



**salon media group**

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**FOR IMMEDIATE RELEASE**

**SALON REPORTS FIRST QUARTER FISCAL YEAR 2005 RESULTS**

**RECORDS NET LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS  
OF \$1.2 MILLION COMPARED TO \$1.3 MILLION LOSS IN PRIOR YEAR  
PERIOD**

**RECORDS FIRST EVER NON-GAAP PRO FORMA PROFIT ATTRIBUTABLE TO  
COMMON STOCKHOLDERS OF \$0.2 MILLION COMPARED TO \$1.1 MILLION  
LOSS IN PRIOR YEAR PERIOD**

**FIRST QUARTER REVENUES OF \$1.7 MILLION, A 66% INCREASE  
FROM PRIOR YEAR PERIOD**

**SAN FRANCISCO, Calif. --- August 5, 2004 ---** Salon Media Group, Inc. (SALN.OB), an Internet media company, announced today a net loss attributable to common stockholders of \$1.2 million or (\$0.08) per share for its first quarter ended June 30, 2004, compared to a net loss attributable to common stockholders of \$1.3 million or (\$0.09) per share for its first quarter ended June 30, 2003. On a non-GAAP pro forma basis, Salon recorded a non-GAAP pro forma profit attributable to common stockholders of \$0.2 million compared to a non-GAAP loss attributable to common stockholders of \$1.1 million in the prior year period. The non-GAAP profit for the current quarter of \$0.2 million excludes the following non-cash charges: \$490,000 from re-valuing warrants issued in conjunction with operations, \$398,000 from re-valuing warrants issued to preferred stockholders and included as a preferred deemed dividend charge, \$150,000 of utilized prepaid advertising rights, \$94,000 of depreciation and amortization charges and a \$195,000 preferred deemed dividend charge resulting from the issuance of preferred stock at an effective common stock purchase price below the market price of Salon's common stock on the date of the transaction. The non-GAAP loss in the prior year period of \$1.1 million excludes the following non-cash charges: \$214,000 of depreciation

and amortization charges, \$120,000 of utilized prepaid advertising rights, a benefit of \$21,000 from re-valuing warrants issued in conjunction with operations, and a benefit of \$72,000 from re-valuing warrants issued to preferred stockholders and recorded as a preferred deemed dividend.

Total revenues for the quarter ended June 30, 2004 were \$1.7 million, compared to \$1.0 million a year ago, a 66% increase, with advertising revenues increasing to \$1.0 million from \$0.4 million a year ago.

“We are very excited to report Salon’s first ever pro forma net profit,” said David Talbot, Salon’s Chairman and CEO. “This milestone could not have been reached without the concerted effort and dedication of Salon’s employees, investors and readers.”

A reconciliation of net loss calculated in accordance with generally accepted accounting principles generally accepted in the United States of America (GAAP) and pro forma net income (loss) is provided immediately following the consolidated statements of operations below. These pro forma measures are not in accordance with, or an alternative for, GAAP and may be different from pro forma measures used by other companies. Salon believes that the presentation of pro forma results provides useful information to management and investors regarding underlying trends in its consolidated financial condition and results of operations. Readers of Salon’s consolidated financial statements are advised to review and carefully consider the financial information prepared in accordance with GAAP contained in this press release and Salon’s periodic filings with the Securities and Exchange Commission.

#### **Highlights of quarter ending June 30, 2004:**

- Total revenues for the current period were \$1.7 million compared to \$1.0 million last year, a 66% increase. Advertising revenues for the current period were \$1.0 million compared to \$0.4 million last year, a 163% increase.
- Salon Premium subscribers at the end of the quarter were 75,700 compared to 66,200 a year ago.
- Controlling costs resulted in total GAAP operating expenses for the quarter of \$2.0 million, the lowest since becoming a publicly traded company in June 1999.
- GAAP loss from operations of \$0.3 million for the quarter was the best performance of the company since becoming a publicly traded company in June 1999.
- Excluding non-cash related charges of \$1.3 million, recorded a non-GAAP pro forma profit attributable to common stockholders of \$0.2 million, compared to a non-GAAP pro forma loss attributable to common stockholders of \$1.1 million last year after excluding \$0.2 million of non-cash charges.



