



30 September 2005

121Media, Inc

Interim results for the six months ended 30 June 2005

121Media, Inc. ("121Media"), the online contextual advertising company, announces its interim results for the six months ended 30 June 2005.

Results highlights

- Continued growth in revenue to \$2.61 million (2004: \$1.94 million);
- Operating losses of \$1.36 million (2004 loss: \$0.22 million), reflecting significant investment in PageSense Javascript application, launched commercially in Q2 2005;
- Pre-tax loss of \$1.37 million (2004 loss: \$0.22 million);
- Significant partnering agreement being finalised with one of largest ISPs in the US, to deploy PageSense Javascript application within their solutions;
- Placing in July raised £950,000 (net) (\$1.75 million), primarily to fund accelerated implementation of its arbitrage strategy for PageSense Javascript;
- Revenue per user on targeted advertising, the measure of our software and operational effectiveness, has almost doubled;
- Continued investment in management, sales and marketing infrastructure in the UK and US.
- Growth in revenues from the desktop application will be lower than expected, due to reduced opportunities for freeware distribution, which are affecting the desktop segment as a whole.
- Shift of emphasis from Desktop to Javascript application being accelerated.

Kent Ertugrul, Chief Executive of 121Media, said:

"The first half of 2005 has seen progress on many fronts and, importantly, a significant shift in our strategic emphasis. We have increasingly recognised the substantially greater potential returns available from our newly launched PageSense Javascript technology compared to our traditional Desktop application, and this is now the focus of our efforts.

"We are making good progress in using the information generated by PageSense Javascript to exploit the arbitrage opportunity between the prices for untargeted and targeted advertisements. We are also close to finalising a partnership agreement with one of the largest ISPs in the US, which we believe will set an important precedent for the deployment of PageSense throughout the ISP market.

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“Growth in revenues from our desktop application is expected to be lower than expected, due to reduced opportunities for freeware distribution, which are affecting the desktop segment as a whole. The current financial year will therefore result in a loss. Going forward, we will be accelerating our activities in the Javascript space.

“Whilst this accelerated strategic reorientation will delay the point at which we reach sustained profitability, we are pleased with the strategic progress made in the year to date. The market for targeted online advertising is growing fast, and we remain confident of the long term prospects for the company.”

Full Chairman’s statement attached.

For further information please contact:

121Media

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Interim results for six months ended 30 June 2005

CHAIRMAN'S STATEMENT

Introduction

The first half of 2005 has seen progress on many fronts and, importantly, a significant shift in our strategic emphasis. We have increasingly recognised the substantially greater potential returns available from our newly launched PageSense Javascript technology compared to our traditional Desktop application, and this is now the focus of our efforts.

The investment in our Javascript application, and the lower revenues from our desktop application are reflected in these results, and will impact the outturn for the full year. However, the accelerated strategic reorientation, the inherent quality of our technologies, and the enhanced operational infrastructure all point to a highly encouraging longer term outlook for the company.

Results and dividend

The company generated turnover for the six months ended 30 June 2005 of \$2.61 million (2004: \$1.94 million).

Despite this top line growth, operating losses widened to \$1.36 million (2004 loss: \$0.22 million), as a result of the significant investment in PageSense Javascript application, launched commercially in Q2 2005.

Losses before taxation were \$1.37 million (2004 loss: \$0.22 million).

No dividend is proposed for the period.

Operational review

PageSense Javascript

The first half of the year has been marked by progress on many fronts, most particularly the launch of the company's Javascript application.

The PageSense Javascript application analyses the meaning and context of a web page being viewed by the user in real time, allowing us to deliver targeted advertisements to that user. PageSense allows us and our partners to optimise the value of untargeted advertising, which comprises most of today's online market, by turning it into targeted advertising at a premium rate.

We are beginning to use the information generated by PageSense JavaScript to directly purchase inventory from medium to small sites which are currently relying on untargeted advertising networks to fill their unsold advertising opportunities at very low prices. We are applying the proceeds of our fund raising in July to buy a substantial portion of these sites' inventory at untargeted prices and showing targeted advertising instead. We anticipate that over the course of the next year we will be able to use this method to build a large portfolio of arbitrage properties.

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An important element of our growth strategy for the JavaScript application entails recruiting major ISPs as distribution partners, allowing targeted advertisements to be delivered to that ISP's user base. In return, the ISP earns a share of the advertising revenue, thereby allowing them to offer more competitive connection fees to their customers. This relationship model is made possible by 121Media's precision targeting, which results in an acceptable level of advertising being shown to users with the potential to generate value for the advertiser, and therefore the ISP.

