

May 7, 2009



# Salem Communications Announces First Quarter 2009 Total Revenue of \$48.3 Million

CAMARILLO, CA -- (MARKET WIRE) -- 05/07/09 -- 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 months ended March 31, 2009.

## First Quarter 2009 Results

For the quarter ended March 31, 2009 compared to the quarter ended March 31, 2008:

- Total revenue decreased 10.7% to \$48.3 million from \$54.1 million;
- Operating expenses decreased 4.2% to \$39.5 million from \$41.2 million;
- Operating income from continued operations decreased 31.3% to \$8.8 million from \$12.8 million;
- Net income was \$2.9 million, or \$0.12 net income per diluted share, compared to \$5.0 million, or \$0.21 net income per diluted share;
- EBITDA decreased 29.3% to \$12.8 million from \$18.1 million; and
- Adjusted EBITDA increased 12.5% to \$12.9 million from \$11.4 million.

### Broadcast

- Net broadcast revenue decreased 12.3% to \$42.0 million from \$47.9 million;
- Station operating income ("SOI") decreased 2.7% to \$15.7 million from \$16.1 million;
- Same station net broadcast revenue decreased 12.5% to \$40.3 million from \$46.0 million;
- Same station SOI decreased 0.9% to \$15.4 million from \$15.6 million; and
- Same station SOI margin increased to 38.3% from 33.8%.

### Non-broadcast

- Non-broadcast revenue increased 2.1% to \$6.3 million from \$6.1 million; and
- Non-broadcast operating income was \$0.5 million compared to an operating loss of \$0.1 million in the prior year.

Included in the results for the quarter ended March 31, 2009 are:

- A \$0.1 million benefit related to the change in fair value of our interest rate swaps; and
- A \$0.1 million non-cash compensation charge related to the expensing of stock options.

Included in the results for the quarter ended March 31, 2008 are:

- A \$6.0 million gain (\$3.2 million, net of tax, or \$0.14 per diluted share) primarily from the disposal of the assets of KTEK-AM in

Houston, Texas;

- A \$1.4 million income (\$0.06 gain per diluted share), net of tax, from discontinued operations consisting of:
  - A pretax gain of \$2.2 million from the sale of WRRD-AM in Milwaukee, Wisconsin;
  - The operating results of WRRD-AM and WFZH-FM in Milwaukee, Wisconsin and WRFD-AM in Columbus, Ohio; and
  - The operating results of CCM Magazine; 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:
  - \$0.6 million non-cash compensation included in corporate expenses; and
  - \$0.1 million non-cash compensation included in broadcasting operating expenses.

These results reflect the reclassification of the operations of our Columbus, Ohio and Milwaukee, Wisconsin radio stations to discontinued operations for all periods presented. These stations had net broadcast revenue of approximately \$0.8 million and generated no profit for the quarter ended March 31, 2008 and net broadcast revenue of approximately \$0.4 million and generated a profit of \$0.1 million for the quarter ended March 31, 2009.

Additionally, these results reflect the reclassification of the operations of CCM Magazine to discontinued operations. The magazine had non-broadcast revenue of \$0.2 million and generated a profit of \$0.1 million for the quarter ended March 31, 2008.

The company had no other comprehensive income or loss for the quarter ended March 31, 2009 due to the interest rate swaps becoming ineffective during the fourth quarter of 2008. This is compared to other comprehensive loss of \$2.1 million, net of tax, for the quarter ended March 31, 2008 due to the change in fair market value of the company's interest rate swaps.

Per share numbers are calculated based on 23,673,788 diluted weighted average shares for both of the quarters ended March 31, 2009 and March 31, 2008.

## Balance Sheet

As of March 31, 2009, the company had net debt of \$308.9 million and was in compliance with the covenants of its credit facilities and bond indentures. The company's bank leverage ratio was 5.19 versus a compliance covenant of 5.75 and its bond leverage ratio was 5.51 versus a compliance covenant of 7.0.

Effective March 11, 2009, the company amended its bank credit facility. Among other things, the amendment modified language in the calculation of the pro-forma debt service covenant, restricted its ability to pay dividends and buyback stock and terminated the company's revolving line of credit. The company paid an amendment fee of 50 basis points, or approximately \$1.2 million.

## Acquisitions and Divestitures

The following transactions were completed during the quarter:

- WAMD (970 AM) in Aberdeen, Maryland was purchased for approximately \$2.7 million on March 31, 2009. We paid the seller the \$2.7 million in July of 2008.

The following transactions are currently pending:

-- WRFD (880 AM) in Columbus, Ohio will be sold for approximately \$4.0 million.

#### Second Quarter 2009 Outlook

For the second quarter of 2009, Salem is projecting total revenue to decrease 14% to 17% over second quarter 2008 total revenue of \$57.5 million. Salem is also projecting operating expenses before gain or loss on disposal of assets and impairments to decline 10% to 13% as compared to the second quarter of 2008 operating expenses of \$47.1 million.

