

DAG Media, Inc. Reports Third Quarter Financial Results

NEW YORK, Oct. 28 /PRNewswire-FirstCall/ -- DAG Media Inc. (Nasdaq: [DAGM](#))

DAG Media, Inc., announced today that net advertising revenue for the quarter ended September 30, 2005 was \$1,444,000 versus advertising revenue of \$1,987,000 for the same period last year, a decrease of \$543,000 or 27.3%. The decrease in revenues was attributable to the decrease in revenue of the Jewish Israeli Yellow Pages directory recognized in the three month period ended September 30, 2005. Gross profit decreased to \$1,236,000 for the quarter ended September 30, 2005 from \$1,761,000 in the three month period ended September 30, 2004. Net loss was \$96,000 or \$(0.03) per basic and diluted share (based on 3.120 million shares) compared with net income of \$1,189,000 or \$0.38 per basic and \$0.37 per diluted share (based on 3.152 million shares and 3.238 million shares, accordingly).

Advertising revenues for the nine month period ended September 30, 2005 was \$3,838,000 versus advertising revenues of \$5,027,000 for the nine months ended September 30, 2004, a decrease of \$1,189,000, or 23.7%. Advertising revenues for the nine months ended September 30, 2004 included \$466,000 of 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 \$692,000 decrease in revenues was attributable primarily to the decrease in revenues of the Jewish Israeli Yellow Pages directory, which had produced record high revenues in prior years offset by increased revenues from the eleventh and twelfth edition of the Jewish Master Guide, also known as the Kosher Yellow Pages, recognized in the three month period ended June 30, 2005. The increase in revenue from the Jewish Master Guide was due to a significant increase in number of sales representatives dedicated to its sales, especially after the sale of the New Yellow Manhattan directory in August of 2003. Gross profit decreased to \$3,305,000 for the nine month period ended September 30, 2005 from \$4,255,000 in the nine month period ended September 30, 2004. Net loss was \$299,000 or \$(0.10) per basic and diluted share (based on 3.115 million shares) compared with net income of \$1,138,000 or \$0.36 per basic and \$0.35 per diluted share (based on 3.125 million shares and 3.230 million shares, accordingly).

The Company also reported cash, cash equivalents, other marketable securities and short-term investments of \$7,692,000 or \$2.41 per share. As of September 30, 2005 the Company also reported current assets of \$9,930,000, total assets of \$10,459,000, total shareholder's equity of \$7,014,000 and deferred revenues of \$2,079,000.

Assaf Ran, Chairman of the board and CEO stated, "After three consecutive years of growth and breaking sales records, our Jewish Israeli Yellow Pages is now taking a breather. This is a normal cycle for this publication and its sales force. We are now working on training more sales representatives in order to catch up. Simultaneously, we are increasing efforts and making progress in the process of redefining our business plan for the future", added Mr. Ran.

DAG Media publishes and distributes Yellow Pages 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>; and <http://www.theonlykosherdirectory.com>

Forward-looking statements in this release are made pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Investors are cautioned that such forward-looking statements involve risks and uncertainties, including, without limitation, continued acceptance of the Company's products, increased levels of competition, new products introduced by competitors, changes in the rates of subscriber acquisition and retention, and other risks detailed from time to time in the Company's periodic reports filed with the Securities and Exchange Commission.

DAG MEDIA, INC.
BALANCE SHEET
(unaudited)

September 30, 2005

Assets

Current assets:

Cash and cash equivalents	\$2,476,720
Marketable securities	4,139,380
Short term investment - insurance annuity contract - at fair value	1,075,964
Total cash and cash equivalents, marketable securities and short terms investments	7,692,064
Trade accounts receivable, net of allowance for doubtful accounts of \$ 395,000	1,047,863
Directories in progress	1,041,600
Other current assets	148,194
Total current assets	9,929,721
Property and equipment, net	148,913
Trademarks and other intangibles, net	261,479
Other assets	118,863
Total assets	\$10,458,976

Liabilities and Shareholders' Equity

Current liabilities:

Accounts payable and accrued expenses	\$245,270
Accrued commissions and commissions payable	433,500
Advanced billing for unpublished directories	2,079,007
Dividends Payable	312,246
Income tax payable	374,479
Total current liabilities	3,444,502

Commitments and contingencies

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Shareholders' equity:

Preferred shares - \$.01 par value; 5,000,000 shares authorized; no shares issued	-
Common shares - \$.001 par value; 25,000,000 authorized; 3,191,190 issued and 3,122,460 outstanding	3,191
Additional paid-in capital	8,539,953
Treasury stock, at cost- 68,730 shares	(231,113)

