

# DAG Media, Inc. Reports Fiscal Year 2005 Consolidated Financial Statements

Source: PR

Date: 03/16/06

## 03/16 09:00 DAG Media, Inc. Reports Fiscal Year 2005 Consolidated Financial Statements

NEW YORK, March 16 /PRNewswire-FirstCall/ -- DAG Media Inc. (Nasdaq: DAGM) announced today that advertising revenue for the year ended December 31, 2005 was \$4,447,000 versus advertising revenue of \$5,949,000 for fiscal year 2004, a decrease of \$1,502,000 or 25.20%. Advertising revenues for the year ended December 31, 2004 included \$461,000 of net recognized revenues resulting from the ninth and last edition of the sold New Yellow Manhattan Directory as well as one time graphics income of \$31,000. The remaining \$1,010,000 decrease in revenues was attributable to decreased revenues from the Jewish Israeli Yellow Pages directory by \$873,000 and a \$137,000 decrease in revenue of the Jewish Master Guide directories published in fiscal 2005. As DAG Interactive, Inc. and NextYellow.com initiate operation on or about June of 2006, we anticipate revenues to derive from monthly fees of subscriptions charges to businesses, which will be in excess to the leads generated by NextYellow.com. In addition, we intend to sell advertising on our web site.

Gross profit decreased to \$3,788,000 for the year ended December 31, 2005 versus gross profit of \$5,046,000 in fiscal 2004.

For the year ended December 31, 2005, consolidated loss from continuing operation before provision for income taxes was \$456,000 compared to income of \$ 176,000 in fiscal 2004. The decrease of \$632,000 was mainly attributable to decreased revenues on our current publications combined with the lack of income resulting from the sold New Yellow Manhattan directory, which was still published during 2004. Net loss from continuing operations was \$456,000 and loss from discontinued operations was \$55,000 in fiscal 2005, versus net income from continuing operations of \$105,000 and income from discontinued operations \$930, 000, in fiscal 2004, respectively. The decreased in income from discontinued operations of \$985,000 was mainly attributable to the gain resulting from the sale of the Blackbook Photography Inc., on August 2004. Net loss for the year ended

December 31, 2005 was \$511,000 versus net income of \$1,035,000 in fiscal 2004.

Basic and diluted net loss per common share was \$(0.16) and \$(0.16) in fiscal 2005 versus income per common share of \$0.34 and \$0.32 in fiscal 2004.

At December 31, 2005, the Company also reported \$7,400,000 or approximately \$ 2.37 per share in cash, cash equivalent, marketable securities and short-term investments, current assets of \$9,668,000 and total assets of \$10,177,000.

On December 5, 2005, following the execution of a web-site development and services agreement signed between us, and Ocean-7 Development, Inc., a company experienced in Internet and software development, we announced the formation of DAG Interactive, Inc, a subsidiary of DAG Media, Inc., through which we anticipate operating our New internet business, NextYellow.com. The objective of DAG Interactive, Inc. is to introduce our unique and innovative software solution to the online Yellow Pages industry. DAG Interactive, Inc.'s new business, NextYellow.com, will utilize a new patent pending application, which will facilitate highly accurate and instant automated matching between consumers' needs and businesses' capabilities. To utilize this application, a customer will visit our website and describe, as necessary, a certain need that the customer has for goods or services. Upon completing this description, our application will characterize the consumers' requests by geographic location as well as by a DAG Interactive-developed category index and ultimately locate a businesses or vendors which provide the sought after services or goods, and will automatically match those businesses or vendors with the customer's request. Upon completing the match, an automated message will be sent from our system to those matching businesses or vendors who are ultimately responsible for following up on the lead and contacting the customer. In simplistic terms, businesses, service providers and retailers can register and receive leads for prospective customers in their geographic coverage area and categories for a monthly fee and generate business in response to inquiries submitted by customers' who visit our website.

