

August 4, 2011



Salem Communications Announces Second Quarter 2011 Total Revenue of \$56.1 Million

CAMARILLO, CA -- (MARKET WIRE) -- 08/04/11 -- 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, released its results for the three and six months ended June 30, 2011.

Second Quarter 2011 Results

For the quarter ended June 30, 2011 compared to the quarter ended June 30, 2010:

Consolidated

- Total revenue increased 5.7% to \$56.1 million from \$53.1 million;
- Operating expenses increased 7.3% to \$46.2 million from \$43.0 million;
- Operating expenses excluding gain or loss on disposal of assets increased 6.9% to \$46.0 million from \$43.1 million;
- Operating income decreased 1.4% to \$9.9 million from \$10.1 million;
- Net income increased to \$1.1 million, or \$0.04 net income per diluted share, from \$0.7 million, \$0.03 net income per diluted share in the prior year;
- EBITDA increased 0.3% to \$12.7 million; and
- Adjusted EBITDA increased 0.1% to \$14.1 million.

Broadcast

- Net broadcast revenue decreased 0.1% to \$45.4 million from \$45.5 million;
- Station operating income ("SOI") decreased 0.8% to \$16.4 million from \$16.5 million;
- Same station net broadcast revenue increased 0.7% to \$44.8 million from \$44.5 million;
- Same station SOI decreased 0.2% to \$16.3 million; and
- Same station SOI margin decreased to 36.4% from 36.7%.

Internet

- Internet revenue increased 60.9% to \$7.6 million from \$4.7 million; and
- Internet operating income increased 85.9% to \$1.4 million from \$0.8 million.

Publishing

- Publishing revenue increased 6.9% to \$3.1 million from \$2.9 million; and

- Publishing operating income increased 140.6% to \$0.4 million from \$0.2 million.

Included in the results for the quarter ended June 30, 2011 are:

- A \$0.2 million loss (\$0.1 million, net of tax) of various fixed asset and equipment disposals;
- A \$1.1 million loss (\$0.7 million, net of tax, or \$0.03 per share) on early redemption of long-term debt due to the repurchase of \$17.5 million of our 9 5/8% senior secured second lien notes due in 2016; and
- A \$0.2 million non-cash compensation charge (\$0.1 million, net of tax) related to the expensing of stock options primarily included in corporate expenses.

Included in the results for the quarter ended June 30, 2010 are:

- A \$1.1 million loss (\$0.6 million, net of tax, or \$0.03 per share) on early redemption of long-term debt due to the repurchase of \$17.5 million of our 9 5/8% senior subordinated notes due in 2016; and
- A \$0.4 million non-cash compensation charge (\$0.2 million, net of tax or \$0.01 per share) related to the expensing of stock options consisting of:
 - \$0.2 million non-cash compensation included in corporate expenses; and
 - \$0.2 million non-cash compensation included in broadcast operating expenses.

Per share numbers are calculated based on 24,491,530 diluted weighted average shares for the quarter ended June 30, 2011, and 24,542,417 diluted weighted average shares for the quarter ended June 30, 2010.

Year to Date 2011 Results

For the six months ended June 30, 2011 compared to the six months ended June 30, 2010:

Consolidated

- Total revenue increased 6.4% to \$107.9 million from \$101.4 million;
- Operating expenses increased 3.3% to \$86.0 million from \$83.3 million;
- Operating expenses excluding gain or loss on disposal of assets increased 8.5% to \$90.4 million from \$83.3 million;
- Operating income increased 20.5% to \$21.9 million from \$18.2 million;
- Net income increased to \$3.7 million, or \$0.15 net income per diluted share, from \$0.9 million, or \$0.04 net income per diluted share in the prior year;
- EBITDA increased 16.9% to \$28.4 million from \$24.3 million; and
- Adjusted EBITDA decreased 1.8% to \$25.6 million from \$26.1 million.

