

March 4, 2008



Salem Communications Announces Fourth Quarter 2007 Total Revenue of \$59.1 Million

CAMARILLO, Calif.--(BUSINESS WIRE)--

Salem Communications Corporation (Nasdaq:SALM), a leading U.S. radio broadcaster, Internet content provider, and magazine and book publisher targeting audiences interested in Christian and family-themed content and conservative values, today announced results for the three months and year ended December 31, 2007.

Fourth Quarter 2007 Results

For the quarter ended December 31, 2007 compared to the quarter ended December 31, 2006:

- Total revenue decreased 0.2% to \$59.1 million from \$59.2 million;
- Operating income decreased 28.8% to \$7.1 million from \$10.0 million;
- Net income decreased to \$0.2 million, or \$0.01 net income per diluted share, from \$3.3 million, or \$0.14 net income per diluted share;
- EBITDA decreased 29.3% to \$10.9 million from \$15.4 million;
- Adjusted EBITDA decreased 8.7% to \$13.8 million from \$15.1 million;

Broadcasting

- Net broadcasting revenue decreased 1.8% to \$52.2 million from \$53.2 million;
- Station operating income ("SOI") decreased 7.7% to \$18.0 million from \$19.5 million;
- Same station net broadcasting revenue decreased 2.1% to \$50.8 million from \$51.9 million;
- Same station SOI decreased 7.2% to \$18.2 million from \$19.6 million;
- Same station SOI margin decreased to 35.7% from 37.7%;

Non-broadcast Media

- Non-broadcast revenue increased 14.1% to \$6.9 million from \$6.0 million; and
- Non-broadcast operating income increased 23.5% to \$0.5 million from \$0.4 million.

Included in the results for the quarter ended December 31, 2007 are:

- A \$0.1 million loss on the disposal of assets;
- A \$1.9 million impairment charge (\$1.0 million, net of tax or \$0.08 per share) resulting from our decision to discontinue the printing of CCM Magazine; and
- A \$0.9 million non-cash compensation charge (\$0.5 million, net of tax, or \$0.02 per share) related to the expensing of stock options consisting of:
 - \$0.6 million non-cash compensation included in corporate expenses; and
 - \$0.3 million non-cash compensation included in broadcasting operating expenses.

On February 7, 2007, we sold WKNR (850 AM) in Cleveland, Ohio. We discontinued operating this radio station under a local marketing agreement effective December 1, 2006. For the quarter ended December 31, 2007, this station did not generate any revenue or profit. For the comparable 2006 period, the station generated net broadcasting revenue of \$0.4 million and generated no profit.

These results reflect the reclassification of the operations of our Milwaukee stations to discontinued operations for all periods presented. These stations had net broadcasting revenue of approximately \$0.5 million and generated a profit of \$0.1 million for both the quarters ended December 31, 2007 and December 31, 2006.

Other comprehensive loss of \$1.6 million, net of tax, for the quarter ended December 31, 2007 is due to the change in fair market value of the company's interest rate swaps.

Per share numbers are calculated based on 23,668,788 diluted weighted average shares for the quarter ended December 31, 2007, and 23,852,840 diluted weighted average shares for the comparable 2006 period.

Full Year 2007 Results

For the year ended December 31, 2007 compared to the year ended December 31, 2006:

- Total revenue increased 2.7% to \$231.7 million from \$225.7 million;
- Operating income decreased 31.1% to \$39.8 million from \$57.7 million;
- Net income decreased to \$8.2 million, or \$0.34 net income per diluted share, from \$19.0 million, or \$0.78 net income per diluted share;
- EBITDA decreased 22.6% to \$55.2 million from \$71.3 million;
- Adjusted EBITDA increased 0.1% to \$58.1 million from \$58.0 million;

Broadcasting

- Net broadcasting revenue increased 0.1% to \$206.6 million from \$206.4 million;
- SOI decreased 2.8% to \$74.8 million from \$76.9 million;
- Same station net broadcasting revenue increased 0.5% to \$202.3 million from \$201.3 million;
- Same station SOI decreased 3.0% to \$75.2 million from \$77.5 million;
- Same station SOI margin decreased to 37.2% from 38.5%;

Non-broadcast Media

- Non-broadcast revenue increased 29.7% to \$25.1 million from \$19.4 million; and
- Non-broadcast operating income increased 70.2% to \$2.0 million from \$1.2 million.

