



May 9, 2006

**Investor Contact:**

Liolios Group Inc

Scott Liolios

949-574-3860

[scott@liolios.com](mailto:scott@liolios.com)

**General Contact:**

Jan Johnson

Director of Marketing

801-320-3263

[jan.johnson@ucn.net](mailto:jan.johnson@ucn.net)

## UCN, Inc. Reports First Quarter 2006 Results - Fifth Consecutive Quarter of Record Revenue Growth for the inContact™ Segment

Salt Lake City – May 9, 2006 – UCN, Inc. (OTC.BB: UCNN), today announced record revenue of \$22.6 million for the quarter, a 42% increase over revenue of \$16.0 million for the quarter ended March 31, 2005. The primary reason for the year-over-year growth was driven by revenue derived from the TransTel Communications acquisition as well as increased sales in the inContact segment.

UCN also announced inContact segment revenue of \$2.96 million for the quarter, a 45% increase compared to the fourth quarter of 2005 and 249% increase over the first quarter of 2005.

Net loss for the quarter was \$2.1 million, or 9 cents per share, for the three-month period ended March 31, 2006 compared to net loss of \$2.0 million, or 10 cents per share, for the three-month period ended March 31, 2005. This loss was driven by continued investment in our inContact services, a \$330,000 billing dispute payment with a carrier, a \$153,000 stock-based compensation expense, and \$374,000 of additional depreciation and amortization.

Earnings before interest, taxes, depreciation and amortization (EBITDA) was (\$46,000) for the quarter-ended March 31, 2006 compared to (\$311,000) during the same period in 2005, and (\$702,000) for fourth quarter, 2005. This was an improvement of 85% compared to the first quarter 2005, and 94% compared to fourth quarter 2005. Excluding stock-based compensation expense, EBITDA for the current quarter was \$107,000.

FIRST QUARTER 2006 HIGHLIGHTS INCLUDE:

- InContact segment generated \$2.96 million in total revenue during the first quarter, its fifth consecutive quarterly growth in revenue
- Excluding stock-based compensation expense, EBITDA for the current quarter was \$107,000
- Added 45 new inContact accounts during the quarter
- During the quarter, we handled 22.6 million minutes through our inContact systems, an 80% increase over the previous quarter

Paul Jarman, UCN CEO stated: "We had a strong start to the year, reporting record inContact segment quarterly sales, as well as improvement across all other key metrics compared to fourth quarter, 2005. We are well positioned to be the leader in the hosted, on-demand market segment."

CONFERENCE CALL INFORMATION

**Date:** May 09, 2006

**Time:** 1:30 PM Pacific (4:30 Eastern)

**Dial-In Number:** 1-888-802-8578

**International:** 1-973-633-1010

**Conference ID #** 7348353

Call the conference telephone number 5-10 minutes prior to the start time. An operator will register your name and organization and ask you to wait until the call begins. If you have any difficulty connecting with the conference call please call the Liolios Group at (949) 574-3860.

A replay of the conference call will be available until 05/16/06 at:

**Toll-Free Replay number:** 1-877-519-4471 / PIN 7348353

**International Replay number:** 1-973-341-3080 / PIN 7348353

An internet audio recording will be available on the [www.ucn.net/investors](http://www.ucn.net/investors) page for 12 months.

**UCN, Inc.**

14870 Pony Express Rd

Bluffdale, UT 84065

888-UCN-0002

[info@ucn.net](mailto:info@ucn.net)

**UCN, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
*(in thousands)*

<b>ASSETS</b>	<b>March 31, 2006 (unaudited)</b>	<b>December 31, 2005</b>
Current assets:		
Cash and cash equivalents	\$ 2,930	\$ 5,471
Restricted cash	814	651
Accounts and other receivables, net of allowance for uncollectible accounts of \$1,355 and \$1,364, respectively	11,924	11,368
Other current assets	528	561
Total current assets	16,196	18,051
Property and equipment, net	5,043	5,225
Intangible assets, net	10,211	11,545
Other assets	800	822
Total assets	\$ 32,250	\$ 35,643
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Line of credit	\$ 3,502	\$ 3,328
Current portion of long-term debt and capital lease obligations	3,416	2,966
Trade accounts payable	10,442	11,380
Accrued liabilities	2,413	2,268
Accrued commissions	1,327	1,355
Total current liabilities	21,100	21,297
Long-term debt and capital lease obligations	4,359	5,511
Other long-term liabilities	190	247
Total liabilities	25,649	27,055
Total stockholders' equity	6,601	8,588
Total liabilities and stockholders' equity	\$ 32,250	\$ 35,643

**Safe Harbor Statement:** The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking information made on the Company's behalf. All statements, other than statements of historical facts which address the Company's expectations of sources of capital or which express the Company's expectation for the future with respect to financial performance or operating strategies, can be identified as forward-looking statements. Such statements made by the company are based on knowledge of the environment in which it operates, but because of the factors previously listed, as well as other factors beyond the control of the Company, actual results may differ materially from the expectations expressed in the forward-looking statements.