Broadcast

- Net broadcast revenue increased 1.4% to \$88.1 million from \$86.9 million;
- SOI decreased 1.9% to \$31.3 million from \$31.9 million;
- Same station net broadcast revenue increased 2.1% to \$86.5 million from \$84.8 million;
- Same station SOI decreased 1.9% to \$30.9 million from \$31.5 million; and
- Same station SOI margin decreased to 35.7% from 37.2%.

Internet

- Internet revenue increased 49.9% to \$13.8 million from \$9.2 million; and
- Internet operating income increased 63.9% to \$2.3 million from \$1.4 million.

Publishing

- Publishing revenue increased 11.5% to \$6.0 million from \$5.4 million; and
- Publishing operating income increased to \$0.3 million from \$0.1 million.

Included in the results for the six months ended June 30, 2011 are:

- A \$4.4 million gain (\$2.6 million, net of tax, or \$0.11 per diluted share) on disposal of assets comprised of a \$2.4 million pre-tax gain from the sale of KKMO-AM in Seattle, Washington and a \$2.1 million pre-tax gain from the sale of KXMX-AM in Los Angeles, California, partially offset by losses from various fixed asset and equipment disposals; and
- A \$1.1 million loss (\$0.7 million, net of tax, or \$0.03 per share) on early redemption of long-term debt due to the repurchase of \$17.5 million of our 9 5/8% senior secured second lien notes due in 2016;
- A \$0.5 million non-cash compensation charge (\$0.3 million, net of tax, or \$0.01 per share) related to the expensing of stock options consisting of:
 - \$0.3 million non-cash compensation included in corporate expenses; and
 - \$0.2 million non-cash compensation included in broadcast operating expenses.

Included in the results for the six months ended June 30, 2010 are:

- A \$1.1 million loss (\$0.6 million, net of tax, or \$0.03 per share) on early redemption of long-term debt due to the repurchase of \$17.5 million of our 9 5/8% senior subordinated notes due in 2016; and
- A \$0.7 million non-cash compensation charge (\$0.4 million, net of tax or \$0.02 per share) related to the expensing of stock options consisting of:
 - \$0.5 million non-cash compensation included in corporate expenses;
 - \$0.1 million non-cash compensation included in broadcast operating expenses; and
 - \$0.1 million non-cash compensation included in non-broadcast operating expenses.

Per share numbers are calculated based on 24,625,391 diluted weighted average shares for the six months ended June 30, 2011, and 24,492,180 diluted weighted average shares for the six months ended June 30, 2010.

Balance Sheet

As of June 30, 2011, the company had \$252.5 million of 9 5/8% senior secured second lien notes outstanding and had \$36.0 million drawn on its revolver. The company was in compliance with the covenants of its credit facility and bond indenture. The company's bank leverage ratio was 5.53 versus a compliance covenant of 7.0.

Acquisitions and Divestitures

The following transactions were completed since April 1, 2011:

- On June 1, 2011, we redeemed \$17.5 million of our 9 5/8% Notes for \$18.0 million, or at a price equal to 103% of the face value. This transaction resulted in a \$1.1 million pre-tax loss on the early retirement of debt.

The following transaction is currently pending:

- On March 5, 2010, we entered into an agreement to re-acquire KTEK-AM, Houston, Texas for \$3.7 million, which includes forgiveness of the promissory note that we received upon our original sale of the station. We began programming the station pursuant to a Time Brokerage Agreement with the current owner on March 8, 2010.

Conference Call Information

Salem will host a teleconference to discuss its results on August 4, 2011 at 2:00 p.m. Pacific Time. To access the teleconference, please dial (913) 312-0867, passcode 9397827 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 August 18, 2011 and can be heard by dialing (719) 457-0820, passcode 9397827 or on the investor relations portion on the company's website, located at www.salem.cc.

Third Quarter 2011 Outlook

For the second quarter of 2011, Salem is projecting total revenue to increase 4% to 6% over third quarter 2010 total revenue of \$51.4 million. Salem is also projecting operating expenses before gain or loss on disposal of assets, terminated transaction costs and abandoned license upgrades and impairments to increase 3% to 6% as compared to the third quarter of 2010 operating expenses of \$43.2 million.

