



j2 Global Reports Q4 and Year End 2011 Results and Provides 2012 Outlook

Achieves Record Annual Free Cash Flow, Revenues and EPS

Announces Second Consecutive Quarterly Dividend Increase to \$0.21 Per Share

Announces Five Million Share Repurchase Program

LOS ANGELES--(BUSINESS WIRE)-- j2 Global, Inc. (NASDAQGS:JCOM) today reported financial results for the fourth quarter and year ended December 31, 2011 and announced that its Board of Directors has declared an increased quarterly cash dividend of \$0.21 per share and a five million share repurchase program.

FULL YEAR 2011 RESULTS

GAAP revenues increased 29.3% to an annual record \$330.2 million compared to \$255.4 million for 2010. Non-GAAP revenues⁽¹⁾ increased 33.3% to an annual record \$340.5 million compared to \$255.4 million for 2010.

GAAP net earnings per diluted share increased 34.3% to an annual record \$2.43 compared to \$1.81 for 2010. Non-GAAP net earnings per diluted share⁽²⁾⁽³⁾ increased 29.1% to an annual record \$2.53 compared to \$1.96 for 2010.

Free cash flow⁽⁴⁾ increased 44.7% to an annual record \$157.5 million compared to \$108.8 million for 2010.

Key annual financial results for 2011 versus 2010 are as follows:

| | 2011 | 2010 | % Change |
|-----------------------------------------------------------------|-----------------|-----------------|----------|
| GAAP Revenues | \$330.2 million | \$255.4 million | 29.3% |
| Non-GAAP Revenues⁽¹⁾ | \$340.5 million | \$255.4 million | 33.3% |
| GAAP Net Earnings per Diluted Share⁽²⁾ | \$ 2.43 | \$ 1.81 | 34.3% |
| Non-GAAP Net Earnings per Diluted Share⁽²⁾⁽³⁾ | \$ 2.53 | \$ 1.96 | 29.1% |
| Free Cash Flow⁽⁴⁾ | \$157.5 million | \$108.8 million | 44.7% |

(1) In the first quarter of 2011, the Company made a change in estimate regarding its remaining service obligations to its annual eFax® subscribers. As a result of system upgrades, the Company is now basing the estimate on the actual remaining service obligations to these customers. As a result of this change, in Q1 2011 the Company recorded a one-time, non-cash increase to deferred revenues of \$10.3 million with an equal offset to revenues.

(2) The estimated GAAP effective tax rate was approximately 16.3% for 2011 and 24.9% for 2010. The estimated Non-GAAP effective tax rate was approximately 25% for 2011 and 26.3% for 2010.

(3) For 2011, Non-GAAP earnings per diluted share excludes share-based compensation and related payroll taxes, certain acquisition-related integration costs, the sale of a tradename, the reversal of uncertain income tax positions due to expired statutes of limitations and gain on sale of auction rate securities, in each case net of tax, totaling \$0.10. For 2010, Non-GAAP earnings per diluted share excludes share-based compensation and related payroll taxes, certain acquisition-related integration costs, in each case net of tax, totaling \$0.15.

(4) Free cash flow is defined as net cash provided by operating activities, less purchases of property, plant and equipment, plus excess tax benefit from share-based compensation. In addition, the amount shown for 2010 excludes the impact of a \$14.2 million payment to the IRS in settlement of an audit for transfer pricing covering tax years 2004 through 2008 which was fully accrued for in prior periods. Including this settlement amount, the Company's free cash flow for the year was \$94.6 million. Free cash flow for 2010 was impacted by approximately \$3.4 million, net of tax, of transition and acquisition-related costs.

FOURTH QUARTER 2011 RESULTS

GAAP revenues increased 19.8% to \$85.1 million compared to \$71 million for Q4 2010.

GAAP net earnings per diluted share increased 6.9% to \$0.62 compared to \$0.58 for Q4 2010. Non-GAAP net earnings per diluted share⁽⁵⁾⁽⁶⁾ increased 6.7% to \$0.64 compared to \$0.60 for Q4 2010.