Included in the results for the year ended December 31, 2007 are:

- A \$2.2 million gain primarily from the disposal of assets in the Cleveland and Nashville markets (\$1.2 million gain, net of tax, or \$0.05 gain per diluted share);
- A \$1.9 million impairment charge (\$1.0 million, net of tax or \$0.08 per share) resulting from our decision to discontinue the printing of CCM Magazine;
- A \$0.2 million gain (\$0.01 per diluted share) from discontinued operations, net of tax related to the disposition of assets in the Milwaukee markets; and
- A \$3.4 million non-cash compensation charge (\$1.9 million, net of tax, or \$0.08 per share) related to the expensing of stock options consisting of:
 - \$2.4 million non-cash compensation included in corporate expenses;
 - \$0.8 million non-cash compensation included in broadcasting operating expenses; and
 - \$0.2 million non-cash compensation included in other media operating expenses

Included in the results for the year ended December 31, 2006 are:

- An \$18.7 million gain primarily from the disposal and exchange of assets in the in the Sacramento, Cleveland and Dallas markets (\$11.1 million gain, net of tax, or \$0.46 gain per diluted share);
- A \$3.6 million loss (\$2.2 million loss, net of tax, or \$0.09 loss per share) from the early redemption of \$94.0 million of 9.0% senior subordinated notes due 2011;
- A \$2.6 million gain (\$0.11 per diluted share) from discontinued operations, net of tax related to the disposition of assets in the Baltimore, Jacksonville, Richmond and Milwaukee markets; and
- A \$4.3 million non-cash compensation charge (\$2.6 million, net of tax, or \$0.11 per share) related to the expensing of stock options consisting of:
 - \$3.4 million non-cash compensation included in corporate expenses;
 - \$0.8 million non-cash compensation included in broadcasting operating expenses; and
 - \$0.1 million non-cash compensation included in non-

broadcast operating expenses.

For the twelve months ended December 31, 2007, WKNR (850 AM) in Cleveland, Ohio, which was sold on February 7, 2007, did not generate any revenue or profit. For the comparable 2006 period, the station generated net broadcasting revenue of \$2.3 million and generated no profit.

These results reflect the reclassification of the operations of our Milwaukee stations to discontinued operations for all periods presented. These stations had net broadcasting revenue of approximately \$2.1 million and generated a profit of \$0.5 million for the year ended December 31, 2007 as compared to net broadcasting revenue of approximately \$2.0 million and profit of \$0.4 million in the same period of the prior year.

Other comprehensive loss of \$2.3 million, net of tax, for the year ended December 31, 2007 is due to the change in fair market value of the company's interest rate swaps.

Per share numbers are calculated based on 23,788,568 diluted weighted average shares for the year ended December 31, 2007, and 24,223,751 diluted weighted average shares for the comparable 2006 period.

Balance Sheet

As of December 31, 2007, the company had net debt of \$353.8 million and was in compliance with the covenants of its credit facilities and bond indentures. The company's bank leverage ratio was 6.0 versus a compliance covenant of 6.25 and its bond leverage ratio was 5.1 versus a compliance covenant of 7.0.

Acquisitions and Divestitures

The following transactions are currently pending:

- KKSX (910 AM) in Portland, Oregon will be acquired for approximately \$4.5 million (this station is operated by Salem under a local marketing agreement that began on February 1, 2007 with the call letters KTRO);
- WTPS (1080 AM) in Miami, Florida will be acquired for approximately \$12.3 million (this station is operated by Salem under a local marketing agreement that began on October 18, 2007 with the call letters WMCU);
- KTEK (1110 AM) in Houston, Texas will be sold for approximately \$7.8 million (this station is operated by the buyer under a time brokerage agreement that began on November 29, 2007)
- WHKZ (1440 AM) in Warren, Ohio will be sold for approximately \$0.6 million;
- WRRD (540 AM) in Milwaukee, Wisconsin, will be sold for approximately \$3.8 million (this station is operated by the buyer under a local marketing agreement that began on February 14, 2008); and
- WFZH (105.3 FM) in Milwaukee, Wisconsin, will be sold for approximately \$8.1 million (this station is operated by the

buyer under a local marketing agreement that began on February 15, 2008).