In addition to its radio properties, Salem owns Salem Radio Network®, 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 93 radio stations, including 58 stations in 22 of the top 25 markets. Additional information about Salem may be accessed at the company's website, [www.salem.cc](http://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 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 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 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 and margin data)

|                                                       | Three Months Ended<br>March 31, |           |
|-------------------------------------------------------|---------------------------------|-----------|
|                                                       | 2008                            | 2009      |
|                                                       | =====                           | =====     |
|                                                       | (unaudited)                     |           |
| Net broadcast revenue                                 | \$ 47,917                       | \$ 42,031 |
| Non-broadcast revenue                                 | 6,133                           | 6,261     |
|                                                       | -----                           | -----     |
| Total revenue                                         | 54,050                          | 48,292    |
| Operating expenses:                                   |                                 |           |
| Broadcast operating expenses                          | 31,787                          | 26,344    |
| Non-broadcast operating expenses                      | 6,240                           | 5,798     |
| Corporate expenses                                    | 5,277                           | 3,343     |
| Depreciation and amortization                         | 3,915                           | 3,981     |
| (Gain) loss on disposal of assets                     | (6,014)                         | 1         |
|                                                       | -----                           | -----     |
| Total operating expenses                              | 41,205                          | 39,467    |
|                                                       | -----                           | -----     |
| Operating income                                      | 12,845                          | 8,825     |
| Other income (expense):                               |                                 |           |
| Interest income                                       | 21                              | 74        |
| Interest expense                                      | (6,074)                         | (4,359)   |
| Change in fair value of interest rate swaps           | -                               | 80        |
| Other expense, net                                    | (51)                            | (21)      |
|                                                       | -----                           | -----     |
| Income from continuing operations before income taxes | 6,741                           | 4,599     |
| Provision for income taxes                            | 3,139                           | 1,744     |
|                                                       | -----                           | -----     |
| Income from continuing operations                     | 3,602                           | 2,855     |
| Income from discontinued operations, net of tax       | 1,421                           | 34        |
|                                                       | -----                           | -----     |
| Net income                                            | \$ 5,023                        | \$ 2,889  |
|                                                       | =====                           | =====     |
| Other comprehensive loss, net of tax                  | (2,144)                         | -         |
|                                                       | -----                           | -----     |
| Comprehensive income                                  | \$ 2,879                        | \$ 2,889  |
|                                                       | =====                           | =====     |
| Basic income per share before discontinued operations | \$ 0.15                         | \$ 0.12   |
| Income from discontinued operations, net of tax       | \$ 0.06                         | \$ -      |
| Basic income per share after discontinued operations  | \$ 0.21                         | \$ 0.12   |

|                                                         |            |            |
|---------------------------------------------------------|------------|------------|
| Diluted income per share before discontinued operations | \$ 0.15    | \$ 0.12    |
| Income from discontinued operations, net of tax         | \$ 0.06    | \$ -       |
| Diluted income per share after discontinued operations  | \$ 0.21    | \$ 0.12    |
| Basic weighted average shares outstanding               | 23,668,788 | 23,673,788 |
|                                                         | =====      | =====      |
| Diluted weighted average shares outstanding             | 23,668,788 | 23,673,788 |
|                                                         | =====      | =====      |
| Other Data:                                             |            |            |
| Station operating income                                | \$ 16,130  | \$ 15,687  |
| Station operating margin                                | 33.7%      | 37.3%      |

Salem Communications Corporation  
Condensed Consolidated Balance Sheets  
(in thousands)

|                                              | December 31,<br>2008 | March 31,<br>2009 |
|----------------------------------------------|----------------------|-------------------|
|                                              | =====                | =====             |
|                                              |                      | (unaudited)       |
| Assets                                       |                      |                   |
| Cash                                         | \$ 1,892             | \$ 16,421         |
| Trade accounts receivable, net               | 28,530               | 26,664            |
| Deferred income taxes                        | 5,670                | 5,554             |
| Other current assets                         | 2,844                | 1,640             |
| Assets of discontinued operations            | 204                  | 204               |
| Property, plant and equipment, net           | 133,706              | 129,431           |
| Intangible assets, net                       | 423,709              | 425,670           |
| Bond issue costs                             | 268                  | 231               |
| Bank loan fees                               | 981                  | 2,017             |
| Other assets                                 | 9,914                | 6,466             |
|                                              | -----                | -----             |
| Total assets                                 | \$ 607,718           | \$ 614,298        |
|                                              | =====                | =====             |
| Liabilities and Stockholders' Equity         |                      |                   |
| Current liabilities                          | \$ 22,897            | \$ 96,423         |
| Long-term debt and capital lease obligations | 329,507              | 258,544           |
| Deferred income taxes                        | 43,106               | 44,693            |
| Other liabilities                            | 9,092                | 8,418             |
| Stockholders' equity                         | 203,116              | 206,220           |
|                                              | -----                | -----             |
| Total liabilities and stockholders' equity   | \$ 607,718           | \$ 614,298        |
|                                              | =====                | =====             |