Free cash flow⁽⁷⁾ increased 85.8% to \$40.1 million compared to \$21.6 million for Q4 2010.

Key financial results for fourth quarter 2011 versus fourth quarter 2010 are as follows:

| | Q4 2011 | Q4 2010 | % Change |
|------------------------------------------------------------------|----------------|----------------|----------|
| GAAP Revenues | \$85.1 million | \$71 million | 19.8% |
| GAAP Net Earnings per Diluted Share⁽⁵⁾ | \$ 0.62 | \$ 0.58 | 6.9% |
| Non-GAAP Net Earnings per Diluted Share^{(5) (6)} | \$ 0.64 | \$ 0.60 | 6.7% |
| Free Cash Flow⁽⁷⁾ | \$40.1 million | \$21.6 million | 85.8% |

(5) The estimated GAAP effective tax rate was approximately 24.3% for Q4 2011 and 14% for Q4 2010. The estimated Non-GAAP effective tax rate was approximately 24.7% for Q4 2011 and 18% for Q4 2010.

(6) For Q4 2011, Non-GAAP earnings per diluted share excludes share-based compensation and related payroll taxes, certain acquisition-related integration costs and gain on sale of auction rate securities, in each case net of tax, totaling \$0.02. For Q4 2010, Non-GAAP earnings per diluted share excludes share-based compensation and related payroll taxes, certain acquisition-related integration costs and gain on auction rate securities, in each case net of tax, totaling \$0.02.

(7) Free cash flow is defined as net cash provided by operating activities, less purchases of property, plant and equipment, plus excess tax benefit from share-based compensation.

"I am pleased with both our operational and financial performance for 2011," said Hemi Zucker, CEO of j2 Global. "We successfully integrated substantially all of Protus IP Solutions, the largest acquisition in the Company's history. We also significantly broadened our suite of business cloud services with the addition of online backup (KeepItSafe®), email marketing (Campaigner®) and most recently customer relationship management (LandslideCRM™). For 2012, we are continuing our program of acquisitions to further expand our cloud service customer base and services, already closing three transactions this year as we continue to look for larger acquisitions such as Protus®. We are making significant incremental investments to grow our new service offerings, expand our business internationally and develop enhanced cross-selling capabilities."

BUSINESS OUTLOOK

For fiscal 2012, the Company is leveraging the gains made in 2011 with substantial investments in the new services acquired over the past 15 months, geographic expansion and to take advantage of our initial success with cross-sell efforts launched in 2011. No large acquisitions or new strategic initiatives are included in the guidance below. We anticipate that these investments will position the Company for increased growth in 2013 and beyond.

For fiscal 2012, j2 Global expects revenues of between \$345 and \$365 million and Non-GAAP net earnings per diluted share to be approximately the same as for 2011.

It is anticipated that the normalized tax rate for 2012 (exclusive of the release of certain FIN 48 reserves) will be between 24% and 26%.

DIVIDEND

The Company's Board of Directors has approved the declaration of a quarterly cash dividend to its shareholders of \$0.21 per common share, a 2.4% increase versus last quarter's dividend. The dividend will be paid on March 12, 2012 to all shareholders of record as of the close of business on February 27, 2012. Future dividends will be subject to Board approval.

SHARE REPURCHASE PROGRAM

j2 Global's Board of Directors has also approved a share repurchase program, replacing the existing share repurchase program set to expire April 30, 2012. Under the new program, the Company may purchase in the public market or in off-market transactions up to five million shares at any time or times through February 20, 2013. The timing and amounts of any purchases will be determined by the Company from time to time, depending on market conditions and other factors it deems relevant.

About j2 Global

Founded in 1995, j2 Global, Inc. provides outsourced, value-added messaging and communications services to individuals and businesses around the world. j2 Global's network spans 49 countries on six continents. The Company offers Internet fax, virtual phone, hosted email, email marketing, online backup, unified communications and customer relationship management solutions. j2 Global markets its services principally under the brand names eFax[®], Onebox[®], eVoice[®], Campaigner[®], Fusemail[®], KeepItSafe[™] and LandslideCRM[™]. As of December 31, 2011, j2 Global had achieved 16 consecutive fiscal years of revenue growth. For more information about j2 Global, please visit www.j2global.com.