We believe that the application, which covers the typical Yellow Pages index and more, transforms the old-fashioned "Let your fingers do the walking" way of thinking into a new paradigm: "Let the business do the walking" (a trademark of DAG Interactive), where businesses will contact customers in response to customers' inquiries.

On January 7, 2005, we announced our intention to sell our classified directories business, consisting of the Jewish Israeli Yellow Pages and the Master or Kosher Guide. The sale would include applicable trademarks, trade names and other intellectual property. We decided to seek a buyer for our directories business because the complexity, scale and probable margins of this business make the costs of compliance with new regulatory requirements for public companies, under the Sarbanes Oxley Act and other government strictures, prohibitive, as well as the lack of our Jewish directories business and the substantial losses of our Jewish Directories business in recent years.

On February 6, 2006, we entered into an asset purchase agreement to sell the assets and liabilities of the Jewish Israeli Yellow Pages directory and the Jewish Master Guide directory to DAG-Jewish Directories, Inc. The deal is subject to, among other things, the receipt of shareholder approval and the receipt of a fairness opinion.

While attempting to consummate the sale of our Jewish directories, in addition to beginning operation of NextYellow.com through DAG Interactive, Inc., we will seek to acquire a new potentially larger and more profitable business, more suitable for operation in a publicly traded company. We believe that the sale of our directories business, the commencement of NextYellow.com operation and the acquisition of a new business more suitable for operation in a public company is the best way to enhance shareholder value and optimize asset growth.

DAG Media publishes and distributes Yellow Pages and business directories for domestic niche markets. We also operate several web sites that complement our directories at <http://www.newyellow.com>; <http://www.jewishyellow.com>; <http://www.jewishmasterguide.com>; <http://www.theonlykosherdirectory.com>

This release contains forward-looking statements within the meaning Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act") and the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are typically identified by the words "believe," "expect," "intend," "estimate" and similar expressions. Those statements appear in a number of places in this release and include statements regarding our intent, belief or current expectations or those of our

directors or officers with respect to, among other things, trends affecting our financial conditions and results of operations and our business and growth strategies. These forward-looking statements are not guarantees of future performance and involve risks and uncertainties. Actual results may differ materially from those projected, expressed or implied in the forward- looking statements as a result of various factors (such factors are referred to herein as "Cautionary Statements"), including but not limited to the following: (i) the successful consummation of the sale of our directories business; (ii) the success of our new business strategy; (iii) our limited operating history; (iv) potential fluctuations in our quarterly operating results; (v) challenges facing us relating to our growth; (vi) our dependence on a limited number of suppliers; and (vii) other risks detailed from time to time in our periodic reports filed with the Securities and Exchange Commission. These forward-looking statements speak only as of the date of this release, and we caution potential investors not to place undue reliance on such statements. You should review all of our reports filed with the Securities and Exchange Commission along with this press release. We undertake no obligation to update or revise any forward-looking statements. All subsequent written or oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the Cautionary Statements.

DAG MEDIA, INC. AND SUBSIDIARY  
CONSOLIDATED BALANCE SHEET  
DECEMBER 31, 2005

Assets

Current assets:

Cash and cash equivalents	\$ 4,210,427
Marketable securities	2,106,097
Short term investment - insurance annuity contract - at fair value	1,083,923
Total cash and cash equivalents, marketable securities and short terms investments	7,400,447
Trade accounts receivable, net of allowance for doubtful accounts of \$295,000	877,083
Directories in progress	1,230,763
Other current assets	159,381
Total current assets	9,667,674
Property and equipment, net	132,781
Trademarks, net	257,969
Other assets	118,863
Total assets	\$ 10,177,287

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued expenses	\$ 287,792
Commissions payable	366,200
Advanced billing for unpublished directories	2,374,474
Dividends payable	314,246
Income taxes payable	367,332