Salem Communications Corporation is the largest commercial U.S. radio broadcasting company that provides programming targeted at audiences interested in Christian and family-themed radio content, as measured by the number of stations and audience coverage. Upon completion of all announced transactions, the company will own and/or operate a national portfolio of 95 radio stations in 37 markets, including 59 stations in 22 of the top 25 markets. We also program the [Family Talk™ Christian-themed talk format on SiriusXM Channel 131](#).

Salem also owns [Salem Radio Network](#), a national radio network that syndicates talk, news and music programming to approximately 2,000 affiliated radio stations and Salem Media Representatives, a national media advertising sales firm with offices across the country.

In addition to its radio broadcast business, Salem owns an Internet and a publishing division. Salem Web Network is a provider of online Christian and conservative-themed content and streaming and includes websites such as Christian faith focused Christianity.com, Questions and Answers about [Jesus Christ](#) at Jesus.org, [Christian living](#) focused Crosswalk.com®, online [Bible](#) at BibleStudyTools.com, [Christian videos](#) at GodTube.com, a leading website providing [church media](#) at WorshipHouseMedia.com and [Christian radio](#) ministries online at OnePlace.com. Additionally Salem owns [conservative](#) news leader Townhall.com® and [conservative political blog](#) HotAir.com, providing conservative commentary, news and

blogging. Salem Publishing™ circulates Christian and conservative magazines such as Homecoming® The Magazine, YouthWorker Journal™, The Singing News, FaithTalk Magazine, Preaching and Townhall Magazine™. Xulon Press™ is a provider of [self publishing](#) services targeting the Christian audience.

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 broadcast revenues minus broadcast 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 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 broadcast 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 broadcast. 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 data and margin data)

Three Months Ended

Six Months Ended

| | June 30, | | June 30, | |
|---|-------------|------------|------------|------------|
| | 2010 | 2011 | 2010 | 2011 |
| | (Unaudited) | | | |
| Net broadcast revenue | \$ 45,471 | \$ 45,406 | \$ 86,879 | \$ 88,136 |
| Internet revenue | 4,712 | 7,582 | 9,202 | 13,794 |
| Publishing revenue | 2,940 | 3,144 | 5,366 | 5,985 |
| Total revenue | 53,123 | 56,132 | 101,447 | 107,915 |
| Operating expenses: | | | | |
| Broadcast operating expenses | 28,984 | 29,054 | 54,981 | 56,856 |
| Internet operating expenses | 3,946 | 6,158 | 7,814 | 11,519 |
| Publishing operating expenses | 2,785 | 2,771 | 5,308 | 5,651 |
| Corporate expenses | 3,717 | 4,204 | 7,986 | 8,755 |
| Depreciation and amortization | 3,621 | 3,851 | 7,177 | 7,603 |
| (Gain) loss on disposal of assets | (18) | 150 | (5) | (4,375) |
| Total operating expenses | 43,035 | 46,188 | 83,261 | 86,009 |
| Operating income (loss) | 10,088 | 9,944 | 18,186 | 21,906 |
| Other income (expense): | | | | |
| Interest income | 46 | 54 | 94 | 97 |
| Interest expense | (7,776) | (7,064) | (15,468) | (14,299) |
| Loss on early redemption of long-term debt | (1,050) | (1,090) | (1,050) | (1,090) |
| Other income (expense), net | - | (12) | (31) | (23) |
| Income (loss) before income taxes | 1,308 | 1,832 | 1,731 | 6,591 |
| Provision for income taxes | 610 | 732 | 829 | 2,904 |
| Net income | \$ 698 | \$ 1,100 | \$ 902 | \$ 3,687 |
| Basic income per share | \$ 0.03 | \$ 0.05 | \$ 0.04 | \$ 0.15 |
| Diluted income per share | \$ 0.03 | \$ 0.04 | \$ 0.04 | \$ 0.15 |
| Basic weighted average shares outstanding | 23,819,158 | 24,279,251 | 23,771,675 | 24,400,054 |
| Diluted weighted average shares outstanding | 24,542,417 | 25,491,530 | 24,492,180 | 24,625,391 |
| Other Data: | | | | |
| Station operating income | \$ 16,487 | \$ 16,352 | \$ 31,898 | \$ 31,280 |
| Station operating margin | 36.3% | 36.0% | 36.7% | 35.5% |

