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Salem Communications Announces an 8.8% Increase in Second Quarter 2006 Total Revenue

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CAMARILLO, Calif.

NASDAQ:

SALM

CAMARILLO, Calif.--([BUSINESS WIRE](#))--Aug. 7, 2006--Salem Communications Corporation (Nasdaq:SALM), a leading U.S. radio broadcaster, Internet content provider and magazine publisher targeting audiences interested in Christian and family-themed content and conservative values, today announced results for the three month and six month periods ended June 30, 2006.

Commenting on the company's results, Edward G. Atsinger III, president and CEO, said, "As a result of significant growth in our non-broadcast media business, we achieved an 8.8% increase in total revenue for the second quarter. While our radio business was negatively impacted by the same weak radio advertising market affecting other radio broadcasters, we achieved net broadcasting revenue growth of 5.4%. Contributing to this growth were our News Talk stations, which grew revenue by 13.5%, and our consistent local and national block programming business, which grew revenue by 7.8% over last year on a same station basis."

Atsinger continued, "During the quarter we closed on the acquisitions of Townhall.com, Xulon Press and Preaching Magazine to grow our non-broadcast media business. As a result of these and other recent acquisitions, and through organic growth, our non-broadcast media business grew its revenue by 70.9% for the second quarter compared to the same period last year. This growth includes a 40.7% increase in revenue at our Internet business and a 115.3% increase in revenue at our publishing business. The integration of our proven traditional media platform with non-broadcast media offers substantial growth opportunities, providing us the ability to become a leading multi-media creator, aggregator and distributor of faith, family and values content."

Second Quarter 2006 Results

For the quarter ended June 30, 2006 compared to the quarter ended June 30, 2005:

-- Total revenue increased 8.8% to \$58.1 million from \$53.4 million;

The results reflect the reclassification of the operations of certain stations to discontinued operations for all periods presented. Combined, these stations had net broadcasting revenue of approximately \$0.7 million and were breakeven for the quarter ended June 30,

2006. They had net broadcasting revenue of approximately \$0.9 million and lost \$0.2 million for the quarter ended June 30, 2005.

Other comprehensive income for the quarter ended June 30, 2006 of \$0.9 million, net of tax, is due to the change in fair market value of the company's interest rate swaps.

Per share numbers are calculated based on 24,356,275 diluted weighted average shares for the quarter ended June 30, 2006, and 25,939,455 diluted weighted average shares for the comparable 2005 period.

Year to Date 2006 Results

For the six month period ended June 30, 2006 compared to the six month period ended June 30, 2005:

-- Total revenue increased 7.1% to \$110.1 million from \$102.8 million;

The results reflect the reclassification of the operations of certain stations to discontinued operations for all periods presented. Combined, these stations had net broadcasting revenue of approximately \$1.4 million and lost \$0.2 million for the six month period ended June 30, 2006. They had net broadcasting revenue of approximately \$1.7 million and lost \$0.5 million for the six month period ended June 30, 2005.

Other comprehensive income for the six month period ended June 30, 2006 of \$1.9 million, net of tax, is due to the change in fair market value of the company's interest rate swaps.

Per share numbers are calculated based on 24,525,718 diluted weighted average shares for the quarter ended June 30, 2006, and 25,981,055 diluted weighted average shares for the comparable 2005 period.

SOI Margin Composition Analysis

The following analysis, which is for analytical purposes only, has been created by assigning each station in the company's radio station portfolio to one of four categories based upon the station's second quarter SOI margin. The company believes this analysis is helpful in assessing the portfolio's financial and operational development.

Three Months Ended June 30,

Balance Sheet

As of June 30, 2006, the company had net debt of \$356.9 million and was in compliance with the covenants of its credit facilities and bond indentures. The company's bank leverage ratio was 5.66 versus a compliance covenant of 6.75 and its bond leverage ratio was 5.78 versus a compliance covenant of 7.0.

Acquisitions and Divestitures

During the quarter ended June 30, 2006, Salem completed the following acquisition and divestiture transactions:

-- Townhall.com was acquired for \$5.0 million on April 28, 2006;

-- KKFS (103.9 FM) in Lincoln, Calif. (Sacramento market) was acquired on May 12, 2006 from Bustos Media, which also paid Salem \$0.5 million of additional consideration, in exchange for Salem's KLMG (94.3 FM) in Jackson, Calif. (Sacramento market) and KBAA (103.3 FM) in Grass Valley, Calif.;

-- WCCD (1000 AM) in Parma, Ohio (Cleveland market) was sold for \$2.1 million on June 1, 2006;

-- Xulon Press was acquired for \$1.5 million on June 1, 2006; and

-- Preaching Magazine was acquired for \$0.3 million on June 1, 2006.