First Quarter 2008 Outlook

We have elected to discontinue the practice of providing specific quarterly revenue, SOI and earnings per share guidance. Going forward, Salem will provide a quarterly range for total revenue and operating expenses. Accordingly, for the first quarter of 2008, Salem is projecting total revenue to decrease in the low-single digit range over first quarter 2007 total revenue of \$55.2 million. Salem is also projecting operating expenses before gain or loss on disposal of assets to increase in the low-to-mid-single digit range over first quarter of 2007 operating expenses of \$46.7 million. This increase is primarily the result of increased investment in our non-broadcast business.

Conference Call Information

Salem will host a teleconference to discuss its results today, on March 4, 2008 at 5:00 p.m. Eastern Time. To access the teleconference, please dial 973-582-2717 ten minutes prior to the start time or listen via the investor relations portion of the company's website, located at www.salem.cc. A replay of the teleconference will be available through March 18, 2008 and can be heard by dialing 706-645-9291, pass code 33528493 or on the investor relations portion of the company's website, located at www.salem.cc.

In addition to its radio properties, Salem owns Salem Radio Network(R), which syndicates talk, news and music programming to approximately 2,000 affiliates; Salem Radio Representatives(TM), a national radio advertising sales force; Salem Web Network(TM), an Internet provider of Christian content and online streaming; and Salem Publishing(TM), a publisher of Christian-themed magazines. Upon the close of all announced transactions, the company will own 96 radio stations, including 59 stations in 23 of the top 25 markets. Additional information about Salem may be accessed at the company's website, www.salem.cc.

Forward Looking Statements

Statements used in this press release that relate to future plans, events, financial results, prospects or performance are forward-looking statements as defined under the Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those anticipated as a result of certain risks and uncertainties, including but not limited to the ability of Salem to close and integrate announced transactions, market acceptance of Salem's radio station formats, competition from new technologies, adverse economic conditions, and other risks and uncertainties detailed from time to time in Salem's reports on Forms 10-K, 10-Q, 8-K and other filings filed with or furnished to the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Salem undertakes no obligation to update or revise any forward-looking statements to reflect new information, changed circumstances or unanticipated events.

Regulation G

Station operating income, non-broadcast operating income, EBITDA and Adjusted EBITDA are financial measures not prepared in accordance with generally accepted accounting

principles ("GAAP"). Station operating income is defined as net broadcasting revenues minus broadcasting operating expenses. Non-broadcast operating income is defined as non-broadcast revenue minus non-broadcast operating expenses. EBITDA is defined as net income before interest, taxes, depreciation and amortization. Adjusted EBITDA is defined as EBITDA before loss on early redemption of long-term debt, impairment of goodwill and intangible assets, discontinued operations (net of tax), gain or loss on the disposal of assets and non-cash compensation expense. In addition, Salem has provided supplemental information as an attachment to this press release, reconciling these non-GAAP financial measures to the most directly comparable financial measures prepared in accordance with GAAP. The company believes these non-GAAP financial measures, when considered in conjunction with the most directly comparable GAAP financial measures, provide useful measures of the company's operating performance.

Station operating income, non-broadcast operating income, EBITDA and Adjusted EBITDA are generally recognized by the broadcasting industry as important measures of performance and are used by investors as well as analysts who report on the industry to provide meaningful comparisons between broadcasting. Station operating income, non-broadcast operating income, EBITDA and Adjusted EBITDA are not a measure of liquidity or of performance in accordance with GAAP, and should be viewed as a supplement to and not a substitute for, or superior to, the company's results of operations presented on a GAAP basis such as operating income and net income. In addition, Salem's definitions of station operating income, non-broadcast operating income, EBITDA and Adjusted EBITDA are not necessarily comparable to similarly titled measures reported by other companies.