"Safe Harbor" Statement Under the Private Securities Litigation Reform Act of 1995: Certain statements in this Press Release are "forward-looking statements" within the meaning of The Private Securities Litigation Reform Act of 1995, particularly those contained in the "Business Outlook" portion regarding the Company's expected fiscal 2012 financial performance and increased growth in 2013 and beyond. These forward-looking statements are based on management's current expectations or beliefs and are subject to numerous assumptions, risks and uncertainties that could cause actual results to differ materially from those described in the forward-looking statements. These factors and uncertainties include, among other items: subscriber growth and retention; variability of revenue based on changing conditions in particular industries and the economy generally; protection of the Company's proprietary technology or infringement by the Company of intellectual property of others; the risk of adverse changes in the U.S. or international regulatory environments surrounding messaging and communications, including but not limited to the imposition or increase of taxes or regulatory-related fees; and the numerous other factors set forth in j2 Global's filings with the Securities and Exchange Commission ("SEC"). For a more detailed description of the risk factors and uncertainties affecting j2 Global, refer to the 2010 Annual Report on Form 10-K filed by j2 Global on February 28, 2011, and the other reports filed by j2 Global from time-to-time with the SEC, each of which is available at www.sec.gov. The forward-looking statements provided in this press release and particularly those contained in the "Business Outlook" portion regarding the Company's expected fiscal 2012 financial performance and increased growth in 2013 and beyond are based on limited information available to the Company at this time, which is subject to change. Although management's expectations may change after the date of this press release, the Company undertakes no obligation to revise or update these statements.

j2 GLOBAL, INC. CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED, IN THOUSANDS)

| | DECEMBER 31, 2011 | DECEMBER 31, 2010 |
|--------------------------------------------------------------------------------|----------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 139,359 | \$ 64,752 |
| Short-term investments | 38,513 | 14,035 |
| Accounts receivable, net of allowances of \$3,404 and \$2,588, respectively | 19,071 | 17,423 |
| Prepaid expenses and other current assets | 14,311 | 15,196 |
| Deferred income taxes | 1,950 | 4,096 |
| Total current assets | 213,204 | 115,502 |
| Long-term investments | 43,077 | 8,175 |
| Property and equipment, net | 14,438 | 13,567 |
| Goodwill | 279,016 | 281,848 |
| Other purchased intangibles, net | 98,067 | 99,954 |
| Deferred income taxes | 11,838 | 12,967 |
| Other assets | 516 | 610 |
| TOTAL ASSETS | \$ 660,156 | \$ 532,623 |

LIABILITIES AND STOCKHOLDERS' EQUITY

| | | |
|--------------------------------------------|-------------------|-------------------|
| Accounts payable and accrued expenses | \$ 24,070 | \$ 25,112 |
| Income taxes payable | 1,494 | 1,798 |
| Deferred revenue | 26,695 | 16,938 |
| Liability for uncertain tax positions | 5,523 | 13,471 |
| Deferred income taxes | 355 | 573 |
| | <hr/> | <hr/> |
| Total current liabilities | 58,137 | 57,892 |
| Liability for uncertain tax positions | 24,554 | 24,391 |
| Deferred income taxes | 20,748 | 15,293 |
| Other long-term liabilities | 2,342 | 3,302 |
| | <hr/> | <hr/> |
| Total liabilities | 105,781 | 100,878 |
| Commitments and contingencies | — | — |
| Stockholders' Equity: | | |
| Preferred stock | — | — |
| Common stock | 554 | 537 |
| Additional paid-in capital | 197,374 | 164,769 |
| Treasury stock | (112,671) | (112,671) |
| Retained earnings | 472,595 | 381,145 |
| Accumulated other comprehensive loss | (3,477) | (2,035) |
| | <hr/> | <hr/> |
| Total stockholders' equity | 554,375 | 431,745 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 660,156</u> | <u>\$ 532,623</u> |

