



Interland Reports Quarterly Financial Results: Quarter Highlighted by Improvement of Net Loss by \$3.6 Million; Agreement with R.H. Donnelley; Web.com Acquisition; Addition of Top Management Talent

ATLANTA, Jan. 9, 2006 (PRIMEZONE) -- Interland (Nasdaq:INLD), a leading provider of websites and online services for small and medium-sized businesses (SMBs), today reported results for its fiscal quarter ended November 30, 2005.

The quarter was highlighted by the previously unannounced agreement with R.H. Donnelley to provide website and hosting services. Additional highlights of the quarter include the announcement to purchase Web.com and the appointments of Vikas Rijshinghani as Chief Technology Officer and Judy Hackett as Chief Marketing Officer.

Summary of Fiscal First Quarter 2006 Results:

- Total revenues for the quarter were \$12.1 million, versus \$20.6 million in the fourth quarter. Substantially all of the revenue decline was due to the company's sale of its dedicated server assets.
- Net loss was \$2.6 million, or negative \$0.16 per share, an improvement of \$3.6 million, versus a loss of \$6.2 million, or negative \$0.38 per share, in the previous quarter.
- Earnings before interest, taxes, depreciation, and amortization, ("EBITDA") (1) for the quarter was negative \$1.3 million, an improvement of \$0.8 million from negative \$2.1 million, in the previous quarter. This included restructuring charges, net of one time gains, of roughly \$0.8 million and stock-based compensation of approximately \$0.4 million.
- Cash and investment position, which includes cash and cash equivalents of \$23.3 million and restricted investments of \$9.4 million, was \$32.7 million compared to \$26.5 million, an improvement of \$6.2 million, in the previous quarter.

"Interland executed on its restructuring plan this quarter moving towards a more efficient enterprise poised for growth, highlighted by a \$3.6 million improvement in net income," stated Jeff Stibel, President and CEO, Interland. "We made significant inroads in our sales channel and signed deals with R.H. Donnelley, one of the largest Yellow Pages publishers and local online search companies in the U.S., and Ambassador Yellow Pages, the fastest growing directory publisher in New York City. By acquiring Web.com, we now have a strong platform to build a powerful world-class brand. In addition to the tremendous branding opportunity, this acquisition adds revenues, significant direct navigation traffic, and an entrance into the consumer segment of the web hosting market."

"Interland was able to take advantage of significant cost savings during the quarter as a result of the sale of its dedicated server assets and the continued restructuring of the company," stated Gonzalo Troncoso, Executive Vice President and Chief Financial Officer. "I am encouraged with the financial results from the quarter and feel that the company is headed in a favorable direction. By focusing on cost savings and striking deals with leading industry players, Interland is positioning itself for the future and building a strong infrastructure for growth. The company continues to strengthen its team by hiring top talent and its business by focusing on what is core: provide high-quality and reliable websites and online services to the small and medium-sized business market."

For further information on the quarter, please refer to the company's Form 10-Q.

About Interland

Interland, Inc. (Nasdaq:INLD) is a leading provider of websites and online services focused on helping small and medium-sized

businesses achieve success by providing the knowledge, services and tools to build, manage and promote businesses online. Interland offers a wide selection of online services, including standardized web hosting, ecommerce, application hosting, website development, online marketing and optimization tools. For more information about Interland, please visit www.interland.com or call at 800-336-9883.

Interland will host a conference call today to discuss its quarterly results at 9:30 AM ET (6:30 AM PT). A live webcast of the call can be accessed on the investors section of the company's website at www.interland.com. A replay of the call will be available on the site for seven days.

(1) EBITDA from continuing operations is a non-GAAP financial measure that is most directly comparable to the GAAP financial measure of Net Loss from continuing operations. Reconciliations of the non-GAAP measure to both Net Loss from continuing operations, as well as to Net Cash Used in Operating Activities follow.

Forward-looking Statements

Except for the historical information contained in this press release, statements in this press release may be considered forward-looking statements. These forward-looking statements include, but are not limited to: the ability to build a more efficient enterprise, grow the business, build a powerful world-class brand, add revenue, enter the consumer segment of the web hosting market and strike deals with leading industry players. Actual results may differ materially from those contained in the forward-looking statements in this press release. Factors which could affect these forward-looking statements, and Interland's business, include but are not limited to: the ability to operate within budgeted expense, the ability of the company to improve customer satisfaction, reduce churn, and expand its customer base as planned, our growing dependence on our reseller and other indirect sales channels, general economic conditions, the impact of competition, quarterly fluctuations in operating results, the loss of customers with failing businesses and customer churn in general, customer acceptance of new products and services, the possible lack of availability of our restricted investments, the retention of key employees, potential liabilities from the sale of our dedicated server assets, possible disruptions due to our data centers being maintained by third parties, higher than expected costs of litigation and the impact of liabilities that could carry over from Micron Electronics' discontinued operations. Certain of these and other risks associated with Interland's business are discussed in more detail in its public filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K, its Quarterly Reports on Form 10-Q and its Current Reports on Form 8-K, and its proxy statement. Investors should not place undue reliance on these forward-looking statements, which speak only as of the date of this press release. The Company does not undertake to update its forward-looking statements.

INTERLAND, INC.

UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share amounts)

	For the Quarter Ended			
	11/30/05	11/30/04	11/30/05	8/31/05
Revenues	\$12,148	\$23,061	\$12,148	\$20,618
Operating costs and expenses:				
Network operating costs, exclusive of depreciation shown below	2,131	5,685	2,131	5,642
Sales and marketing, exclusive of depreciation shown below	2,517	3,966	2,517	4,469
Technical support, exclusive of depreciation shown below	1,803	3,813	1,803	2,612
General and administrative, exclusive of depreciation shown below	5,238	7,131	5,238	7,980
Bad debt expense	276	440	276	321
Depreciation and amortization	1,431	5,877	1,431	4,370
Restructuring costs	1,626	--	1,626	950
Gain on sale of accounts	--	--	--	705
Other expense (income), net	(165)	(13)	(165)	(4)
Total operating costs				

and expenses	14,857	26,899	14,857	27,045
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Operating loss	(2,709)	(3,838)	(2,709)	(6,427)
Interest income (expense), net	243	41	243	181
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Loss from continuing operations before income taxes	(2,466)	(3,797)	(2,466)	(6,246)
Income tax benefit (expense)	--	--	--	850
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Net loss from continuing operations	(2,466)	(3,797)	(2,466)	(5,396)
Income/(loss) from discontinued operations, net of tax	(122)	601	(122)	(778)
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Net loss	\$(2,588)	\$(3,196)	\$(2,588)	\$(6,174)
	=====	=====	=====	=====
Net income/(loss) per share, basic and diluted:				
Continuing operations	\$ (0.15)	\$ (0.24)	\$ (0.15)	\$ (0.33)
Discontinued operations	(0.01)	0.04	(0.01)	(0.05)
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	\$ (0.16)	\$ (0.20)	\$ (0.16)	\$ (0.38)
	=====	=====	=====	=====
Number of shares used in per share calculation:				
Basic and diluted	16,283	16,016	16,283	16,032

INTERLAND, INC.
UNAUDITED CONSOLIDATED BALANCE SHEETS
(In thousands)

As of

	November 30, 2005	August 31, 2005
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Assets		
Current assets		
Cash and cash equivalents	\$ 23,268	\$ 16,891
Trade receivables, net of the allowance of \$34 and \$381, respectively	1,333	1,365
Other receivables	710	11,502
Prepays and other current assets	2,056	2,698
Restricted investments	276	258
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Total current assets	27,643	32,714
Restricted investments	9,073	9,299
Securities, held-to-maturity	53	50
Property plant and equipment, net	6,003	5,858
Intangibles, net	2,176	3,038
Other assets	5,600	5,600
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Total assets	\$ 50,548	\$ 56,559
	=====	=====
Liabilities and shareholders' equity		
Current liabilities		
Accounts payable	\$ 2,518	\$ 2,355
Accrued expenses	6,287	10,465
Accrued restructuring charges	5,425	4,717

Current portion of long-term debt and capital lease obligations	872	859
Deferred revenue	4,275	4,542
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Total current liabilities	19,377	22,938
Long-term debt and capital lease obligations	2,269	2,510
Deferred revenue, long-term	208	229
Other liabilities	934	939
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Total liabilities	22,788	26,616
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Shareholders' equity		
Common stock, \$.01 par value, authorized 21 million shares, issued and outstanding 16.4 and 16.1 million shares, respectively	164	164
Additional capital	324,581	323,498
Warrants	2,128	2,806
Note receivable from shareholder	(735)	(735)
Accumulated deficit	(298,378)	(295,790)
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Total shareholders' equity	27,760	29,943
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Total liabilities and shareholders' equity	\$ 50,548	\$ 56,559
	=====	=====

EBITDA is defined as net income (loss) less (i) provision for incometaxes, (ii) interest income or expense, and (iii) depreciation and amortization. EBITDA is not an indicator of financial performance under generally accepted accounting principles and may not be comparable to similarly captioned information reported by other companies. In addition, it does not replace net income (loss), operating income (loss), or cash flows from operating activities as indicators of operating performance. The effect of taxes and interest on Interland's net loss is not significant, but depreciation and amortization, primarily as a result of acquisitions, is significant. The Company believes that measuring the performance of the business without regard to non-cash depreciation and amortization can make trends in operating results more readily apparent, and when considered with other information, assist investors and other users of the Company's financial statements who wish to evaluate the Company's ability to generate future cash flows.

The following table reflects the calculation of EBITDA from continuing operations and a reconciliation to net cash provided by (used in) operating activities:

	For the Quarter Ended			
	11/30/05	11/30/04	11/30/05	8/31/05
	-----	-----	-----	-----
Net loss	\$ (2,588)	\$ (3,196)	\$ (2,588)	\$ (6,174)
Depreciation and amortization	1,431	5,877	1,431	4,370
Interest expense (income)	(243)	(41)	(243)	(181)
Income tax benefit	--	--	--	(850)
Discontinued operations	122	(601)	122	778
	-----	-----	-----	-----
EBITDA	\$ (1,278)	\$ 2,039	\$ (1,278)	\$ (2,057)
	=====	=====	=====	=====
Interest income/(expense)	243	41	243	181
Provision for bad debts	276	440	276	321
Gain on sale of accounts	--	--	--	705
(Gain)/Loss on the sale of assets	--	(13)	--	(4)
Goodwill and asset impairment	--	--	--	--
Other non-cash adjustments	385	158	385	--
Restructuring charges	1,626	--	1,626	950
Income tax (expense) benefit	--	--	--	850

Changes in assets and liabilities:

Cash received from sale of dedicated assets	11,267	--	11,267	--
Receivables, net	(719)	(490)	(719)	548
Other current assets	642	301	642	(534)
Accounts payable, accrued expenses, and deferred revenue	(4,326)	(2,583)	(4,326)	(5,320)
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Net cash provided by (used in) operating activities	\$ 8,116	\$ (107)	\$ 8,116	\$ (4,360)
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