Salem Communications Corporation
Condensed Consolidated Statements of Operations
(in thousands, except share, per share and margin data)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|----------------------------------|------------------------------------|-----------|-------------------------------------|------------|
| | 2006 | 2007 | 2006 | 2007 |
| | (unaudited) | | | |
| Net broadcasting revenue | \$ 53,209 | \$ 52,248 | \$ 206,367 | \$ 206,596 |
| Non-broadcast revenue | 6,031 | 6,880 | 19,369 | 25,130 |
| Total revenue | 59,240 | 59,128 | 225,736 | 231,726 |
| Operating expenses: | | | | |
| Broadcasting operating expenses | 33,703 | 34,243 | 129,438 | 131,796 |
| Non-broadcast operating expenses | 5,602 | 6,350 | 18,172 | 23,093 |
| Impairment of goodwill | - | 1,862 | - | 1,862 |
| Corporate expenses | 5,710 | 5,579 | 24,043 | 22,314 |
| Depreciation and amortization | 4,035 | 3,861 | 15,026 | 15,082 |
| (Gain) loss on disposal of | | | | |

| | | | | |
|---|----------|------------|-----------|----------|
| assets | 220 | 136 | (18,653) | (2,190) |
| Total operating expenses | 49,270 | 52,031 | 168,026 | 191,957 |
| Operating income | 9,970 | 7,097 | 57,710 | 39,769 |
| Other income (expense): | | | | |
| Interest income | 96 | 23 | 210 | 183 |
| Interest expense | (6,485) | (6,351) | (26,342) | (25,488) |
| Loss on early redemption of long-term debt | - | - | (3,625) | - |
| Other income (expense), net | 46 | (66) | (420) | 164 |
| Income from continuing operations before income taxes | 3,627 | 703 | 27,533 | 14,628 |
| Provision for income taxes | 1,757 | 540 | 11,096 | 6,620 |
| Income from continuing operations | 1,870 | 163 | 16,437 | 8,008 |
| Discontinued operations, net of tax | 1,395 | 25 | 2,562 | 167 |
| Net income | \$ 3,265 | \$ 188 | \$ 18,999 | \$ 8,175 |
| Other comprehensive income (loss), net of tax | (5) | (1,593) | 457 | (2,267) |
| Comprehensive income (loss) | \$ 3,260 | \$ (1,405) | \$ 19,456 | \$ 5,908 |
| Basic income per share before discontinued operations | \$ 0.08 | \$ 0.01 | \$ 0.68 | \$ 0.34 |
| Discontinued operations, net of tax | \$ 0.06 | \$ - | \$ 0.11 | \$ 0.01 |
| Basic income per share after discontinued operations | \$ 0.14 | \$ 0.01 | \$ 0.78 | \$ 0.34 |
| Diluted income per share before discontinued operations | \$ 0.08 | \$ 0.01 | \$ 0.68 | \$ 0.34 |
| Discontinued operations, net of tax | \$ 0.06 | \$ - | \$ 0.11 | \$ 0.01 |
| Diluted income per share after | | | | |

| | | | | |
|---|------------|------------|------------|------------|
| discontinued operations | \$ 0.14 | \$ 0.01 | \$ 0.78 | \$ 0.34 |
| Basic weighted average shares outstanding | 23,847,520 | 23,668,788 | 24,215,867 | 23,785,015 |
| | ===== | ===== | ===== | ===== |
| Diluted weighted average shares outstanding | 23,852,840 | 23,668,788 | 24,223,751 | 23,788,568 |
| | ===== | ===== | ===== | ===== |
| Other Data: | | | | |
| Station operating income | \$ 19,506 | \$ 18,005 | \$ 76,929 | \$ 74,800 |
| Station operating margin | 36.7% | 34.5% | 37.3% | 36.2% |

