



salon media group

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FOR IMMEDIATE RELEASE

**SALON REPORTS FOURTH QUARTER FISCAL 2002 RESULTS
NET LOSS IMPROVES 76% OVER FOURTH QUARTER 2001
39,500 PAID SUBSCRIBERS, ACCOUNTING FOR 41% OF QUARTER SALES**

SAN FRANCISCO, Calif. --- June 18, 2002 --- Salon Media Group, Inc. (Nasdaq:SALNC), one of the Internet's leading media companies, announced today its operating results for both fourth quarter fiscal 2002 and full year fiscal 2002. For the quarter ended March 31, 2002, Salon reported revenues of \$951,000 versus \$976,000 for the quarter ended March 31, 2001, representing a three percent decrease. Full year revenues for fiscal year 2002 equaled \$3.6 million versus \$7.2 million in fiscal year 2001, representing a fifty percent decrease.

Net Loss Decreases Significantly

Salon's fourth quarter 2002 net loss decreased 76% to \$1.4 million or \$0.10 per share versus \$5.5 million or \$0.42 per share in the fourth quarter 2001. At the same time, Salon's fiscal year 2002 net loss before a preferred deemed dividend of \$3.2 million decreased 58% to \$8 million from \$19.2 million. These changes were based on expense reductions enacted during Spring 2001 and maintained throughout the remainder of fiscal year 2002. Last year's amounts included a \$1.8 million charge related to the write-down of long-lived assets.

"Salon continued to improve its operating results during the March 2002 fourth quarter and the full year 2002, despite revenue challenges from an economic recession and the toughest ad market since World War II," said Michael O'Donnell, Salon's President and Chief Executive Officer. "We tightened our belts, developed new revenue streams such as paid subscriptions and Salon Personals and positioned Salon to reach profitability."

COMPARABLES

(Thousands)	4th QTR Fiscal 2002	4th QTR Fiscal 2001	3rd QTR Fiscal 2002	% Change 4Q02 vs 4Q01	% Change 4Q02 vs 3Q02
Revenue	\$ 951	\$ 976	\$1,128	-3%	-16%
Net loss	\$1,353	\$5,526	\$1,309	+76%	-3%

On a pro forma basis (excluding amortization of intangibles, depreciation, non-cash advertising, stock-based compensation and the write-down of long-lived assets), Salon lost \$0.8 million or \$0.06 per share during the quarter, down from \$2.9 million or \$0.22 per share in the same period last year, a 73 percent improvement. Financial results for the current quarter reflect a continuing industry-wide weakness in advertising. Available cash at March 31, 2002 was \$1.5 million compared to \$2.1 million at December 31, 2001.

Salon’s Subscription Business – 39,500 Paid Subscribers

Salon continues to enlarge the subscriber base for its paid subscription offerings, including Salon Premium, as well as Salon’s two online communities, Table Talk and The Well. During the March 2002 quarter, Salon added 7,400 new paid subscribers, increasing the total number of paid subscribers to 39,500.

“We successfully introduced *Salon Premium* in fiscal year 2002 and proved that readers were willing to pay for high quality content from Salon. While we’re pleased with the numbers to date, we’re continuing to aggressively market to Salon’s large base of approximately 3.6 million monthly readers, trying to convert a significant percentage to Salon Premium,” said O’Donnell.

Advertising Sales – Rebounding with the Market

Salon added seven new advertisers during the March 2002 quarter, including Palm, ING, and Porsche. In addition, Salon announced the addition of Cheryl Lucanegro as Senior Vice President, Advertising Sales. Ms. Lucanegro brings to Salon over 25 years experience in traditional and online advertising sales management with companies such as Ziff Davis, IDG, and Xerox. Salon has sales offices in New York and San Francisco, as well as representation in Chicago.

“Advertising will be our largest revenue source going forward,” said O’Donnell. “With the ad market showing signs of rebounding in 2002 and 2003, and traditional advertisers shifting more

budgets towards the Internet, we're excited about the potential to increase our sales going forward and achieve profitability."

About Salon: Founded in 1995, Salon is an Internet media company that produces ten award-winning, original content sites; and hosts two subscription communities - Table Talk and The WELL. Companies that have advertised recently on Salon include Lexus, Verizon, Palm, PBS, Absolut, ING, Porsche, American Express and Progressive Insurance. Salon offers a variety of advertising opportunities, which can include Message Board interactive ad units, roadblocks, full page "Superstitials", banners, sponsorships, site headline feeds, e-commerce "buy" buttons, contextual "smart" links and off-line promotions.

