

121Media, Inc
(the "Company" or the "Group")
Results for the year ended 31 December 2006

Chairman's Statement

Results and dividends / financials

I am pleased to announce the results of 121Media, Inc. ("121Media" or the "Group") for the year ending 31 December 2006. During 2006, we made a strategic shift away from the desktop based business in order to fully pursue our ISP relationship strategy. As anticipated, this move has impacted our short-term financial performance and thus the results we are now publishing do not reflect the prospects that our recent investments in people and technology represent.

Turnover for the Group for the year to 31 December 2006 decreased by 76% to \$1.27 million (2005: \$5.2 million). Operating losses were \$11.5 million (2005 loss: \$3.5 million), as a result of the business model shift to online behavioural and contextual advertising through arrangements with global ISP's.

Losses before taxation were \$11.5 million (2005 loss: \$3.5 million). Losses per share were 1.12 cents (2005: 0.47 cents).

The Board is not recommending the payment of a dividend with respect to 2006. It is the Board's intention to pursue a prudent dividend policy, taking into account the Group's business objectives.

Strategy and business update

We announced at the end of 2005 that the Group would focus on its ISP strategy for the financial year ended 31 December 2006. The decision to concentrate management effort and financial resource has enabled 121Media to make significant progress in its talks with global ISP providers, most notably in the UK and the US.

We look forward to updating the market once more formal agreements with ISPs have been set in place.

People

We have continued to invest in our management infrastructure during 2006, in particular building out our global operations, planning and business development presence. Senior appointments in 2006 included David Dorman, Virasb Vahidi, Hugo Drayton and Marc Rothschild. 121Media now has a world-class team on which to build and with whom it will deliver on the ISP opportunity globally.

David Dorman, former chairman and chief executive officer of AT&T Corp. joined the company in July 2006 as an advisor. In September the Group was also delighted to welcome Marc Rothschild as senior vice president, Strategic Alliances, and Hugo Drayton, formerly managing director of advertising.com, as CEO of the UK business. The year was completed with the appointment of Virasb Vahidi, a former senior AT&T executive, who joined as group chief operating officer.

The Group is immensely proud to have attracted leading industry executives of such high calibre and, on behalf of the Board, I would like to thank them all for their significant contribution to 121Media's progress during 2006.

Prospects

Investment in the business has continued during 2006 and we have received tremendous support from our investors for our ongoing programme of strengthening ties with the ISP community and developing our technology.

During 2006 we raised over £5.9m (\$10.2m) (before expenses) via three share placings with UK and US-based institutional investors. These have enabled the Group to continue development of its behavioural advertising platform and its prospects for use amongst global ISPs.

Since the year end, the Group has received significant further endorsement of its strategy, with Morgan Stanley Principal Investments investing £2.56m (\$5m) to strengthen the Company's capital structure and underpin its global development. This development has been very well received by the ISP community and 121Media's other investors.

This is my last statement as Chairman of the Company since I will step down from the Board at our forthcoming annual general meeting.

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 \$	2005 (As Restated) \$
Turnover		1,272,254	5,207,136
Cost of Sales		(403,306)	(2,171,486)
Gross Profit		868,948	3,035,650
Sales and Administrative Expenses			
- General		(10,498,913)	(6,352,667)
- Share Based Payments		(1,906,674)	(195,848)
Operating Loss		(11,536,639)	(3,512,865)
Other Income		82,312	15,695
Interest Payable and Similar Charges		(16,186)	(27,962)
Loss on Ordinary Activities Before Taxation		(11,470,513)	(3,525,132)
Taxation on Loss on Ordinary Activities		(12,705)	-
Loss on Ordinary Activities After Taxation		(11,486,218)	(3,525,132)
Standard / Diluted Loss per Share – Basic	2	(1.12)	(0.47)

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2006

	2006 \$	2005 (As Restated) \$
Fixed Assets		
Intangible assets	48,827	-
Tangible assets	384,857	504,803
	433,684	504,803
Current Assets		
Debtors	594,063	1,975,086
Cash at bank and in hand	3,804,771	570,533
	4,398,834	2,545,619
Creditors: Amounts Falling Due Within One Year	(1,495,420)	(1,002,472)

