



November 12, 2009

## **INCREDIMAIL REPORTS \$6.6 MIL REVENUES, \$3.3 MIL EBITDA AND \$2.1 MIL NET INCOME IN 3rd QUARTER OF '09**

Net Income first nine months of 2009 \$5.9 Million

TEL AVIV, ISRAEL - November 12, 2009 - IncredIMail Ltd. (NASDAQ: MAIL, [www.incredimail-corp.com](http://www.incredimail-corp.com)), an Internet company, today reported financial results for the third quarter ended September 30, 2009.

Total revenue for the third quarter of 2009 rose \$0.7 million, or 13%, to \$6.6 million, from \$5.9 million in the same quarter in 2008. Net income for the third quarter of 2009 was \$2.1 million, compared to \$0.1 million same third quarter last year, with earnings per diluted share of \$0.21 compared to \$0.01 in the third quarter last year.

In the first nine months of 2009, revenues were \$19.7 million, increasing 25%, from \$15.8 million in the same period last year. Net income in the first nine months of 2009 was \$5.9 million, or \$0.63 per diluted share, compared to net income of \$48 thousand in the first nine months of 2008.

Commenting on the results, Mr. Ofer Adler, IncredIMail's CEO, said, "Traditionally consumers spend less time in front of their computers in the summer months, despite this we yet again succeeded in achieving revenues higher than the prior winter months. This is primarily attributable to our continued success in growing search generated revenues, with our users currently driving searches through 4 different product offerings; IncredIMail, HiYo, Magentic and IncredIGames."

Gross profit increased 16% to \$6.2 million in the third quarter of 2009, from \$5.4 million in the third quarter last year, as a result of the higher revenues and an increase in gross profit margin to 94%, from 92% in the third quarter of 2008. The increased profitability was due to the growing portion of search related revenues, which have no associated direct costs, and accounted for over 75% of revenues this quarter.

Total operating expenses for the third quarter of 2009 were \$3.3 million, down \$1.5 million, or 31%, from the third quarter of 2008.

R&D expenses decreased 17%, to \$1.6 million in the third quarter of 2009 from \$1.9 million in the same quarter last year. Sales and Marketing expenses were \$1.2 million in the third quarter of 2009, decreasing by \$0.9 million, or 42%. These decreases were primarily a result of a decrease in customer acquisition expenses that had increased in 2008 to achieve HiYo market penetration, as well as the successful reorganization and shifting focus towards search related revenues.

In the third quarter of 2009, EBITDA was \$3.3 million, a robust 50% of revenues, and in the first nine months of 2009 it was \$9.6 million, or 49% of revenues. Operating income in the first nine months of 2009 was \$8.5 million, compared to \$0.3 million in the first nine months of 2008.

Taxes on income in the third quarter of 2009 were \$0.9 million, representing an effective tax rate of approximately 31% for the quarter of 2009. This reflects the Company's decision to institute a dividend policy beginning 2009 and as a result forgo some of its Israeli tax benefits.

"As we continue to grow our revenues, we have been consistently successful in controlling costs, enabling us to generate EBITDA of \$9.6 million in the first nine months of 2009, at a rate of 49% of revenues. During this quarter we have seen the successful launch of our IncredIMail 2 product, and we expect this and other products and initiatives, which we plan to introduce in the fourth quarter, will assist us in achieving the goals we've set out for 2009," concluded Mr. Ofer Adler.

## **Conference Call**

IncrediMail will host a conference call to discuss the results today, November 12th at 9:30 AM EDT (16:30 PM Israel Time). We invite all those interested in participating in the call to dial 1-(888)-668-9141. Callers from Israel may access the call by dialing (03) 918-0650. Participants may also access a live webcast of the conference call through the Investor Relations section of IncrediMail's website at [www.incredimail-corp.com](http://www.incredimail-corp.com). The webcast will be archived on the company's website for seven days.

## **About IncrediMail Ltd.**

IncrediMail Ltd. (NASDAQ: MAIL) is an internet company that develops customized, downloadable graphic consumer applications used to generate search related revenues and designs, markets and delivers high end personal desktop software. The company's award winning e-mail client product, IncrediMail Premium, is sold in over 100 countries in 10 different languages. Other products include, HiYo a graphic add-on to instant messaging software, Magentic, a wallpaper and screensaver software, and PhotoJoy, software for presenting digital personal photos.

## **Non-GAAP measures**

*Use of Non-GAAP Financial Information - In addition to reporting financial results in accordance with generally accepted accounting principles, or GAAP, IncrediMail uses non-GAAP measures of net income and earnings per share, which are adjustments from results based on GAAP to exclude reorganization expenses and non-cash stock-based compensation expenses. IncrediMail also uses EBITDA as a non-GAAP financial performance measurement. EBITDA is calculated by adding back to net income; interest, taxes, stock-based compensation and depreciation and amortization. IncrediMail's management believes the non-GAAP financial information provided in this release is useful to investors' understanding and assessment of IncrediMail's on-going core operations and prospects for the future. The presentation of this non-GAAP financial information is not intended to be considered in isolation or as a substitute for results prepared in accordance with GAAP. Management uses both GAAP and non-GAAP information as presented in this press release in evaluating and operating business internally and as such deemed it important to provide all this information to investors. These non-GAAP financial measures may differ materially from the non-GAAP financial measures used by other companies. Reconciliation between results on a GAAP and non-GAAP basis is provided in tables immediately following IncrediMail's Statement of Operations in this press release.*

## **Forward Looking Statements**

*This press release contains historical information and forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 with respect to the business, financial condition and results of operations of the Company. The words "believe," "expect," "intend," "plan," "should" and similar expressions are intended to identify forward-looking statements. Such statements reflect the current views, assumptions and expectations of the Company with respect to future events and are subject to risks and uncertainties. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements that may be expressed or implied by such forward-looking statements, including, among others, changes in the markets in which the Company operates and in general economic and business conditions, loss of key customers and unpredictable sales cycles, competitive pressures, market acceptance of new products, inability to meet efficiency and cost reduction objectives, changes in business strategy and various other factors, both referenced and not referenced in this press release. Various risks and uncertainties may affect the Company and its results of operations, as described in reports filed by the Company with the Securities and Exchange Commission from time to time. The Company does not assume any obligation to update these forward-looking statements.*

## **Contact Information**

**For further information please contact:**

Jeff Holzmann  
IncrediMail NY, President  
[Jeff@IncrediMail.com](mailto:Jeff@IncrediMail.com)

Todd Fromer / Marybeth Csaby  
KCSA Strategic Communications  
(212) 896-1215 / 212-896-1236  
[fromer@kcsa.com](mailto:fromer@kcsa.com) / [mcsaby@kcsa.com](mailto:mcsaby@kcsa.com)

 IncrediMail Report 1

 IncrediMail Report 2

 IncrediMail Report 3

 IncrediMail Report 4