Deferred compensation	(33,611)
Accumulated other comprehensive loss	(373,381)
Accumulated deficit	(890,565)
Total shareholders' equity	7,014,474
Total liabilities and shareholders' equity	\$10,458,976

DAG MEDIA, INC.
STATEMENTS OF OPERATIONS
(unaudited)

	Three Months		Nine Months	
	Ended September 30,		Ended September 30,	
	2005	2004	2005	2004
Advertising revenues	\$1,444,253	\$1,986,744	3,837,814	\$5,027,356
Publishing costs	208,293	225,496	532,735	772,837
Gross Profit	1,235,960	1,761,248	3,305,079	4,254,519
Operating costs and expenses:				
Selling expenses	757,315	963,068	1,924,154	2,280,664
Administrative and general costs	624,863	745,178	1,955,063	2,015,866
Total operating costs and expenses	1,382,178	1,708,246	3,879,217	4,296,530
(Loss) income from operations	(146,218)	53,002	(574,138)	(42,011)
Other income	105,048	84,735	330,549	328,520
(Loss) income from continuing operations before benefit for income taxes	(41,170)	137,737	(243,589)	286,509
Provision for income taxes	---	(134,340)	---	(134,340)
(Loss) income from continuing operations	(41,170)	3,397	(243,589)	152,169
Discontinued Operations:				
(Loss) gain on sale of Blackbook net of tax effect of \$770,000, in 2004	(55,000)	1,169,213	(55,000)	1,169,213
Gain (loss) from operation of Blackbook, net of tax provision of \$3,487 and \$120,000, in 2004	---	16,480	---	(183,352)
(Loss) income from discontinued operations	(55,000)	1,185,693	(55,000)	985,861
Net (loss) income	\$(96,170)	\$1,189,090	\$(298,589)	\$1,138,030
Basic net (loss) income per common share outstanding:				
Continuing operations	\$(0.01)	\$0.00	\$(0.08)	\$0.05
Discontinued operations	(0.02)	0.38	(0.02)	\$0.31
Total net (loss) income per common share - Basic	\$(0.03)	\$0.38	\$(0.10)	\$0.36

Diluted net (loss)				
income per common share				
outstanding:				
Continuing operations	\$ (0.01)	\$ 0.00	\$ (0.08)	\$ 0.04
Discontinued operations	(0.02)	0.37	(0.02)	\$ 0.31
Total net (loss)				
income per				
common share - Diluted	\$ (0.03)	\$ 0.37	\$ (0.10)	\$ 0.35
Weighted average number				
of common shares				
outstanding				
--Basic	3,119,764	3,152,190	3,115,101	3,125,455
--Diluted	3,119,764	3,237,608	3,115,101	3,230,197

DAG MEDIA, INC.
STATEMENTS OF CASH FLOWS
(unaudited)

	Nine Months Ended September 30,	
	2005	2004
Cash flows from operating activities:		
Net (loss) income	\$ (298,589)	\$ 1,138,030
Adjustment to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	65,788	102,403
Amortization of deferred compensation and non cash compensation	28,829	65,614
Gain on sale of Blackbook Photography Inc.		(1,939,213)
Bad debt expense	265,311	524,926
Tax benefit for stock options	---	137,680
Realized gain on sale of marketable securities	(169,277)	(191,989)
Deferred taxes	---	(63,571)
Changes in operating assets and liabilities:		
Accounts receivable	50,742	(486,514)
Directories in progress	447,094	322,070
Other current assets	133,917	85,814
Other assets	---	(4,412)
Accounts payable and accrued expenses	46,098	(342,968)
Accrued commissions and commissions payable	(116,500)	(61,817)
Advance billing for unpublished directories	(880,781)	11,006
Income taxes payable	(180,807)	581,248
Net cash used in operating activities	(608,175)	(121,693)
Cash flows from investing activities:		
Proceeds from sale of marketable securities	14,412,975	7,328,008
Purchase of fixed assets	(6,072)	(24,969)
Investment in marketable securities	(13,413,188)	(5,258,515)
Cash received on sale of Blackbook Photography Inc., net of expenses and amount in escrow and cash surrendered on sale	---	1,800,245
Net cash provided by investing activities	993,715	3,844,769
Cash flows from financing activities:		
Dividend paid (\$0.48 per share)	(1,490,982)	(744,113)
Proceeds from forfeit of gain on sale of restricted stocks	---	10,279
Proceeds from exercise of stock options	34,420	156,142
Net cash used in financing activities	(1,456,562)	(577,692)
Net (decrease) increase in cash	\$ (1,071,022)	\$ 3,145,384
Cash and cash equivalents, beginning of period	3,547,742	1,201,819
Cash and cash equivalents, end of period	\$ 2,476,720	\$ 4,347,203
Supplemental cash flow information:		
Dividends declared but not paid	\$ 312,246	---