(in thousands)

| | December 31, 2010 | June 30, 2011 |
|--|----------------------|------------------|
| | ----- | ----- |
| | | (Unaudited) |
| Assets | | |
| Cash | \$ 828 | \$ 1,370 |
| Restricted cash | 100 | 100 |
| Trade accounts receivable, net | 29,363 | 30,225 |
| Deferred income taxes | 5,974 | 5,665 |
| Other current assets | 3,943 | 4,453 |
| Property, plant and equipment, net | 115,867 | 113,877 |
| Intangible assets, net | 404,212 | 399,618 |
| Deferred financing costs | 7,349 | 6,125 |
| Other assets | 6,850 | 4,313 |
| | ----- | ----- |
| Total assets | \$ 574,486 | \$ 565,746 |
| | ===== | ===== |
| Liabilities and Stockholders' equity | | |
| Current liabilities | 22,809 | 24,353 |
| Long-term debt and capital lease obligations | 304,416 | 288,058 |
| Deferred income taxes | 42,296 | 44,727 |
| Other liabilities | 8,561 | 7,988 |
| Stockholders' equity | 196,404 | 200,620 |
| | ----- | ----- |
| Total liabilities and stockholders' equity | \$ 574,486 | \$ 565,746 |
| | ===== | ===== |

Salem Communications Corporation
Supplemental Information
(in thousands)

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|--|--------------------------------|----------|------------------------------|-------------|
| | 2010 | 2011 | 2010 | 2011 |
| | ----- | ----- | ----- | ----- |
| | | | | (Unaudited) |
| Capital expenditures | | | | |
| Acquisition related / income producing | \$ 412 | \$ 442 | \$ 441 | \$ 1,404 |
| Maintenance | 1,990 | 1,520 | 3,345 | 3,007 |
| | ----- | ----- | ----- | ----- |
| Total capital expenditures | \$ 2,402 | \$ 1,962 | \$ 3,786 | \$ 4,411 |
| | ===== | ===== | ===== | ===== |
| Tax information | | | | |
| Cash tax expense | \$ 235 | \$ 220 | \$ 252 | \$ 233 |
| Deferred tax expense | 375 | 512 | 577 | 2,671 |
| | ----- | ----- | ----- | ----- |
| Provision for income taxes | \$ 610 | \$ 732 | \$ 829 | \$ 2,904 |
| | ===== | ===== | ===== | ===== |
| Tax benefit of non-book amortization | \$ 2,615 | \$ 2,528 | \$ 5,247 | \$ 5,069 |

| | | | | |
|--------------------------------|-------|-------|-------|-------|
| | ===== | ===== | ===== | ===== |
| Reconciliation of Same Station | | | | |
| Net Broadcast Revenue to Total | | | | |
| Net Broadcast Revenue | | | | |

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Net broadcast revenue - same station | \$ 44,460 | \$ 44,751 | \$ 84,762 | \$ 86,538 |
| Net broadcast revenue - acquisitions | 3 | 201 | 17 | 516 |
| Net broadcast revenue - dispositions | 605 | 15 | 1,151 | 232 |
| Net broadcast revenue - format changes | 403 | 439 | 949 | 850 |
| | ----- | ----- | ----- | ----- |
| Total net broadcast revenue | \$ 45,471 | \$ 45,406 | \$ 86,879 | \$ 88,136 |
| | ===== | ===== | ===== | ===== |