### **Future Periods Guidance:**

Salon does not believe that the quarter ending June 30, 2004 non-GAAP financial results should be considered predictive of future quarter results. Even though Salon reached non-GAAP pro forma net income for its quarter ended June 30, 2004, Salon does not anticipate attaining non-GAAP pro forma net income for its quarter ending September 30, 2004 and cannot accurately predict when it will reach this milestone in future quarters. Due to seasonality, Salon estimates that total revenues for its quarter ending September 30, 2004 will decrease to \$1.3 - \$1.4 million, with advertising sales comprising \$0.6-\$0.7 million of the total. Salon cannot predict total revenues after September 30, 2004 owing to the relative short time frame in which advertising orders are secured and when they run on our Website and the lack of significant long-term advertising orders.

### **About Salon Media Group, Inc.:**

Founded in 1995, Salon is an Internet media company that produces various award-winning, original content sites; and hosts- two subscription communities - Table Talk and The Well.

"Safe Harbor" Statement under the U.S. Private Securities Litigation Reform Act of 1995: This press release, including the statements by David Talbot, contains certain "forward-looking" statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements are based on management's current expectations and are naturally subject to uncertainty and changes in circumstances. Actual results may vary materially from the expectations contained herein. The forward-looking statements contained herein include statements about future financial and operating results of Salon. Factors that could cause actual results to differ materially from those described herein include: the economic environment of the media industry; the difficulty in securing on-line advertising; growth in subscription revenue programs; uncertain revenue sources and the general economic environment. More detailed information about these factors is set forth in the reports filed by Salon with the Securities and Exchange Commission. Salon is under no obligation to (and expressly disclaims any such obligation to) update or alter its forward-looking statements, whether as a result of new information, future events or otherwise. We do not believe that our reported net loss or non-GAAP pro forma net income for the quarter ending June 30, 2004 should be considered predictive of future period or full year results.

Note: Salon is a registered trademark of Salon Media Group, Inc. All other company and product names mentioned are trademarks of their respective owners.

**SALON MEDIA GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>June 30</b>	
	<b>2004</b>	<b>2003</b>
Net revenues	\$ 1,733	\$ 1,045
Operating expenses:		
Production and content	1,200	1,189
Sales and marketing	468	563
Research and development	135	149
General and administrative	228	371
Amortization of intangibles	-	93
Total operating expenses	2,031	2,365
Loss from operations	(298)	(1,320)
Other income (expense), net	(273)	(72)
Net loss	(571)	(1,392)
Preferred deemed dividend	(593)	72
Net loss attributable to common stockholders	\$ (1,164)	\$ (1,320)
Basic and diluted net loss per share attributable to common stockholders	\$ (0.08)	\$ (0.09)
Weighted average shares used in computing basic and diluted net loss per share attributable to common stockholders	14,155	13,997

**SALON MEDIA GROUP, INC.**  
**PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended</b>		
	<b>June 30, 2004</b>		
	<u>As Reported (1)</u>	<u>Adjustments</u>	<u>Pro Forma</u>
Net revenues	\$ 1,733	\$ -	\$ 1,733
Operating expenses:			
Production and content	1,200	(141)	1,059
Sales and marketing	468	(161)	307
Research and development	135	(8)	127
General and administrative	228	(41)	187
Amortization of intangibles	-	-	-
Total operating expenses	<u>2,031</u>	<u>(351)</u>	<u>1,680</u>
Loss from operations	(298)	351	53
Other income (expense), net	<u>(273)</u>	<u>383</u>	<u>110</u>
Net loss	(571)	734	163
Preferred deemed dividend	<u>(593)</u>	<u>593</u>	<u>-</u>
Net profit (loss) attributable to common stockholders	<u>\$ (1,164)</u>	<u>\$ 1,327</u>	<u>\$ 163</u>
Basic net profit (loss) per share attributable to common stockholders	\$ (0.08)		\$ 0.01
Dilutive net profit (loss) per share attributable to common stockholders	\$ (0.08)		\$ 0.00
Weighted average shares used in computing basic net profit (loss) per share attributable to common stockholders	14,155		14,155
Weighted average shares used in computing dilutive net profit (loss) per share attributable to common stockholders	14,155		160,602,578

