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## **UCN, Inc. Reports Financial Results for the Second Quarter of 2004**

Salt Lake City, Utah – August 16, 2004 – UCN, Inc. (OTC Bulletin Board: UCNN), a provider of business telecommunication services, including contact center software applications hosted within its national VoIP network, today reported financial results for the quarter ended June 30, 2004. Revenues for the quarter were \$16.7 million, a 2.7 percent increase over revenues of \$16.3 million for the quarter ended June 30, 2003. For the six months ended June 30, 2004 revenues were \$33.5 million a 5.3 percent increase over the revenues of \$31.8 million for the six months ended June 30, 2003.

Earnings before interest, taxes, depreciation and amortization (EBITDA) was \$1.4 million for the quarter ended June 30, 2004 compared to \$2.1 million for 2003 and was \$2.9 million for the six months ended June 30, 2004 compared to \$3.5 million for the same period in 2003. Net income before preferred stock dividend was \$181,521 for the quarter ended June 30, 2004 compared to \$400,668 for the quarter ended June 30, 2003 and \$393,335 for the six months ended June 30, 2004 compared to \$775,924 for the same period in 2003. Net income applicable to common shareholders was \$25,170 for Q2 2004 compared to \$185,475 for Q2 2003. Net income applicable to common shareholders was \$34,671 for the first six months of 2004 compared to \$378,836 for the first six months of 2003.

Paul Jarman, UCN President stated, “The second Quarter was very strategic for UCN and the shareholders. While still profitable, we were able to invest heavily in our future by significantly expanding our sales channel, launching our new technology offering and positioning the company for future growth.” Jarman added, “We experienced very good initial traction in our new products, and received several data points that validate our market position.”

**Second Quarter Highlights include:**

- Second quarter revenue increased 2.7% to \$16.7 million and generated \$1.4 million in EBITDA
- Expanded Sales channel by adding 5 new Independent Sales Agents, recruited 5 new VAR Directors and added 6 new Direct Sales Managers.
- Improved the number of inContact Pilot customers to 40, and 30 inContact customer are now in production.
- Completed Phase 1 of the integration of the inContact software with the national IP network

**Conference Call**

The company will hold a conference call to discuss Second Quarter results and provide a company update. The details for the call are as follows:

**Date: August 16, 2004**

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

**Dial-In Number: 1-800-253-6872**

**International: 1-973-409-9260**

**Internet Simulcast: <http://viaid.net/dce.aspx?sid=00001DD0>**

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 08/23/04 at:

- Replay number: 1-877-519-4471
- International: 1-973-341-3080

\*The playback passcode (5054319) must be entered to access the playback.

The internet webcast will be available as an active link on the [www.ucn.net/Investors](http://www.ucn.net/Investors) page for 12 months.

**UCN, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEET - (Unaudited)**  
*(in thousands)*

	<b>June 30,</b> <b><u>2004</u></b>	<b>December 31,</b> <b><u>2003</u></b>
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 2,129	\$ 3,055
Restricted cash	1,698	1,569
Accounts and other, Receivables, and net	8,577	8,162
Other current assets	283	244
Total current assets	12,687	13,030
Property and equipment, net	3,117	2,425
Intangible assets, net	7,346	8,019
Other assets	480	497
Total assets	\$ 23,630	\$ 23,971
<b>LIABILITIES AND STOCKHOLDERS' EQUITY (DEFICIT)</b>		
Current liabilities:		
Line of credit	\$ 755	\$ 4,094
Current portion of long-term debt and capital lease obligations	2,586	7,781
Trade accounts payable	9,137	11,248
Accrued liabilities	2,312	1,829
Total current liabilities	14,790	24,952
Long-term debt and capital lease obligations	38	646
Total liabilities	14,828	25,598
Total stockholders' equity (deficit)	8,802	(1,627)
Total liabilities and stockholders' equity (deficit)	\$ 23,630	\$ 23,971