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Total current liabilities	3,710,044
Commitments and contingencies (Note 8)	
Shareholders' equity:	
Preferred shares - \$.01 par value; 5,000,000 shares authorized; no shares issued	--
Common shares - \$.001 par value; 25,000,000 authorized; 3,211,190 issued and 3,142,460 outstanding	3,211
Additional paid-in capital	8,590,174
Treasury stock, at cost - 68,730 shares	(231,113)
Stock subscription receivable	(47,400)
Deferred compensation	(26,841)
Accumulated other comprehensive loss	(403,512)
Accumulated deficit	(1,417,276)
Total shareholders' equity	6,467,243
Total liabilities and shareholders' equity	\$ 10,177,287

DAG MEDIA, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF OPERATIONS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Advertising revenues, net	\$ 4,447,430	\$
5,948,701		
Publishing costs	659,463	
902,326		
Gross profit	3,787,967	
5,046,375		
Operating costs and expenses:		
Selling expenses	2,125,700	
2,627,616		
General and administrative expenses	2,631,305	
2,829,308		
Total operating costs and expenses	4,757,005	
5,456,924		
Loss from operations	(969,038)	
(410,549)		

Interest income	224,977
191,384	
Realized gain on marketable securities	288,008
395,134	
Total other income	512,985
586,518	
(Loss) income from continuing operations before provision for income taxes	(456,053)
175,969	
Provision for income taxes	---
70,802	
(Loss) income from continuing operations	(456,053)
105,167	
Discontinued Operations:	
(Loss) gain from Sale of Blackbook, due to release from escrow amount in 2005, net of tax effect of \$775,000 in 2004	(55,000)
1,164,213	
Loss from operations of Blackbook, net of tax benefit of \$156,000 in 2004	---
(234,343)	
(Loss) income from discontinued operations	(55,000)
929,870	
Net (loss) income	\$(511,053)
\$1,035,037	
Basic net (loss) income per common share	
Continuing operations	\$(0.14)
\$0.04	
Discontinued operations	\$(0.02)
\$0.30	
Total net (loss) income per common share - Basic	\$(0.16)
\$0.34	
Diluted net (loss) income per common share	
Continuing operations	\$(0.14)
\$0.03	
Discontinued operations	\$(0.02)
\$0.29	
Total net (loss) income per common share - Diluted	\$(0.16)
\$0.32	
Weighted average number of common shares outstanding	
- Basic	3,118,381
3,065,080	
- Diluted	3,118,381
3,243,101	

DAG MEDIA, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

Shares	Common Stocks		Additional Paid-in	Treasury
	Shares	Amount	Capital	Shares
Cost				
Balance, December 31, 2003	3,045,190	\$3,045	\$8,054,827	68,730
(\$231,113)				
Issuance of common stock from exercise of options	125,000	125	266,855	
Non cash compensation			18,933	
Forfeit of gain on sale of restricted stocks			10,779	
Tax benefit related to stock options exercised			145,640	
Dividend declared to be paid at 1/5/2005 (\$0.28 per share)				
Unrealized loss on preferred stocks and other marketable securities, net of income taxes				
Net income for the year ended December 31, 2004				
Total comprehensive income				
Balance, December 31, 2004	3,170,190	\$3,170	\$8,497,034	68,730
(\$231,113)				
Issuance of common stock from exercise				

of options	21,000	21	34,399	
Issuance of common stock to related party for services not yet performed	20,000	20	47,380	
Non cash compensation			11,361	
Dividend declared to be paid at 1/5/2006 (\$0.10 per share)				
Unrealized loss on preferred stocks and other marketable securities				
Net loss for the year ended December 31, 2005				
Total comprehensive loss				
Balance, December 31, 2005	3,211,190	\$3,211	\$8,590,174	68,730
(\$231,113)				