j2 GLOBAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

| | <u>THREE MONTHS ENDED DECEMBER 31,</u> | | <u>TWELVE MONTHS ENDED DECEMBER 31,</u> | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------|-------------|-----------------------------------------|-------------|
| | <u>2011</u> | <u>2010</u> | <u>2011</u> | <u>2010</u> |
| Revenues | | | | |
| Subscriber | \$ 84,165 | \$ 70,319 | \$ 327,953 | \$ 252,492 |
| Other | 907 | 706 | 2,206 | 2,902 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Total revenue | 85,072 | 71,025 | 330,159 | 255,394 |
| Cost of revenues (including share-based compensation of \$246 and \$982 for the three and twelve months of 2011, respectively, and \$254 and \$1,217 for the three and twelve months of 2010, respectively) | 14,661 | 12,708 | 60,613 | 44,086 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Gross profit | 70,411 | 58,317 | 269,546 | 211,308 |
| | <hr/> | <hr/> | <hr/> | <hr/> |
| Operating expenses: | | | | |
| Sales and marketing (including share-based compensation of \$382 and \$1,431 for the three | | | | |

| | | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|------------|------------|------------|
| and twelve months of 2011, respectively, and \$366 and \$1,826 for the three and twelve months of 2010, respectively) | 14,137 | 14,005 | 59,066 | 46,332 |
| Research, development and engineering (including share-based compensation of \$110 and \$477 for the three and twelve months of 2011, respectively, and \$170 and \$815 for the three and twelve months of 2010, respectively) | 3,659 | 4,017 | 16,373 | 12,827 |
| General and administrative (including share-based compensation of \$1,571 and \$6,103 for the three and twelve months of 2011, respectively, and \$1,380 and \$7,079 for the three and twelve months of 2010, respectively) | 14,120 | 13,963 | 58,157 | 48,226 |
| Total operating expenses | 31,916 | 31,985 | 133,596 | 107,385 |
| Operating earnings | 38,495 | 26,332 | 135,950 | 103,923 |
| Interest and other income (expense), net | 904 | 4,964 | 1,166 | 6,714 |
| Earnings before income taxes | 39,399 | 31,296 | 137,116 | 110,637 |
| Provision for income taxes | 9,580 | 4,429 | 22,350 | 27,590 |
| Net earnings | \$ 29,819 | \$ 26,867 | \$ 114,766 | \$ 83,047 |
| Basic net earnings per common share | \$ 0.63 | \$ 0.60 | \$ 2.46 | \$ 1.86 |
| Diluted net earnings per common share | \$ 0.62 | \$ 0.58 | \$ 2.43 | \$ 1.81 |
| Basic weighted average shares outstanding | 46,692,364 | 44,843,543 | 45,799,615 | 44,578,036 |
| Diluted weighted average shares outstanding | 46,989,376 | 46,358,698 | 46,384,848 | 45,941,843 |

j2 GLOBAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED, IN THOUSANDS)