**UCN, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS - (Unaudited)**

*(in thousands except per share data)*

	<u>Three months ended March 31,</u>	
	<u>2006</u>	<u>2005</u>
Revenue	\$ 22,622	\$ 15,974
Operating expenses:		
Costs of revenue	15,483	10,371
Selling and promotion	3,618	3,118
General and administrative	3,567	2,796
Depreciation and amortization	1,879	1,505
Total operating expenses	24,547	17,790
Loss from operations	(1,925)	(1,816)
Other income (expense):		
Interest income	40	20
Interest expense	(258)	(183)
Total other expense	(218)	(163)
Net loss	(2,143)	(1,979)
Preferred dividends	-	(38)
Net loss applicable to common stockholders	\$ (2,143)	\$ (2,017)
Net loss per common share:		
Basic	\$ (0.09)	\$ (0.10)
Weighted average common shares outstanding:		
Basic	23,117	19,502

**UCN, INC.**  
**Segment Revenue and Operating Income (Loss)**  
*(in thousands except per share data)*

	<b>March 31, 2006</b>		
	<b>Telecom</b>	<b>inContact</b>	<b>Consolidated</b>
Revenue	\$ 19,667	\$ 2,955	\$ 22,622
Cost of revenue	13,914	1,569	15,483
Selling and promotion	2,220	1,398	3,618
General and administrative	2,551	704	3,255
Depreciation and amortization	1,389	490	1,879
Research and development	-	312	312
Loss from operations	\$ (407)	\$ (1,518)	\$ (1,925)

	<b>March 31, 2005</b>		
	<b>Telecom</b>	<b>inContact</b>	<b>Consolidated</b>
Revenue	\$ 15,128	\$ 846	\$ 15,974
Cost of revenue	9,997	374	10,371
Selling and promotion	2,953	165	3,118
General and administrative	2,374	116	2,490
Depreciation and amortization	1,058	447	1,505
Research and development	-	306	306
Loss from operations	\$ (1,254)	\$ (562)	\$ (1,816)

Our reportable segments reflect how we manage our business and consist of Telecom and inContact. The Telecom segment includes all voice and data services provided to customers not utilizing inContact. The inContact segment includes the inContact suite of services, such as automatic call distribution (for voice, email, and chat), interactive voice response, computer telephony integration, reporting, monitoring and recording, data storage and conferencing, and all voice and data services associated with that customer.

**Telecom Segment**

The Telecom segment revenue increased 30% from the first quarter of 2005 to \$20.0 million for the first period of 2006. This increase is primarily due to the Transtel acquisition which added approximately \$4.5 million during the first quarter of 2006. Cost of revenue for the segment increased to \$13.9 million, a decrease of 1% from the previous quarter. Excluding the effects of the one-time billing dispute charge, cost of revenue as a percentage of revenue was 69.1% compared to 66.1% for the same period in 2005 and 70.5% in the fourth quarter of 2005. Earnings before depreciation and amortization for this segment were a positive \$982,000, which is a 309% increase from the same period in 2005 and a 155% increase from the fourth quarter of 2005. Excluding the effects of the charge relating to the billing dispute, earnings before depreciation and amortization for the segment would have been \$1.3 million.

## **inContact Segment**

The inContact segment experienced the fifth consecutive quarter of growth to \$2.96 million during the first quarter of 2006. Revenue increased 45% from the fourth quarter 2005 and 249% compared to the first quarter of 2005. This increase in revenue is a result from the selling and promotion effort we have taken to bring this product to market. Gross margin for the quarter was 46.9% compared to 29.3% in our Telecom segment. We have continued focusing our resources on bringing our inContact and related services to market during Q1 06. As a result, selling and promotion expenses in the segment increased 234% from the fourth quarter 2005 and 747% compared to the first quarter of 2005. Additionally, we continue developing the services provided in the segment by investments in research and development. During the quarter, we spent \$312,000 in research and development costs in this segment.

## **Reconciliation of Non-GAAP Measure**

"EBITDA," which is calculated as Earnings Before deductions for Interest, Taxes, Depreciation and Amortization, and EBITDA excluding stock-based compensation are not measures of financial performance under generally accepted accounting principles (GAAP). These measures are provided for the use of the reader in understanding UCN's operating results and are not prepared in accordance with, nor do they serve as an alternative to GAAP measures and may be materially different from similar measures used by other companies. While not substitutes for information prepared in accordance with GAAP, the company believes that this information is helpful for investors to more easily understand operating financial performance. These measures may better enable an investor to form views of financial performance in the future. These measures have limitations as an analytical tool, and investors should not consider them in isolation or as a substitute for analysis of results prepared in accordance with GAAP.

### **Reconciliation of EBITDA to Net income (loss) applicable to common stockholders as it is presented on the Consolidated Statements of Operations for UCN, Inc. (unaudited)**

*(in thousands)*

	<b><u>Three months ended March 31,</u></b>	
	<b><u>2006</u></b>	<b><u>2005</u></b>
EBITDA excluding stock-based compensation	\$ 106	\$ -
Stock-based compensation	(153)	-
EBITDA	(46)	(311)
Depreciation and amortization	(1,879)	(1,505)
Interest income and expense, net	(218)	(163)
Net loss	(2,143)	(1,979)
Preferred stock dividend	-	(38)
Net loss applicable to common stockholders	\$ (2,143)	\$ (2,017)

## **About UCN, Inc.**

UCN (OTCBB: UCNN) is a provider of contact handling software services, and business data and voice services, delivered over its national VoIP network. The inContact™ suite of products includes an integrated package of advanced contact handling, reporting and administration applications and inControl™, a unique, rapid application development tool. To learn more about UCN visit [www.ucn.net](http://www.ucn.net).