In this context, we are close to finalising, after almost a year of discussion, the first of such agreements, with one of the largest ISPs in the United States.

Once concluded, we anticipate that this agreement will accelerate the rate at which ISPs embrace the concept of precisely targeted advertising being provided as a part of a more competitively priced offering. We are currently in discussions with a number of other ISPs about similar agreements.

Partnering with advertising networks represents another important element of our strategy for capitalising on our Javascript technology. We are very encouraged by the discussions taking place with a number of such parties about integrating our PageSense technology with their ad tags across their network of publishers.

Overall, our technology has evolved significantly and our revenue per user on targeted advertising, the measure of our software and operational effectiveness, has almost doubled.

PageSense Desktop

Our PageSense Desktop application has formed the bulk of our revenue generated to date. However, growth of this application is being restricted by the reduced opportunities for freeware distribution, a trend that is affecting the desktop segment as a whole. As a consequence, we expect revenues from this application to fall short of current expectations. Against this background, we are accelerating our diversification away from desktops and into the Javascript space.

Management and operational infrastructure

We have continued to develop our management and operational infrastructure, in order to ensure that we have the capability to convert the growth opportunities that we see ahead. We now have in place a strong US sales and marketing presence, included within a global headcount of 42, up from 26 as at the end of December.

In addition, we have recently recruited David Gwozdz to the position of Senior Vice President, Sales and Business Development to further build the ad sales team and our business development efforts.

David was one of the founding team of DoubleClick, the NASDAQ-listed internet advertising solutions corporation recently acquired by a private equity consortium for £1.1 billion. He devised and implemented DoubleClick's original media sales products and strategies, and built, trained and managed multiple industry leading sales teams in all areas of online advertising, sponsorships, promotions and e-mail. He also initiated and managed high level relationships with some of the US's top marketers including IBM, Disney, Intel, Gap, Microsoft, Coca-cola, Dell, American Airlines, and their advertising agencies.

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Current trading and outlook

The increased losses in the first half of the year reflect the significant investment in the Javascript effort and we anticipate that returns from this will begin to show in the last quarter of the year.

However, due to the fact that our revenue growth in the desktop space will fall short of current market expectations, the current financial year will result in a loss.

Going forward, we will be accelerating our activities in the Javascript space where we see the potential for substantially greater returns. Whilst this accelerated strategic reorientation will delay the point at which we reach sustained profitability, we are pleased with the strategic progress made in the year to date. The market for targeted online advertising is growing fast, and we remain confident of the long term prospects for the company.

- Ends -

121MEDIA, INC**Consolidated Profit and Loss Account for the period ended 30 June 2005**

	<i>Unaudited</i> 6 months ended 30 June 2005 \$	<i>Unaudited</i> 6 months ended 30 June 2004 \$	<i>Audited</i> Year ended 31 Dec 2004 \$
Turnover	2,606,975	1,939,493	4,165,203
Cost of sales			
Cost of distribution partners	(280,194)	(597,374)	(912,559)
Commissions paid to Conducive LLC	-	(840,613)	(1,305,339)
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Gross profit	2,326,781	501,506	1,947,305
Administrative expenses	(3,693,242)	(717,892)	(2,063,848)
	<hr/>	<hr/>	<hr/>
Operating loss	(1,366,461)	(216,386)	(116,543)
Interest receivable and similar income	8,112	-	82,274
Interest payable and similar charges	(16,016)	(100)	(10,961)
	<hr/>	<hr/>	<hr/>
Operating loss before taxation	(1,374,365)	(216,486)	(45,230)
Taxation on loss on ordinary activities	-	(130)	(130)
	<hr/>	<hr/>	<hr/>
Group loss on ordinary activities after taxation	(1,374,365)	(216,616)	(45,360)
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Basic loss per share	(\$0.19)	(\$0.04)	(\$0.01)
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Diluted loss per share	(\$0.14)	(\$0.03)	(\$0.01)
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121MEDIA, INC**Consolidated Balance Sheet at 30 June 2005**