**UCN, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME - (Unaudited)**  
*(in thousands)*

	Three Month ended June 30,	
	2004	2003
Total Revenues	\$ 16,728	\$ 16,292
Cost of revenues	8,976	8,592
General and administrative expenses	3,763	4,105
Selling and promotion expenses	<u>3,624</u>	<u>2,691</u>
Total operating expenses	<u>16,363</u>	<u>15,388</u>
Income from operations	365	904
Interest expense, net	<u>(184)</u>	<u>(504)</u>
Net income	181	400
Preferred stock dividend	<u>(156)</u>	<u>(215)</u>
Net income applicable to common stockholders	\$ <u><u>25</u></u>	\$ <u><u>185</u></u>

	Six Months Ended June 30,	
	2004	2003
Total Revenues	\$ 33,472	\$ 31,773
Cost of revenues	18,152	17,257
General and administrative expenses	7,780	7,731
Selling and promotion expenses	<u>6,728</u>	<u>5,022</u>
Total operating expenses	<u>32,660</u>	<u>30,010</u>
Income from operations	812	1,763
Interest expense, net	<u>(419)</u>	<u>(987)</u>
Net income	393	776
Preferred stock dividend	<u>(358)</u>	<u>(397)</u>

Net income applicable to common stockholders	\$	<u>35</u>	\$	<u>379</u>
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### Reconciliation of Non-GAAP Measure

“EBITDA,” which is calculated as Earning Before deductions for Interest, Taxes, Depreciation and Amortization, is not a measure of financial performance under generally accepted accounting principles (GAAP). EBITDA is provided for the use of the reader in understanding UCN’s operating results and is not prepared in accordance with, nor does it serve as an alternative to GAAP measures and may be materially different from similar measures used by other companies. While not a substitute for information prepared in accordance with GAAP, we believe that this information is helpful for investors to more easily understand our operating financial performance, especially in light of the significant acquisitions we completed in 2003. We also feel this measure may better enable an investor to form views of our potential financial performance in the future. This measure has limitations as an analytical tool, and investors should not consider EBITDA in isolation or as a substitute for analysis of our results prepared in accordance with GAAP.

### Reconciliation of EBITDA to Net income applicable to common shareholders as it is presented on the Consolidated Statements of Income for UCN, Inc. (unaudited). (in thousands)

	Quarter Ended June 30,	
	2004	2003
EBITDA	\$ 1,410	\$ 2,097
Depreciation and amortization	(1,045)	(1,193)
Interest expense, net	<u>(184)</u>	<u>(504)</u>
Net income	181	400
Preferred stock dividend	<u>(156)</u>	<u>(215)</u>
Net income applicable to common stockholders	\$ <u><u>25</u></u>	\$ <u><u>185</u></u>

	Six Months Ended June 30,	
	2004	2003
EBITDA	\$ 2,936	\$ 3,547
Depreciation and amortization	(2,015)	(1,784)
Interest expense, net	<u>(528)</u>	<u>(987)</u>
Net income	393	776
Preferred stock dividend	<u>(358)</u>	<u>(397)</u>
Net income applicable to common stockholders	\$ <u><u>35</u></u>	\$ <u><u>379</u></u>

### About UCN

UCN, Inc., is a full service provider of long distance services over its national VoIP network and a provider of in-network hosted, telephony software applications addressing the contact center market. The UCN vision is to offer an affordable, flexible migration path from call center to contact center, enabling a business to respond quickly to its customers' requirements for voice, email and chat contact strategies. The inNetwork™ family of products, includes inContact™, an integrated package of advanced contact handling and management applications, and inControl™, a unique, rapid application development tool. For more information on the Company's products and services visit the UCN web site at <http://www.ucn.net>.

### **Forward-Looking Statements**

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 fact, 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 Company's control, actual results may differ materially from the expectations expressed in the forward-looking statements.