TWELVE MONTHS ENDED DECEMBER 31,
2011 **2010**

| | | |
|-------------------------------------------------------------------------------------|-------------------|------------------|
| Cash flows from operating activities: | | |
| Net earnings | \$ 114,766 | \$ 83,047 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | |
| Depreciation and amortization | 19,756 | 14,510 |
| Amortization of discount or premium of investments | 941 | 837 |
| Share-based compensation | 8,968 | 10,937 |
| Excess tax benefit from share-based compensation | (13,561) | (62) |
| Provision for doubtful accounts | 6,900 | 1,965 |
| Deferred income taxes | 6,822 | (541) |
| Loss on disposal of fixed assets | 117 | 64 |
| Loss on trading securities | 4 | 3 |
| Gain on sale of available-for-sale investment | (552) | (4,477) |
| Decrease (increase) in: | | |
| Accounts receivable | (9,509) | (246) |
| Prepaid expenses and other current assets | 4,261 | (2,253) |
| Other assets | 200 | (165) |
| (Decrease) increase in: | | |
| Accounts payable and accrued expenses | 847 | 1,318 |
| Income taxes payable | 9,679 | (15,767) |
| Deferred revenue | 8,664 | (1,592) |
| Liability for uncertain tax positions | (7,786) | 8,114 |
| Other | 231 | 693 |
| Net cash provided by operating activities | <u>150,748</u> | <u>96,385</u> |
| Cash flows from investing activities: | | |
| Maturity of certificates of deposit | — | 31,653 |
| Purchase of certificate of deposit | (8,000) | — |
| Sales of available-for-sale investments | 29,777 | 48,843 |
| Purchases of available-for-sale investments | (82,879) | (52,921) |
| Purchases of property and equipment | (6,844) | (1,842) |
| Purchases of intangible assets | (4,312) | (8,312) |
| Acquisition of businesses, net of cash received | (3,926) | (248,568) |
| Proceeds from sale of assets | 4 | 13 |
| Net cash used in investing activities | <u>(76,180)</u> | <u>(231,134)</u> |
| Cash flows from financing activities: | | |
| Repurchases of common stock and restricted stock | (1,281) | (4,221) |
| Issuance of common stock under employee stock purchase plan | 142 | 109 |
| Exercise of stock options | 7,090 | 6,721 |
| Excess tax benefit from share-based compensation | 13,561 | 62 |
| Dividends paid | (19,174) | — |
| Net cash provided by financing activities | <u>338</u> | <u>2,671</u> |
| Effect of exchange rate changes on cash and cash equivalents | <u>(299)</u> | <u>(581)</u> |
| Net increase (decrease) in cash and cash equivalents | 74,607 | (132,659) |
| Cash and cash equivalents at beginning of period | 64,752 | 197,411 |
| Cash and cash equivalents at end of period | <u>\$ 139,359</u> | <u>\$ 64,752</u> |

j2 GLOBAL, INC.
UNAUDITED RECONCILIATION OF MODIFIED NET EARNINGS
THREE MONTHS ENDED DECEMBER 31, 2011 AND 2010
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Modified net earnings are GAAP net earnings with the following modifications: (1) elimination of share-based compensation expense; (2) elimination of payroll taxes associated with share-based compensation; (3) elimination of certain acquisition and related exit costs; (4) elimination of gain on sale of certain investments and (5) elimination of income tax expense or benefit associated with share-based compensation, the associated payroll taxes, certain acquisition and related exit costs and gain on sale of certain investments. Modified net earnings and modified net earnings per share are not meant as a substitute for measures determined under GAAP, but are solely for informational purposes. The following table illustrates and reconciles the GAAP net earnings with the aforementioned exclusions. The Company believes that this non-GAAP financial information are useful measures of operating performance because they exclude certain non-cash or non-ordinary course transactions.

| | THREE MONTHS ENDED DECEMBER 31, 2011 | | | THREE MONTHS ENDED DECEMBER 31, 2010 | | |
|---------------------------------------------|-----------------------------------------|-----------------------------|------------|--------------------------------------|----------------------------------|------------|
| | Reported | Non-GAAP Entries | Non-GAAP | Reported | Non-GAAP Entries | Non-GAAP |
| Revenues | | | | | | |
| Subscriber | \$ 84,165 | \$ - | \$ 84,165 | \$ 70,319 | \$ - | \$ 70,319 |
| Other | 907 | - | 907 | 706 | - | 706 |
| Total revenue | 85,072 | - | 85,072 | 71,025 | - | 71,025 |
| Cost of revenues | 14,661 | (79) ^{(1), (3)} | 14,582 | 12,708 | (510) ^{(1), (3)} | 12,198 |
| Gross profit | 70,411 | 79 | 70,490 | 58,317 | 510 | 58,827 |
| Operating expenses: | | | | | | |
| Sales and marketing | 14,137 | (382) ⁽¹⁾ | 13,755 | 14,005 | (1,644) ^{(1), (3)} | 12,361 |
| Research, development and engineering | 3,659 | 269 ^{(1), (3)} | 3,928 | 4,017 | (615) ^{(1), (3)} | 3,402 |
| General and administrative | 14,120 | (1,572) ^{(1), (2)} | 12,548 | 13,963 | (3,774) ^{(1), (2), (3)} | 10,189 |
| Total operating expenses | 31,916 | (1,685) | 30,231 | 31,985 | (6,033) | 25,952 |
| Operating earnings | 38,495 | 1,764 | 40,259 | 26,332 | 6,543 | 32,875 |
| Interest and other income (expense), net | 904 | (554) ⁽⁴⁾ | 350 | 4,964 | (3,922) ⁽⁴⁾ | 1,042 |
| Earnings before income taxes | 39,399 | 1,210 | 40,609 | 31,296 | 2,621 | 33,917 |
| Provision for income taxes | 9,580 | 462 ⁽⁵⁾ | 10,042 | 4,429 | 1,750 ⁽⁵⁾ | 6,179 |
| Net earnings | \$ 29,819 | \$ 748 | \$ 30,567 | \$ 26,867 | \$ 871 | \$ 27,738 |
| Diluted net earnings per share | \$ 0.62 | | \$ 0.64 | \$ 0.58 | | \$ 0.60 |
| Diluted weighted average shares outstanding | 46,989,376 | | 46,989,376 | 46,358,698 | | 46,358,698 |