	<i>Unaudited</i> 6 months ended 30 June 2005 \$	<i>Unaudited</i> 6 months ended 30 June 2004 \$	<i>Audited</i> Year ended 31 Dec 2004 \$
Fixed assets			
Tangible assets	536,877	351,747	676,591
	<u>536,877</u>	<u>351,747</u>	<u>676,591</u>
Current assets			
Debtors	1,432,165	82,723	2,641,929
Cash at bank and in hand	754,613	17,849	878,327
	<u>2,186,778</u>	<u>100,572</u>	<u>3,520,256</u>
Creditors: amounts falling due within one year	(415,647)	(910,411)	(508,000)
	<u>1,771,131</u>	<u>(809,839)</u>	<u>3,012,256</u>
Net current assets/(liabilities)	<u>1,771,131</u>	<u>(809,839)</u>	<u>3,012,256</u>
Net assets/(liabilities)	<u>2,308,008</u>	<u>(458,092)</u>	<u>3,688,847</u>
Capital and reserves			
Called up share capital	7,503	5,160	7,104
Share premium account	4,846,365	1,428,981	4,731,608
Other reserves	647,762	98,280	769,392
Profit and loss account	(3,193,622)	(1,990,513)	(1,819,257)
	<u>2,308,008</u>	<u>(458,092)</u>	<u>3,688,847</u>
Shareholders' funds	<u>2,308,008</u>	<u>(458,092)</u>	<u>3,688,847</u>

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Cash flow statement for the period ended 30 June 2005

	Unaudited 6 months ended 30 June 2005 \$	Unaudited 6 months ended 30 June 2004 \$	Audited Year ended 31 Dec 2004 \$
Net cash (outflow)/inflow from operating activities	(12,725)	225,908	(1,923,196)
Returns on investments and servicing of finance			
Interest	(7,904)	(100)	(10,949)
<i>Taxation</i>	-	(130)	(130)
Capital expenditure	(103,085)	(423,471)	(898,349)
Net cash outflow before financing	(123,714)	(197,793)	(2,832,624)
Financing			
Issue of ordinary share capital	-	200,001	3,695,310
(Decrease)/Increase in cash in the period	(123,714)	2,208	862,686

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Notes forming part of the accounts for the period ended 30 June 2005

1 Basis of preparation

The results for the six-month period ended 30 June 2005 are unaudited. They have been prepared on accounting bases and policies that are consistent with those used in the preparation of the financial statements of the Group for the year ended 31 December 2004 and 6 months ended 30 June 2004.

The financial information contained in this report does not constitute statutory accounts within the meaning of Section 240 of the Companies Act 1985. The financial information for the period ended 31 December 2004 has been extracted from the audited financial statements for that year, that has been filed with the Registrar of Companies and that contains an unqualified audit report.

The financial statements have been prepared in US dollars as the majority of the group's trade occurs in this currency.

2 Profit per share

The calculation of the basic earnings per share and diluted earnings per share is based on the loss attributable to ordinary shareholders of \$1,374,365 (2004: \$45,360) divided by the weighted average number of shares in issue during the year.

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

	6 months ended 30 June 2005	6 months ended 30 June 2004	Year ended 31 Dec 2004
	Number of Shares	Number of Shares	Number of Shares
	7,414,022	5,059,331	5,400,638

3 Reconciliation of operating loss to net cash (outflow)/inflow from operating activities

	Unaudited 6 months ended 30 June 2005	Unaudited 6 months ended 30 June 2004	Audited Year ended 31 Dec 2004
	\$	\$	\$
Operating loss	(1,366,461)	(216,386)	(116,543)
Depreciation charges	242,799	80,469	230,503
Share & warrant issue/issue (costs)	(6,474)	64,968	527,604
Decrease/(increase) in debtors	1,209,764	611	(2,558,595)
(Decrease)/increase in creditors	(92,353)	296,246	(6,165)
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Net cash (outflow)/inflow from operating activities	(12,725)	225,908	(1,923,196)
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Notes forming part of the accounts for the period ended 30 June 2005 (Continued)

4 Reconciliation of net cash flow to movement in net funds

	<i>Unaudited</i> 6 months ended 30 June 2005 \$	<i>Unaudited</i> 6 months ended 30 June 2004 \$	<i>Audited</i> Year ended 31 Dec 2004 \$
(Decrease)/increase in cash in the period	(123,714)	2,208	862,686
Cash inflow from decrease in debt financing	-	-	100,000
	<hr/>	<hr/>	<hr/>
Change in net funds resulting from cash flows	(123,714)	2,208	962,686
New finance leases	-	-	-
	<hr/>	<hr/>	<hr/>
Movement in net funds in the period	(123,714)	2,208	962,686
Net funds/(debt) at start of period	878,327	15,641	(84,359)
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Net funds	754,613	17,849	878,327
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5 Analysis of changes in net funds

	Opening balance 1 Jan 2005 \$	Cash flows \$	Closing balance 30 June 2005 \$
Cash at bank and in hand	878,327	(123,714)	754,613
	<hr/>	<hr/>	<hr/>
Net funds	878,327	(123,714)	754,613
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6 Dividend

The directors do not propose to pay an interim dividend.

Copies of this statement will be sent to shareholders, and will be available from the Company's UK principal office at Golden Cross House, 8 Duncannon Street, London WC2N 4JF.