Net Current Assets	2,903,414	1,543,147
Total Assets Less Current Liabilities	3,337,098	2,047,950
Creditors: Amounts Falling Due After One Year	(11,303)	(76,714)
Net Assets	3,325,795	1,971,236
Capital and Reserves		
Called Up Share Capital	11,217	8,190
Share Premium Account	18,706,233	6,734,601
Other Reserves	1,128,838	663,576
Profit and Loss Account	(16,520,493)	(5,435,131)
Shareholders' Funds	3,325,795	1,971,236

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2006

	Notes	2006 \$	2005 (As Restated) \$
Net Cash Outflow from Operating Activities	a	(7,898,599)	(1,821,605)
Returns on Investments and Servicing of Finance	b	66,126	(12,267)
Taxation	c	(12,705)	-
Capital Expenditure and Financial Investment	d	(566,211)	(288,321)
Net Cash Outflow Before Financing		(8,411,389)	(2,122,193)
Financing	e	11,645,627	1,814,399
Increase / (Decrease) in Cash in the Period	f	3,234,238	(307,794)

Notes to the cash flow statement for the year ended 31 December 2006

a. Reconciliation of operating loss to net cash outflow from operating activities

2006 \$	2005 \$
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Operating Loss	(11,536,639)	(3,512,865)
Amortization	1,395	-
Depreciation Charges	593,106	560,109
Loss on Disposal	42,829	-
Transfer to Option Reserve	1,254,065	203,299
Exchange Difference Taken to Reserves	(106,675)	(174,221)
Decrease in Debtors	1,381,023	666,843
Increase in Creditors	472,297	435,230
Net cash Outflow from Operating Activities	(7,898,599)	(1,821,605)

b. Returns on investments and servicing of finance

	2006 \$	2005 \$
Interest received	82,312	15,695
Interest paid	(16,186)	(27,962)
Net cash inflow/(outflow) from returns on investments and servicing of finance	66,126	(12,267)

c. Taxation

	2006 \$	2005 \$
Taxation	12,705	-

d. Capital expenditure

	2006 \$	2005 \$
Payments to acquire tangible fixed assets	(515,989)	(388,321)
Payments to acquire intangible fixed assets	(50,222)	-
Receipts from sale and leaseback	-	100,000
Net cash outflow from capital expenditure	(566,211)	(288,321)

e. Financing

	2006 \$	2005 \$
Issue of equity share capital	11,690,387	1,819,259

Capital element of finance lease	(44,760)	(4,860)
Net cash inflow from financing	11,645,627	1,814,399

f. Analysis of change in net funds

	At 1 Jan 2006 \$	Cash Flows \$	At 31 December 2006 \$
Cash in hand and at bank	570,533	3,234,238	3,804,771
	570,533	3,234,238	3,804,771
Debt:			
Finance leases and hire purchase contracts	(95,140)	44,760	(50,380)
Net funds	475,393	3,278,998	3,754,391

Notes to the Audited Results for the year ended 31 December 2006

1. Publication of non-statutory financial statements

The financial information set out in this announcement does not constitute statutory financial statements.

The Company is incorporated in the US state of Delaware and is not subject to the requirements of the Companies Act 1985; however the financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice.

The consolidated balance sheet as at 31 December 2006 and the consolidated profit and loss account, consolidated cash flow statement and associated notes for the year have been extracted from the Group's audited financial statements on which the auditors provided an unqualified report.

2. Loss per share

The calculation of the basic loss per share and diluted loss per share is based on the loss attributable to ordinary shareholders of \$11,483,218 (2005: \$3,525,132) divided by the weighted average number of shares in issue during the year.

The weighted average number of shares used in the calculation are set out below:

Year ended 31 December 2006	Year ended 31 December 2005
Number of shares	Number of shares
10,257,408	7,491,507

3. Prior year adjustment

The group issues equity-settled share-based payments to certain employees and has applied Financial Reporting Standard No. 20 (IFRS2) 'Share-based payments' for the first time. As a result the comparative figures were restated, resulting in an increase in the

loss for the year ended 31 December 2005 by \$191,533, comprising the FRS 20 charge of \$203,299, employers' NIC of \$(7,451) and gain on foreign currency translation of \$(4,315). The deficit in the Profit and Loss Reserve increased by \$282,275, with a corresponding increase in employers' NIC accrual of \$29,050 and an increase of \$253,225 in the option reserve.

4. Dividends

The Directors are not proposing the payment of a dividend in respect of the year ended 31 December 2006.

5. Copies of the annual report and financial statements will be sent to the shareholders shortly and will also be available at the Company's UK principle office, Golden Cross House, 8 Duncannon Street, London WC2N, 4JF.