| | | |
|------------------------------------------------------------|-------------------|-------------------|
| (1) Share-based compensation expense: | | |
| Cost of revenues | \$ (246) | \$ (254) |
| Sales and marketing | (382) | (366) |
| Research, development and engineering | (110) | (170) |
| General and administrative | (1,571) | (1,380) |
| | <u>\$ (2,309)</u> | <u>\$ (2,170)</u> |
| (2) Payroll taxes associated with share-based compensation | | |
| General and administrative | (1) | (42) |
| | <u>\$ (1)</u> | <u>\$ (42)</u> |
| (3) Acquisition and exit costs: | | |
| Cost of revenues | \$ 167 | \$ (256) |
| Sales and marketing | - | (1,278) |
| Research, development and engineering | 379 | (445) |
| General and administrative | - | (2,352) |
| | <u>\$ 546</u> | <u>\$ (4,331)</u> |
| (4) Gain on sale of investments: | <u>\$ (554)</u> | <u>\$ (3,922)</u> |
| (5) Income tax adjustment, net impact of the items above | | |
| Change in estimate of deferred revenue | | |
| Share-based compensation expense | \$ 717 | \$ 659 |
| Payroll taxes associated with share-based compensation | - | 10 |
| Acquisition and exit costs | (133) | 1,081 |
| Gain on sale of investments | (122) | - |
| | <u>\$ 462</u> | <u>\$ 1,750</u> |

j2 GLOBAL, INC.
UNAUDITED RECONCILIATION OF MODIFIED NET EARNINGS
TWELVE MONTHS ENDED DECEMBER 31, 2011 AND 2010
(UNAUDITED, IN THOUSANDS, EXCEPT SHARE AND PER SHARE AMOUNTS)

Modified net earnings are GAAP net earnings with the following modifications: (1) elimination of the impact to revenues resulting from a change in estimate of deferred revenue; (2) elimination of share-based compensation expense; (3) elimination of payroll taxes associated with share-based compensation; (4) elimination of certain acquisition and related exit costs, (5) elimination of gain on sale of certain investments and (6) elimination of income tax expense or benefit associated with the change in estimate of deferred revenue, shared-based compensation and associated payroll taxes, certain acquisition and related exit costs, gain on sale of certain investments, a change to our liability of uncertain tax position due to expiration of statutes of limitations and a trade name sale. Modified net earnings and modified net earnings per share are not meant as a substitute for measures determined under GAAP, but are solely for informational purposes. The following table illustrates and reconciles the GAAP net earnings with the aforementioned exclusions. The Company believes that this non-GAAP financial information are useful measures of operating performance because they exclude certain non-cash or non-ordinary course transactions.

