



**salon media group**

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**FOR IMMEDIATE RELEASE**

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

**RECORDS QUARTER NET PROFIT ATTRIBUTABLE TO COMMON STOCKHOLDERS OF \$1.0 MILLION COMPARED TO \$1.2 MILLION LOSS IN PRIOR YEAR PERIOD**

**RECORDS NON-GAAP PRO FORMA LOSS ATTRIBUTABLE TO COMMON STOCKHOLDERS OF \$0.4 MILLION COMPARED TO \$0.6 MILLION LOSS IN PRIOR YEAR PERIOD**

**SAN FRANCISCO, Calif. --- November 12, 2004 ---** Salon Media Group, Inc. (SALN.OB), an Internet media company, announced today a net profit attributable to common stockholders of \$1.0 million or (\$0.00) per dilutive share for its second quarter ended September 30, 2004, compared to a net loss attributable to common stockholders of \$1.2 million or (\$0.09) per share for its second quarter ended September 30, 2003. Total revenues for the quarter ended September 30, 2004 were \$1.3 million, compared to \$1.1 million a year ago, a 16% increase, with advertising revenues increasing to \$0.5 million from \$0.4 million a year ago. The results for the quarter ended September 30, 2004 includes a non-cash benefit of \$1.6 million from re-valuing warrants and non-cash charges of \$0.2 million for a net non-cash benefit of \$1.4 million.

On a non-GAAP pro forma basis, Salon recorded a loss attributable to common stockholders of \$0.4 million compared to a loss of \$0.6 million in the prior year period. The non-GAAP loss for the current quarter of \$0.4 million excludes the following non-cash benefits and charges: a benefit of \$896,000 from re-valuing warrants issued in conjunction with operations, a benefit of

\$745,000 from re-valuing warrants issued to preferred stockholders and included as a preferred deemed dividend, a charge of \$131,000 of utilized prepaid advertising rights, \$84,000 of depreciation and amortization charges and a \$23,000 preferred deemed dividend charge resulting from the issuance of preferred stock at an effective common stock purchase price that was 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 \$0.6 million excludes the following non-cash charges: \$394,000 of depreciation and amortization charges, \$120,000 of utilized prepaid advertising rights, \$69,000 from re-valuing warrants issued in conjunction with operations, and \$41,000 from re-valuing warrants issued to preferred stockholders and recorded as a preferred deemed dividend.

A reconciliation of net profit calculated in accordance with generally accepted accounting principles 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 September 30, 2004:**

- Total revenues for the current period were \$1.3 million compared to \$1.1 million last year, a 16% increase.
- Advertising revenues declined from \$1.0 million from our first quarter to \$0.5 million for our second quarter, but increased from \$0.4 million in the second quarter last year.
- Salon Premium subscribers at the end of the quarter were approximately 80,900 compared to approximately 72,500 a year ago.
- Excluding a non-cash related benefit of \$1.6 million and non-cash related charges of \$0.2 million, Salon recorded a non-GAAP pro forma loss attributable to common stockholders of \$0.4 million, compared to a comparable non-GAAP pro forma loss attributable to common stockholders of \$0.6 million last year.

**Future Periods Guidance:**

Salon does not believe that the quarter ending September 30, 2004 GAAP and non-GAAP financial results should be considered predictive of future quarter results.

Salon anticipates attaining non-GAAP pro forma net income for its quarter ending December 31, 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 December 31, 2004 will be \$1.7 - \$1.9 million, with advertising sales comprising \$1.0 - \$1.2 million of the total. Salon cannot predict total revenues after December 31, 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.

Salon Premium subscription have grown from approximately 80,900 to approximately 89,000 as of this release. Salon does not believe that this is indicative of future subscription growth rates and cannot accurately predict the number of active subscribers as of December 31, 2004.

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

Founded in 1995, Salon is an Internet media company that produces a content Website with award-winnings sections, 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 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 second quarter GAAP or non-GAAP pro forma results for the quarter ending September 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>Six Months Ended</b>	
	<b>September 30</b>		<b>September 30</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Net revenues	\$ <u>1,256</u>	\$ <u>1,086</u>	\$ <u>2,989</u>	\$ <u>2,131</u>
Operating expenses:				
Production and content	1,004	956	2,204	2,145
Sales and marketing	387	467	855	1,030
Research and development	156	149	291	298
General and administrative	133	322	361	693
Amortization of intangibles	<u>-</u>	<u>97</u>	<u>-</u>	<u>190</u>
Total operating expenses	<u>1,680</u>	<u>1,991</u>	<u>3,711</u>	<u>4,356</u>
Loss from operations	(424)	(905)	(722)	(2,225)
Other income (expense), net	<u>720</u>	<u>(252)</u>	<u>447</u>	<u>(324)</u>
Net loss	296	(1,157)	(275)	(2,549)
Preferred deemed dividend	<u>722</u>	<u>(41)</u>	<u>129</u>	<u>31</u>
Net loss attributable to common stockholders	<u>\$ 1,018</u>	<u>\$ (1,198)</u>	<u>\$ (146)</u>	<u>\$ (2,518)</u>
Basic diluted net profit (loss) per share				
attributable to common stockholders	\$ 0.07	\$ (0.09)	\$ (0.01)	\$ (0.18)
Diluted net profit (loss) per share				
attributable to common stockholders	\$ 0.00	\$ (0.09)	\$ (0.01)	\$ (0.18)
Weighted average shares used in computing				
basic net profit (loss) per share				
attributable to common stockholders	14,161	14,090	14,158	14,044
Weighted average shares used in computing				
dilutive net profit (loss) per share				
attributable to common stockholders	205,148	14,090	14,158	14,044