(1) In accordance with accounting principles generally accepted in the United States

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**PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended</b>		
	<b>June 30, 2003</b>		
	<u>As Reported (1)</u>	<u>Adjustments</u>	<u>Pro Forma</u>
Net revenues	\$ <u>1,045</u>	\$ <u>-</u>	\$ <u>1,045</u>
Operating expenses:			
Production and content	1,189	(40)	1,149
Sales and marketing	563	(133)	430
Research and development	149	(7)	142
General and administrative	371	(10)	361
Amortization of intangibles	<u>93</u>	<u>(93)</u>	<u>-</u>
Total operating expenses	<u>2,365</u>	<u>(283)</u>	<u>2,082</u>
Loss from operations	(1,320)	283	(1,037)
Other income (expense), net	<u>(72)</u>	<u>30</u>	<u>(42)</u>
Net loss	(1,392)	313	(1,079)
Preferred deemed dividend	<u>72</u>	<u>(72)</u>	<u>-</u>
Net loss attributable to common stockholders	<u>\$ (1,320)</u>	<u>\$ 241</u>	<u>\$ (1,079)</u>
Basic and diluted net loss per share attributable			
to common stockholders	\$ (0.09)		\$ (0.08)
Weighted average shares used in computing			
basic and diluted net loss per share			
attributable to common stockholders	13,997		13,997

(1) In accordance with accounting principles generally accepted in the United States

**SALON MEDIA GROUP, INC.**  
**PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**  
(in thousands, except per share data)  
(Unaudited)

	<b>Three Months Ended</b>	
	<b>June 30,</b>	
	<b>2004</b>	<b>2003</b>
Net loss attributable to common stockholders	\$ (1,164)	\$ (1,320)
Less:		
Charges resulting from re-valuing warrants issued in conjunction with operations	490	(21)
Utilization of prepaid advertising rights	150	120
Depreciation and amortization charges	94	214
Preferred deemed dividend charge from re-valuation of warrants issued to preferred stockholders	398	(72)
Preferred deemed dividend charge from issuance of preferred stock	195	-
Pro forma net loss attributable to common stockholders	\$ 163	\$ (1,079)



**SALON MEDIA GROUP, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(in thousands, except share and per share amounts, unaudited)**

	<b>June 30,</b>	<b>March 31,</b>
	<b>2004</b>	<b>2004</b>
	<u>          </u>	<u>          </u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 765	\$ 696
Accounts receivable, net	821	306
Prepaid expenses, and other current assets	<u>335</u>	<u>432</u>
Total current assets	1,921	1,434
Property and equipment, net	129	89
Prepaid advertising rights	4,280	4,430
Goodwill	200	200
Other assets	<u>102</u>	<u>117</u>
Total assets	<u>\$ 6,632</u>	<u>\$ 6,270</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	1,107	1,143
Deferred revenue	<u>1,095</u>	<u>1,107</u>
Total current liabilities	2,202	2,250
Warrants payable	<u>3,581</u>	<u>2,621</u>
Total liabilities	<u>5,783</u>	<u>4,871</u>
Stockholders' equity:		
Common stock	14	14
Preferred stock	-	-
Additional paid-in-capital	92,934	92,320
Accumulated deficit	<u>(92,099)</u>	<u>(90,935)</u>
Total stockholders' equity	<u>849</u>	<u>1,399</u>
Total liabilities and stockholders' equity	<u>\$ 6,632</u>	<u>\$ 6,270</u>