| | | | | |
|---------------------------------|--|--|--|--|
| Reconciliation of Same Station | | | | |
| Broadcast Operating Expenses to | | | | |
| Total Broadcast Operating | | | | |
| Expenses | | | | |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Broadcast operating expenses - same station | \$ 28,131 | \$ 28,447 | \$ 53,240 | \$ 55,601 |
| Broadcast operating expenses - acquisitions | 47 | 235 | 61 | 515 |
| Broadcast operating expenses - dispositions | 408 | (2) | 796 | (70) |
| Broadcast operating expenses - format changes | 398 | 374 | 884 | 810 |
| | ----- | ----- | ----- | ----- |
| Total broadcast operating expenses | \$ 28,984 | \$ 29,054 | \$ 54,981 | \$ 56,856 |
| | ===== | ===== | ===== | ===== |

| | | | | |
|--------------------------------|--|--|--|--|
| Reconciliation of Same Station | | | | |
| Operating Income to Total | | | | |
| Station Operating Income | | | | |

| | | | | |
|---|-----------|-----------|-----------|-----------|
| Station operating income - same station | \$ 16,329 | \$ 16,304 | \$ 31,522 | \$ 30,937 |
| Station operating income - acquisitions | (44) | (34) | (44) | 1 |
| Station operating income - dispositions | 197 | 17 | 355 | 302 |
| Station operating income - format changes | 5 | 65 | 65 | 40 |
| | ----- | ----- | ----- | ----- |
| Total station operating income | \$ 16,487 | \$ 16,352 | \$ 31,898 | \$ 31,280 |
| | ===== | ===== | ===== | ===== |

Salem Communications Corporation
Supplement Information
(in thousands)

Three Months Ended
June 30,

Six Months Ended
June 30,

| | 2010 | 2011 | 2010 | 2011 |
|---|-------------|-----------|-----------|-----------|
| | (Unaudited) | | | |
| Reconciliation of SOI and Internet Operating Income and Publishing Operating Income to Operating Income | | | | |
| Station operating income | \$ 16,487 | \$ 16,352 | \$ 31,898 | \$ 31,280 |
| Internet operating income | 766 | 1,424 | 1,388 | 2,275 |
| Publishing operating income | 155 | 373 | 58 | 334 |
| Less: | | | | |
| Corporate expenses | (3,717) | (4,204) | (7,986) | (8,755) |
| Depreciation and amortization | (3,621) | (3,851) | (7,177) | (7,603) |
| (Gain) loss on disposal of assets | 18 | (150) | 5 | 4,375 |
| Operating income | \$ 10,088 | \$ 9,944 | \$ 18,186 | \$ 21,906 |

Reconciliation of Adjusted EBITDA to EBITDA to Net Income

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Adjusted EBITDA | \$ 14,095 | \$ 14,108 | \$ 26,063 | \$ 25,592 |
| Less: | | | | |
| Stock-based compensation | (404) | (175) | (736) | (481) |
| Loss on early redemption of long-term debt | (1,050) | (1,090) | (1,050) | (1,090) |
| (Gain) loss on disposal of assets | 18 | (150) | 5 | 4,375 |
| EBITDA | 12,659 | 12,693 | 24,282 | 28,396 |
| Plus: | | | | |
| Interest income | 46 | 54 | 94 | 97 |
| Less: | | | | |
| Depreciation and amortization | (3,621) | (3,851) | (7,177) | (7,603) |
| Interest expense | (7,776) | (7,064) | (15,468) | (14,299) |
| Provision for income taxes | (610) | (732) | (829) | (2,904) |
| Net income | \$ 698 | \$ 1,100 | \$ 902 | \$ 3,687 |

| | |
|------------------------------|--------------------------|
| Outstanding at June 30, 2011 | Applicable Interest Rate |
|------------------------------|--------------------------|

Selected Debt Data

| | | |
|----------------------------------|------------|-------|
| 9 5/8% senior subordinated notes | \$ 252,500 | 9.63% |
| Revolving credit facility | \$ 36,000 | 3.68% |

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Source: Salem Communications Corporation