**SALON MEDIA GROUP, INC.**

**PRO FORMA CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share data)

(Unaudited)

	Three Months Ended			Six Months Ended		
	September 30, 2004			September 30, 2004		
	As (1)	Pro		As (1)	Pro	
	Reported	Adj.	Forma	Reported	Adj.	Forma
Net revenues	\$ 1,256	\$ -	\$ 1,256	\$ 2,989	\$ -	\$ 2,989
Operating expenses:						
Production and content	1,004	72	1,076	2,204	(69)	2,135
Sales and marketing	387	(136)	251	855	(297)	558
Research and development	156	(10)	146	291	(18)	273
General and administrative	133	61	194	361	20	381
Total operating expenses	1,680	(13)	1,667	3,711	(364)	3,347
Loss from operations	(424)	13	(411)	(722)	364	(358)
Other income (expense), net	720	(694)	26	447	(311)	136
Net loss	296	(681)	(385)	(275)	53	(222)
Preferred deemed dividend	722	(722)	-	129	(129)	-
Net profit (loss) attributable to						
common stockholders	\$ 1,018	\$ (1,403)	\$ (385)	\$ (146)	\$ (76)	\$ (222)
Basic net profit (loss) per share attributable to						
common stockholders	\$ 0.07		\$ (0.03)	\$ (0.01)		\$ (0.02)
Dilutive net profit (loss) per share attributable	\$ 0.00		\$ (0.03)	\$ (0.01)		\$ (0.02)
to common stockholders						
Weighted average shares used in computing						
basic net profit (loss) per share attributable						
to common stockholders	14,161		14,161	14,158		14,158
Weighted average shares used in computing						
dilutive net profit (loss) per share						
attributable to common stockholders	205,148		14,161	14,158		14,158

(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)

	Three Months Ended			Six Months Ended		
	September 30, 2003			September 30, 2003		
	As (1)		Pro	As (1)		Pro
	Reported	Adj.	Forma	Reported	Adj.	Forma
Net revenues	\$ 1,086	\$ -	\$ 1,086	\$ 2,131	\$ -	\$ 2,131
Operating expenses:						
Production and content	956	(98)	858	2,145	(138)	2,007
Sales and marketing	467	(154)	313	1,030	(287)	743
Research and development	149	(17)	132	298	(24)	274
General and administrative	322	(23)	299	693	(33)	660
Amortization of intangibles	97	(97)	-	190	(190)	-
Total operating expenses	1,991	(389)	1,602	4,356	(672)	3,684
Loss from operations	(905)	389	(516)	(2,225)	672	(1,553)
Other income (expense), net	(252)	194	(58)	(324)	224	(100)
Net loss	(1,157)	583	(574)	(2,549)	896	(1,653)
Preferred deemed dividend	(41)	41	-	31	(31)	-
Net profit (loss) attributable to common stockholders	\$ (1,198)	\$ 624	\$ (574)	\$ (2,518)	\$ 865	\$ (1,653)
Basic and dilutive net loss per share attributable						
to common stockholders	\$ (0.09)		\$ (0.04)	\$ (0.18)		\$ (0.12)
Weighted average shares used in computing						
basic and dilutive net loss per share						
attributable to common stockholders	14,090		14,090	14,044		14,044

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

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2004</b>	<b>2003</b>	<b>2004</b>	<b>2003</b>
Net profit (loss) attributable to common stockholders	\$ 1,018	\$ (1,198)	\$ (146)	\$ (2,518)
Less:				
Charges (benefits) resulting from re-valuing warrants				
issued in conjunction with operations	(896)	69	(406)	48
Utilization prepaid advertising rights	131	120	281	240
Depreciation and amortization charges	84	394	178	608
Preferred deemed dividend charges (benefits) from				
re-valuing warrants issued to preferred stockholders	(745)	41	(347)	(31)
Preferred deemed dividend charge from issuance of				
preferred stock	23	0	218	
Pro forma net loss attributable to common stockholders	\$ (385)	\$ (574)	\$ (222)	\$ (1,653)



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

	<u>September 30,</u> <u>2004</u>	<u>March 31,</u> <u>2004</u>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 547	\$ 696
Accounts receivable, net	616	306
Prepaid expenses, and other current assets	<u>357</u>	<u>432</u>
Total current assets	1,520	1,434
Property and equipment, net	164	89
Prepaid advertising rights	4,149	4,430
Goodwill	200	200
Other assets	<u>85</u>	<u>117</u>
Total assets	<u>\$ 6,118</u>	<u>\$ 6,270</u>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable and accrued liabilities	917	1,143
Deferred revenue	<u>1,116</u>	<u>1,107</u>
Total current liabilities	2,033	2,250
Warrants payable	<u>1,966</u>	<u>2,621</u>
Total liabilities	<u>3,999</u>	<u>4,871</u>
Stockholders' equity:		
Common stock	14	14
Preferred stock	-	-
Additional paid-in-capital	93,186	92,320
Accumulated deficit	<u>(91,081)</u>	<u>(90,935)</u>
Total stockholders' equity	<u>2,119</u>	<u>1,399</u>
Total liabilities and stockholders' equity	<u>\$ 6,118</u>	<u>\$ 6,270</u>