The following acquisition and divestiture transactions were pending as of June 30, 2006:

-- WBTK (1380 AM) in Richmond, Virginia was sold for \$1.5 million on July 17, 2006; and

-- KORL (690 AM) in Honolulu, Hawaii will be acquired by exchanging KHCM (1170 AM) in Honolulu, Hawaii plus \$1.0 million.

The following divestiture transactions were announced after June 30, 2006:

-- WBGB (106.5 FM) in Jacksonville, Florida to be sold for \$7.7 million; and

-- WITH (1230 AM) in Baltimore, Maryland to be sold for \$3.3 million.

Credit Agreement

Salem Communications Holding Corporation, a wholly-owned subsidiary, amended its senior credit facility effective June 9, 2006. The primary modifications to the credit facility include:

-- Increasing Salem's loan commitments to \$315.0 million;

-- Allowing for the payment of up to \$5.0 million per year in dividends and the payment of an additional \$30.0 million in dividends during the life of the credit facility;

-- Allowing for the repurchase of stock and the payment of dividends, in addition to amounts repurchased prior to June 9, 2006, of up to \$50.0 million when total leverage is greater than 4.00 to 1.00 but less than 5.50 to 1.00 and up to \$15.0 million when total leverage is greater than 5.50 to 1.00; and

-- Allowing for the repurchase of stock or the payment of additional dividends with a portion of the proceeds of asset sales.

Stock Repurchases and Dividends

During the quarter ended June 30, 2006, the company did not repurchase any shares of its Class A common stock. As of August 7, 2006, Salem had repurchased 1,619,168 shares of Class A common stock for approximately \$26.7 million at an average price of \$16.48 per share, and had 24,357,520 shares of its Class A and Class B common stock outstanding.

Salem paid a special cash dividend of \$0.60 per share on its Class A and Class B common stock on July 28, 2006 to shareholders of record as of July 19, 2006. The dividend payment

totaled approximately \$14.6 million.

Third Quarter 2006 Outlook

For the third quarter of 2006, Salem is projecting:

- Total revenue to be between \$57.9 million and \$58.4 million compared to third quarter 2005 total revenue of \$53.0 million;
- Adjusted EBITDA to be between \$14.8 million and \$15.3 million compared to third quarter 2005 Adjusted EBITDA of \$15.4 million; and
- Net income per diluted share to be between \$0.01 and \$0.02.

Third quarter 2006 outlook includes non-cash compensation expense related to the adoption of SFAS 123R, based on stock options currently outstanding, of \$0.8 million.

Third quarter 2006 outlook reflects the following:

- Same station net broadcasting revenue growth in the low single digits from a base of \$49.7 million in third quarter 2005;
- Non-broadcast revenue increasing approximately twofold from a base of \$2.7 million in third quarter 2005;
- Same station SOI approximately the same as third quarter 2005 SOI of \$19.9 million;
- A loss on early redemption of long-term debt of approximately \$3.6 million from the July 6, 2006 redemption of 9% senior subordinated notes due July 2011;
- Continued growth from our core block programming business and our underdeveloped radio stations, particularly our News Talk stations;
- Fixed costs associated with recently acquired stations in the Detroit, Honolulu, Miami, Omaha, Sacramento and Tampa markets; and
- The impact of recent acquisition, exchange and divestiture transactions.

Full Year 2006 Outlook

For full year 2006, the company expects corporate expenses of approximately \$21.5 million, excluding non-cash compensation, and expects non-cash compensation expense related to the adoption of SFAS 123R, based on stock options currently outstanding, of \$3.3 million in corporate expenses and \$0.8 million in broadcasting operating expenses.

Conference Call Information

Salem plans to host a teleconference to discuss its results today, on August 7, 2006 at 12:00 p.m. Eastern Time. To access the teleconference, please dial 973-935-8511 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 August 21, 2006 and can be heard by dialing 973-341-3080, pass code 7623103 or on the investor

relations portion of the company's website, located at www.salem.cc.

Salem Communications Corporation (Nasdaq:SALM) is a leading U.S. radio broadcaster, Internet content provider and magazine publisher targeting audiences interested in Christian and family-themed content and conservative values. 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 102 radio stations, including 65 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, discontinued operations (net of tax), litigation costs, 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

Salem Communications

Investor/Analyst Contact:

Eric Jones, 805-987-0400, ext. 1048

ericj@salem.cc

or

Media Contact:

Denise Davis, 805-987-0400, ext. 1081

denised@salem.cc