| | TWELVE MONTHS ENDED DECEMBER 31, 2011 | | | TWELVE MONTHS ENDED DECEMBER 31, 2010 | | |
|------------------------------------------|------------------------------------------|----------------------------------|------------|------------------------------------------|----------------------------------|------------|
| | Reported | Non-GAAP Entries | Non-GAAP | Reported | Non-GAAP Entries | Non-GAAP |
| Revenues | | | | | | |
| Subscriber | \$ 327,953 | \$ 10,325 ⁽¹⁾ | \$ 338,278 | \$ 252,492 | \$ - | \$ 252,492 |
| Other | 2,206 | - | 2,206 | 2,902 | - | 2,902 |
| Total revenue | 330,159 | 10,325 | 340,484 | 255,394 | - | 255,394 |
| Cost of revenues | 60,613 | (1,187) ^{(2), (3), (4)} | 59,426 | 44,086 | (1,473) ^{(2), (4)} | 42,613 |
| Gross profit | 269,546 | 11,512 | 281,058 | 211,308 | 1,473 | 212,781 |
| Operating expenses: | | | | | | |
| Sales and marketing | 59,066 | (2,201) ^{(2), (3), (4)} | 56,865 | 46,332 | (3,104) ^{(2), (4)} | 43,228 |
| Research, development and engineering | 16,373 | (834) ^{(2), (3), (4)} | 15,539 | 12,827 | (1,260) ^{(2), (4)} | 11,567 |
| General and administrative | 58,157 | (7,685) ^{(2), (3), (4)} | 50,472 | 48,226 | (9,847) ^{(2), (3), (4)} | 38,379 |
| Total operating expenses | 133,596 | (10,720) | 122,876 | 107,385 | (14,211) | 93,174 |
| Operating earnings | 135,950 | 22,232 | 158,182 | 103,923 | 15,684 | 119,607 |
| Interest and other income (expense), net | 1,166 | (554) ⁽⁵⁾ | 612 | 6,714 | (3,922) ⁽⁵⁾ | 2,792 |
| Earnings before income taxes | 137,116 | 21,678 | 158,794 | 110,637 | 11,762 | 122,399 |
| Provision for income taxes | 22,350 | 17,361 ⁽⁶⁾ | 39,711 | 27,590 | 4,599 ⁽⁶⁾ | 32,189 |
| Net earnings | \$ 114,766 | \$ 4,317 | \$ 119,083 | \$ 83,047 | \$ 7,163 | \$ 90,210 |
| Diluted net earnings per share | \$ 2.43 | | \$ 2.53 | \$ 1.81 | | \$ 1.96 |

| Diluted weighted average shares outstanding | <u>46,384,848</u> | <u>46,384,848</u> | <u>45,941,843</u> | <u>45,941,843</u> |
|------------------------------------------------------------------|-------------------|-------------------|-------------------|--------------------|
| (1)Change in estimate of deferred revenue | <u>\$ 10,325</u> | | | <u>\$ -</u> |
| (2)Share-based compensation expense: | | | | |
| Cost of revenues | \$ (982) | | | \$ (1,217) |
| Sales and marketing | (1,431) | | | (1,826) |
| Research, development and engineering | (477) | | | (815) |
| General and administrative | (6,103) | | | (7,079) |
| | <u>\$ (8,993)</u> | | | <u>\$ (10,937)</u> |
| (3)Payroll taxes associated with share- based compensation | | | | |
| Cost of revenues | \$ (6) | | | \$ - |
| Sales and marketing | (6) | | | - |
| Research, development and engineering | (5) | | | - |
| General and administrative | (161) | | | (211) |
| | <u>\$ (178)</u> | | | <u>\$ (211)</u> |
| (4)Acquisition and exit costs: | | | | |
| Cost of revenues | \$ (199) | | | \$ (256) |
| Sales and marketing | (764) | | | (1,278) |
| Research, development and engineering | (352) | | | (445) |
| General and administrative | (1,421) | | | (2,557) |
| | <u>\$ (2,736)</u> | | | <u>\$ (4,536)</u> |
| (5)Gain on sale of investments: | <u>\$ (554)</u> | | | <u>\$ (3,922)</u> |
| (6)Income tax adjustment, net impact of the items above | | | | |
| Change in estimate of deferred revenue | \$ 2,707 | | | \$ - |
| Share-based compensation expense | 2,772 | | | 3,397 |
| Payroll taxes | | | | |