	Stock Subscription Receivable	Deferred Compensation	Accumulated other comprehensive income (loss)	Accumulated Deficit
Totals				
Balance, December 31, 2003	---	(\$81,000)	\$102,185	\$176,215
\$8,024,159				
Issuance of common stock from exercise of options				
266,980				
Non cash compensation		27,080		
46,013				
Forfeit of gain on sale of				

restricted stocks				
10,779				
Tax benefit				
related to stock				
options exercised				
145,640				
Dividend declared				
to be paid				
at 1/5/2005				
(\$0.28 per share)				(867,289)
(867,289)				
Unrealized loss on				
preferred stocks				
and other marketable				
securities,				
net of income taxes			(84,873)	
(84,873)				
Net income for				
the year ended				
December 31, 2004				1,035,037
1,035,037				
Total comprehensive				
income				
950,164				
Balance, December				
31, 2004	---	(\$53,920)	\$17,312	\$343,963
\$8,576,446				
Issuance of				
common stock				
from exercise				
of options				
34,420				
Issuance of				
common stock				
to related				
party for				
services				
not yet				
performed		(47,400)		
---				
Non cash				
compensation		27,079		
38,440				
Dividend declared				
to be paid				
at 1/5/2006				
(\$0.10 per share)				(1,250,186)
(1,250,186)				
Unrealized loss				
on preferred				
stocks and other				
marketable				
securities			(420,824)	
(420,824)				
Net loss for the				

year ended				
December 31, 2005				(511,053)
(511,053)				
Total comprehensive				
loss				
(931,877)				
Balance,				
December 31,				
2005	(\$47,400)	(\$26,841)	(\$403,512)	(\$1,417,276)
\$6,467,243				

DAG MEDIA, INC. AND SUBSIDIARY  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
Cash flows from operating activities:		
Net (loss) income	\$ (511,053)	\$ 1,035,037
Adjustment to reconcile net (loss)		
income to net cash used in operating		
activities -		
Gain on sale of Blackbook	---	
(1,939,213)		
Depreciation and amortization	85,428	125,040
Non cash compensation expense	38,439	46,013
Bad debt expense	472,740	798,783
Realized gain on sale of		
marketable securities	(288,008)	
(395,134)		
Deferred taxes	(11,541)	4,552
Tax benefit related to stock		
options exercised	---	145,640
Changes in operating assets and liabilities		
net of effects of disposition -		
Accounts receivable	14,093	
(504,094)		
Directories in progress	257,931	162,294
Other current and non current assets	122,730	56,595
Accounts payable and accrued expenses	88,620	
(409,723)		
Commissions payable	(183,800)	
(116,817)		
Advanced billings for		
unpublished directories	(585,314)	176,811
Income taxes payable	(176,414)	454,746
Net cash used in		

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operating activities	(676,149)
(359,470)	

Cash flows from investing activities:			
	Investment in preferred stocks, other marketable securities and annuity contract	(14,497,087)	
(10,446,362)			
	Proceeds received on sale of Blackbook, net of expenses	---	1,800,245
	Proceeds from sale of preferred stocks and marketable securities	17,610,799	11,842,833
(24,969)	Purchase of property and equipment	(6,072)	
	Net cash provided by investing activities	3,107,640	3,171,747
Cash flows from financing activities:			
	Proceeds from exercise of options	34,421	266,980
(744,113)	Dividends paid	(1,803,227)	
	Proceeds from forfeit of gain on sale of restricted stocks	---	10,779
(466,354)	Net cash used in financing activities	(1,768,806)	
	Net increase in cash and cash equivalents	662,685	2,345,923
	Cash and cash equivalents, beginning of year	3,547,742	1,201,819
	Cash and cash equivalents, end of year	\$ 4,210,427	\$ 3,547,742
Supplemental Cash Flow Information:			
	Taxes paid during the year	\$ 176,414	\$88,935
	Dividends declared but not Common stock issued for services not yet preformed	\$ 314,246	\$867,289
		\$47,400	---

SOURCE DAG Media Inc.

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