Salem Communications Corporation
Condensed Consolidated Balance Sheets
(in thousands)

| | December 31, 2006 | December 31, 2007 |
|--|-------------------------|-------------------------|
| | ----- | ----- |
| | (unaudited) | |
| Assets | | |
| Cash | \$ 710 | \$ 447 |
| Trade accounts receivable, net | 31,984 | 30,030 |
| Deferred income taxes | 5,020 | 5,567 |
| Other current assets | 2,881 | 3,256 |
| Assets of discontinued operations | 8,671 | 8,599 |
| Property, plant and equipment, net | 127,956 | 131,087 |
| Intangible assets, net | 500,496 | 492,156 |
| Bond issue costs | 593 | 444 |
| Bank loan fees | 2,996 | 1,994 |
| Fair value of interest rate swaps | 1,290 | - |
| Other assets | 3,667 | 6,218 |
| | ----- | ----- |
| Total assets | \$686,264 | \$679,798 |
| | ===== | ===== |
| Liabilities and Stockholders' Equity | | |
| Current liabilities | \$ 27,295 | \$ 26,290 |
| Long-term debt and capital lease obligations | 358,978 | 350,106 |
| Deferred income taxes | 53,935 | 61,381 |
| Other liabilities | 8,340 | 8,843 |
| Stockholders' equity | 237,716 | 233,178 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$686,264 | \$679,798 |
| | ===== | ===== |

Salem Communications Corporation
Supplemental Information
(in thousands)

Three Months
Ended
December 31,

Twelve Months Ended
December 31,

| | 2006 | 2007 | 2006 | 2007 |
|--|-------------|----------|-----------|-----------|
| | ----- | ----- | ----- | ----- |
| | (unaudited) | | | |
| Capital expenditures | | | | |
| Acquisition related / income producing | \$ 2,813 | \$ 1,877 | \$ 14,594 | \$ 7,280 |
| Maintenance | 2,177 | 2,155 | 6,476 | 8,616 |
| | ----- | ----- | ----- | ----- |
| Total capital expenditures | \$ 4,990 | \$ 4,032 | \$ 21,070 | \$ 15,896 |
| | ===== | ===== | ===== | ===== |
| Tax information | | | | |
| Cash tax expense | \$ 57 | \$ 75 | \$ 256 | \$ 368 |
| Deferred tax expense | 1,700 | 465 | 10,840 | 6,252 |
| | ----- | ----- | ----- | ----- |
| Provision for income taxes | \$ 1,757 | \$ 540 | \$ 11,096 | \$ 6,620 |
| | ===== | ===== | ===== | ===== |
| Tax benefit of non-book amortization | \$ 3,499 | \$ 4,180 | \$ 10,620 | \$ 16,120 |
| | ===== | ===== | ===== | ===== |
| Reconciliation of Same Station | | | | |
| Net Broadcasting Revenue to | | | | |
| Total Net Broadcasting Revenue | | | | |
| Net broadcasting revenue - same station | \$51,899 | \$50,815 | \$201,333 | \$202,280 |
| Net broadcasting revenue - acquisitions | 43 | 447 | 215 | 1,241 |
| Net broadcasting revenue - dispositions | 616 | 86 | 2,911 | 234 |
| Net broadcasting revenue - format changes | 651 | 900 | 1,908 | 2,841 |
| | ----- | ----- | ----- | ----- |
| Total net broadcasting revenue | \$53,209 | \$52,248 | \$206,367 | \$206,596 |
| | ===== | ===== | ===== | ===== |
| Reconciliation of Same Station | | | | |
| Broadcasting Operating | | | | |
| Expenses to Total Broadcasting | | | | |
| Operating Expenses | | | | |
| Broadcasting operating expenses - same station | \$32,322 | \$32,651 | \$123,878 | \$127,119 |
| Broadcasting operating expenses - acquisitions | 39 | 440 | 215 | 1,355 |
| Broadcasting operating expenses - dispositions | 648 | 101 | 2,918 | 314 |
| Broadcasting operating expenses - format changes | 694 | 1,051 | 2,427 | 3,008 |
| | ----- | ----- | ----- | ----- |
| Total broadcasting operating expenses | \$33,703 | \$34,243 | \$129,438 | \$131,796 |
| | ===== | ===== | ===== | ===== |

| | | | | |
|---|----------|----------|-----------|-----------|
| Reconciliation of Same Station Station Operating Income to Total Station Operating Income | | | | |
| Station operating income - same station | \$19,577 | \$18,164 | \$ 77,455 | \$ 75,161 |
| Station operating income - acquisitions | 4 | 7 | - | (114) |
| Station operating income - dispositions | (32) | (15) | (7) | (80) |
| Station operating income - format changes | (43) | (151) | (519) | (167) |
| | ----- | ----- | ----- | ----- |
| Total station operating income | \$19,506 | \$18,005 | \$ 76,929 | \$ 74,800 |
| | ===== | ===== | ===== | ===== |