"Safe Harbor" Statement under the U.S. Private Securities Litigation Reform Act of 1995: This press release, including the statements by Michael O'Donnell, 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.

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.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)
(Unaudited)

	<u>Three Months Ended</u>		<u>Twelve Months Ended</u>	
	<u>March 31,</u>		<u>March 31,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net revenues	\$ 951	\$ 976	\$ 3,619	\$ 7,202
Operating expenses:				
Production and content	1,061	2,151	5,009	9,809
Sales and marketing	631	1,050	2,737	7,160
Research and development	165	267	703	1,598
General and administrative	324	1,011	1,925	3,523
Amortization of intangibles	121	263	476	1,207
Write-down of long-lived assets	-	1,800	782	3,517
Total operating expenses	<u>2,302</u>	<u>6,542</u>	<u>11,632</u>	<u>26,814</u>
Loss from operations	(1,351)	(5,566)	(8,013)	(19,612)
Other income (expense), net	<u>(2)</u>	<u>40</u>	<u>13</u>	<u>457</u>
Net loss	(1,353)	(5,526)	(8,000)	(19,155)
Preferred deemed dividend	-	-	(3,189)	-
Cumulative cash dividend on preferred stock	<u>-</u>	<u>-</u>	<u>(97)</u>	<u>-</u>
Net loss attributable to common stockholders	<u>\$ (1,353)</u>	<u>\$ (5,526)</u>	<u>\$ (11,286)</u>	<u>\$ (19,155)</u>
Basic and diluted net loss per share attributable to common stockholders	\$ (0.10)	\$ (0.42)	\$ (0.83)	\$ (1.48)
Weighted average shares used in computing basic and diluted net loss per share attributable to common stockholders	13,585	13,131	13,547	12,962

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

	Three Months Ended		Twelve Months Ended	
	March 31,		March 31,	
	2002	2001	2002	2001
Net loss attributable to common stockholders	\$ (1,353)	\$ (5,526)	\$ (11,286)	\$ (19,155)
Less:				
Amortization of intangibles	121	263	476	1,207
Depreciation	184	209	737	850
Non-cash advertising	203	202	809	809
Stock-based compensation and warrant amortization	48	132	200	269
Write-down long-lived assets	-	1,800	782	3,517
Preferred deemed dividend	-	-	3,189	-
Write-off long term note receivable	-	-	236	-
Pro forma net loss attributable to common stockholders	<u>\$ (797)</u>	<u>\$ (2,920)</u>	<u>\$ (4,857)</u>	<u>\$ (12,503)</u>
Basic and diluted pro forma net loss per share				
attributable to common stockholders	\$ (0.06)	\$ (0.22)	\$ (0.36)	\$ (0.96)
Weighted average shares used in computing basic and diluted pro forma net loss per share attributable to common stockholders	13,585	13,131	13,547	12,962

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

	<u>March 31,</u> <u>2002</u>	<u>March 31,</u> <u>2001</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,542	\$ 3,047
Accounts receivable, net	326	474
Prepaid expenses, and other current assets	<u>212</u>	<u>201</u>
Total current assets	2,080	3,722
Property and equipment, net	1,299	2,731
Prepaid advertising rights	6,266	7,075
Intangible assets, net	919	1,395
Other assets	<u>778</u>	<u>1,375</u>
Total assets	<u>\$ 11,342</u>	<u>\$ 16,298</u>
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 1,542	\$ 2,394
Deferred revenue	563	223
Capital lease obligations, current	<u>231</u>	<u>203</u>
Total current liabilities	2,336	2,820
Long-term liabilities	<u>229</u>	<u>601</u>
Total liabilities	<u>2,565</u>	<u>3,421</u>
Stockholders' equity:		
Common stock	14	14
Preferred stock	-	-
Additional paid-in-capital	85,416	78,404
Unearned compensation	(57)	(231)
Accumulated deficit	<u>(76,596)</u>	<u>(65,310)</u>
Total stockholders' equity	<u>8,777</u>	<u>12,877</u>
Total liabilities and stockholders' equity	<u>\$ 11,342</u>	<u>\$ 16,298</u>