet service.

The clever campaign embraced Cold War and 1950s' imagery and featured a series of memorable television, print, billboard, and mobile ads. When the company introduced NetZero HiSpeed,

it produced NetZero HiSpeed Challenge ads in which people across the country were filmed watching side-by-side demonstrations of the service vs. its competitors. Taking advantage of the heated political landscape in the summer and fall of 2004, the company introduced Candidate Zero — running on a platform of saving people money on their Internet service by getting them to switch to NetZero. In December 2004, NetZero embarked upon another bold advertising campaign featuring

TV celebrity Dennis Miller as its spokesperson, continuing the aggressive tone of the brand and its value position.

NetZero's marketing team continues to embrace all types of marketing tools (not just television advertising) to get results. Tactics include guerilla marketing, search engine marketing, prominent and integrated product placement in top-rated television shows like *Fear Factor*, as well as field marketing, sweepstakes, and promotions. NetZero created a groundbreaking on-air partnership with NBC in late 1999 to sponsor its "NetZero @ The Half" for its NBA

games. NetZero literally took over the entire NBC studio for this sponsorship, creating massive brand exposure and a larger-than-life feel. Its in-show TV deals with *Fear Factor*, *Dog Eat Dog*, and *Next Action Hero* created massive brand exposure for NetZero. (In some cases, episodes that contained

the "NetZero HiSpeed Timer" for stunts featured the logo for roughly 10 minutes of a 30-minute program.) Last but not

least, now in its fifth year of involvement, NetZero has been a primary sponsor of the #0 NetZero NASCAR NEXTEL Cup car, which is a perfect fit for NetZero's edgy brand and target audience.

BRAND VALUES

NetZero owes its success to strong brand values that instill quality, trust, value, and reliability into the mind of consumers. The company has embraced these values and developed a creative marketing approach that has propelled the brand to the top of its industry. The company's core brand values are unflinching, and they provide its employees with a clear and common goal.

THINGS YOU DIDN'T KNOW ABOUT NETZERO

- NetZero signs up tens of thousands of new registered members a day.
- NetZero currently holds 16 patents and has several other applications pending.
- All dial-up Internet connections, including that provided by NetZero, are through your phone jack and take you to the same Internet.
- Since the formation of United Online through the merger of NetZero and Juno Online Services in September 2001, the company's market capitalization has grown ninefold.
- The company was founded in a one-room office back in 1997.