Salem Communications Corporation
Supplemental Information
(in thousands)

| | Three Months Ended December 31, | | Twelve Months Ended December 31, | |
|---|------------------------------------|----------|-------------------------------------|-----------|
| | 2006 | 2007 | 2006 | 2007 |
| | ----- | ----- | ----- | ----- |
| | (unaudited) | | | |
| Reconciliation of Station Operating Income and Non- Broadcast Operating Income to Operating Income | | | | |
| Station operating income | \$ 19,506 | \$18,005 | \$ 76,929 | \$ 74,800 |
| Non-broadcast operating income | 429 | 530 | 1,197 | 2,037 |
| Less: | | | | |
| Corporate expenses | (5,710) | (5,579) | (24,043) | (22,314) |
| Impairment of goodwill | - | (1,862) | - | (1,862) |
| Depreciation and amortization | (4,035) | (3,861) | (15,026) | (15,082) |
| Gain (loss) on disposal of assets | (220) | (136) | 18,653 | 2,190 |
| | ----- | ----- | ----- | ----- |
| Operating income | \$ 9,970 | \$ 7,097 | \$ 57,710 | \$ 39,769 |
| | ----- | ----- | ----- | ----- |

| | | | | |
|---|-----------|----------|-----------|-----------|
| Reconciliation of Adjusted EBITDA to EBITDA to Net Income | | | | |
| Adjusted EBITDA | \$ 15,059 | \$13,756 | \$ 57,997 | \$ 58,068 |
| Less: | | | | |
| Stock-based compensation | (788) | (866) | (4,334) | (3,381) |
| Discontinued operations, net of tax | 1,395 | 25 | 2,562 | 167 |
| Gain (loss) on disposal of assets | (220) | (136) | 18,653 | 2,190 |
| Impairment of goodwill | - | (1,862) | - | (1,862) |
| Loss on early redemption of long-term debt | - | - | (3,625) | - |
| | ----- | ----- | ----- | ----- |
| EBITDA | 15,446 | 10,917 | 71,253 | 55,182 |
| Plus: | | | | |

| | | | | |
|-------------------------------|----------|---------|-----------|----------|
| Interest income | 96 | 23 | 210 | 183 |
| Less: | | | | |
| Depreciation and amortization | (4,035) | (3,861) | (15,026) | (15,082) |
| Interest expense | (6,485) | (6,351) | (26,342) | (25,488) |
| Provision for income taxes | (1,757) | (540) | (11,096) | (6,620) |
| | ----- | ----- | ----- | ----- |
| Net income | \$ 3,265 | \$ 188 | \$ 18,999 | \$ 8,175 |
| | ===== | ===== | ===== | ===== |

| | Outstanding at 12/31/2007 | Applicable Interest Rate |
|--|---------------------------------|--------------------------------|
| ----- | ----- | ----- |
| Selected Debt and Swap Data | | |
| 7 3/4% senior subordinated notes | \$100,000 | 7.75% |
| Senior bank term loan B debt (1) | 72,375 | 6.63% |
| Senior bank term loan C debt (swap matures 7/1/2012) (2) | 30,000 | 6.74% |
| Senior bank term loan C debt (swap matures 7/1/2012) (2) | 30,000 | 6.45% |
| Senior bank term loan C debt (swap matures 7/1/2012) (2) | 30,000 | 6.28% |
| Senior bank term C debt (at variable rates) (1) | 72,525 | 6.80% |
| Senior bank revolving debt (at variable rates) (1) | 13,000 | 6.66% |
| Swingline credit facility (3) | 2,952 | 7.00% |

(1) Subject to rolling LIBOR plus a spread currently at 1.75% and incorporated into the rate set forth above.

(2) Under its swap agreements, the Company pays a fixed rate plus a spread based on the Company's leverage, as defined in its credit agreement. As of December 31, 2007, that spread was 1.75% and is incorporated into the applicable interest rates set forth above.

(3) Subject to prime interest rate less 0.25%.

Source: Salem Communications Corporation