| | | |
|--------------------------------------------------------------------------------------|------------------|-----------------|
| associated with share-based compensation | 51 | 61 |
| Acquisition and exit costs | 717 | 1,141 |
| Gain on sale of investments | (122) | - |
| Change in uncertain income tax position due to expiration of statutes of limitations | 15,128 | - |
| Trade name sale | (3,892) | - |
| | <u>\$ 17,361</u> | <u>\$ 4,599</u> |

j2 Global, Inc.
Free Cash Flows
(in Thousands)

| | <u>Q1</u> | <u>Q2</u> | <u>Q3</u> | <u>Q4</u> | <u>YTD</u> |
|--------------------------------------------------------------------|------------------|------------------|------------------|------------------|-------------------|
| 2011 | | | | | |
| Net cash provided by operating activities | \$ 38,153 | \$ 42,398 | \$ 28,682 | \$ 41,515 | \$ 150,748 |
| Less: Purchases of property and equipment | (625) | (1,860) | (2,590) | (1,769) | (6,844) |
| Add: Excess tax (deficiency) benefit from share-based compensation | 679 | 1,443 | 11,124 | 315 | 13,561 |
| Free cash flows | <u>\$ 38,207</u> | <u>\$ 41,981</u> | <u>\$ 37,216</u> | <u>\$ 40,061</u> | <u>\$ 157,465</u> |

| | | | | | |
|--------------------------------------------------------------------|------------------|------------------|------------------|------------------|-------------------|
| 2010 | | | | | |
| Net cash provided by operating activities | \$ 34,688 | \$ 12,317 | \$ 27,147 | \$ 22,233 | \$ 96,385 |
| Less: Purchases of property and equipment | (86) | (495) | (692) | (569) | (1,842) |
| Add: Excess tax (deficiency) benefit from share-based compensation | (406) | 374 | 196 | (102) | 62 |
| Add: IRS settlement* | - | 14,223 | - | - | 14,223 |
| Free cash flows | <u>\$ 34,196</u> | <u>\$ 26,419</u> | <u>\$ 26,651</u> | <u>\$ 21,562</u> | <u>\$ 108,828</u> |

* Free cash flows of \$26.4 million for Q2 2010 were before the effects of our IRS settlement. In the second quarter, we successfully settled our audit for transfer pricing for the years of 2004 to 2008 for \$14.2 million, which was fully accrued for in prior periods. Taking this settlement into consideration, our free cash flow for the quarter was \$12.2 million.

| | | | | | |
|--------------------------------------------------------------------|------------------|------------------|------------------|------------------|-------------------|
| 2009 | | | | | |
| Net cash provided by operating activities | \$ 31,152 | \$ 20,362 | \$ 26,469 | \$ 23,850 | \$ 101,833 |
| Less: Purchases of property and equipment | (721) | (217) | (767) | (1,546) | (3,251) |
| Add: Excess tax benefit (deficiency) from share-based compensation | 5 | 2,718 | 403 | (63) | 3,063 |
| Free cash flows | <u>\$ 30,436</u> | <u>\$ 22,863</u> | <u>\$ 26,105</u> | <u>\$ 22,241</u> | <u>\$ 101,645</u> |

| | | | | | |
|-------------------------------------------------------|------------------|------------------|------------------|------------------|------------------|
| 2008 | | | | | |
| Net cash provided by operating activities | \$ 27,411 | \$ 23,840 | \$ 15,676 | \$ 23,789 | \$ 90,716 |
| Less: Purchases of property and equipment | (469) | (796) | (937) | (305) | (2,507) |
| Add: Excess tax benefit from share-based compensation | 239 | 204 | 212 | 910 | 1,565 |
| Free cash flows | <u>\$ 27,181</u> | <u>\$ 23,248</u> | <u>\$ 14,951</u> | <u>\$ 24,394</u> | <u>\$ 89,774</u> |

j2 Global, Inc.
Jeff Adelman
323-372-3617
press@j2global.com

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