Supplemental Information  
(in thousands)

|                                                                                                      | Three Months Ended<br>March 31, |           |
|------------------------------------------------------------------------------------------------------|---------------------------------|-----------|
|                                                                                                      | 2008                            | 2009      |
|                                                                                                      | =====                           | =====     |
|                                                                                                      | (unaudited)                     |           |
| Capital expenditures                                                                                 |                                 |           |
| Acquisition related / income producing                                                               | \$ 1,374                        | \$ 187    |
| Maintenance                                                                                          | 1,557                           | 435       |
|                                                                                                      | -----                           | -----     |
| Total capital expenditures                                                                           | \$ 2,931                        | \$ 622    |
|                                                                                                      | =====                           | =====     |
| Tax information                                                                                      |                                 |           |
| Cash tax expense (benefit)                                                                           | \$ (62)                         | \$ 8      |
| Deferred tax expense                                                                                 | 3,201                           | 1,736     |
|                                                                                                      | -----                           | -----     |
| Provision for income taxes                                                                           | \$ 3,139                        | \$ 1,744  |
|                                                                                                      | =====                           | =====     |
| Tax benefit of non-book amortization                                                                 | \$ 4,126                        | \$ 3,357  |
|                                                                                                      | =====                           | =====     |
| Reconciliation of Same Station Net Broadcast Revenue to<br>Total Net Broadcast Revenue               |                                 |           |
| Net broadcast revenue - same station                                                                 | \$ 45,975                       | \$ 40,251 |
| Net broadcast revenue - acquisitions                                                                 | -                               | 166       |
| Net broadcast revenue - dispositions                                                                 | 293                             | 2         |
| Net broadcast revenue - format changes                                                               | 1,649                           | 1,612     |
|                                                                                                      | -----                           | -----     |
| Total net broadcast revenue                                                                          | \$ 47,917                       | \$ 42,031 |
|                                                                                                      | =====                           | =====     |
| Reconciliation of Same Station Broadcast Operating<br>Expenses to Total Broadcast Operating Expenses |                                 |           |
| Broadcast operating expenses - same station                                                          | \$ 30,421                       | \$ 24,844 |
| Broadcast operating expenses - acquisitions                                                          | -                               | 144       |
| Broadcast operating expenses - dispositions                                                          | 180                             | 11        |
| Broadcast operating expenses - format changes                                                        | 1,186                           | 1,345     |
|                                                                                                      | -----                           | -----     |
| Total broadcast operating expenses                                                                   | \$ 31,787                       | \$ 26,344 |
|                                                                                                      | =====                           | =====     |
| Reconciliation of Same Station Operating Income to<br>Total Station Operating Income                 |                                 |           |
| Station operating income - same station                                                              | \$ 15,554                       | \$ 15,407 |
| Station operating income - acquisitions                                                              | -                               | 22        |
| Station operating income - dispositions                                                              | 113                             | (9)       |
| Station operating income - format changes                                                            | 463                             | 267       |
|                                                                                                      | -----                           | -----     |
| Total station operating income                                                                       | \$ 16,130                       | \$ 15,687 |
|                                                                                                      | =====                           | =====     |

Salem Communications Corporation  
Supplemental Information  
(in thousands)

|                                                                                                         | Three Months Ended<br>March 31,  |                             |
|---------------------------------------------------------------------------------------------------------|----------------------------------|-----------------------------|
|                                                                                                         | 2008                             | 2009                        |
|                                                                                                         | =====                            | =====                       |
|                                                                                                         | (unaudited)                      |                             |
| Reconciliation of Station Operating Income<br>and Non-Broadcast Operating Income to<br>Operating Income |                                  |                             |
| Station operating income                                                                                | \$ 16,130                        | \$ 15,687                   |
| Non-broadcast operating income (loss)                                                                   | (107)                            | 463                         |
| Less:                                                                                                   |                                  |                             |
| Corporate expenses                                                                                      | (5,277)                          | (3,343)                     |
| Depreciation and amortization                                                                           | (3,915)                          | (3,981)                     |
| Gain (loss) on disposal of assets                                                                       | 6,014                            | (1)                         |
|                                                                                                         | -----                            | -----                       |
| Operating income                                                                                        | \$ 12,845                        | \$ 8,825                    |
|                                                                                                         | =====                            | =====                       |
| Reconciliation of Adjusted EBITDA to EBITDA<br>to Net Income                                            |                                  |                             |
| Adjusted EBITDA                                                                                         | \$ 11,441                        | \$ 12,870                   |
| Less:                                                                                                   |                                  |                             |
| Stock-based compensation                                                                                | (746)                            | (84)                        |
| Discontinued operations, net of tax                                                                     | 1,421                            | 34                          |
| Gain (loss) on disposal of assets                                                                       | 6,014                            | (1)                         |
|                                                                                                         | -----                            | -----                       |
| EBITDA                                                                                                  | 18,130                           | 12,819                      |
| Plus:                                                                                                   |                                  |                             |
| Interest income                                                                                         | 21                               | 74                          |
| Less:                                                                                                   |                                  |                             |
| Depreciation and amortization                                                                           | (3,915)                          | (3,981)                     |
| Interest expense                                                                                        | (6,074)                          | (4,359)                     |
| Change in fair value of interest rate<br>swaps                                                          | -                                | 80                          |
| Provision for income taxes                                                                              | (3,139)                          | (1,744)                     |
|                                                                                                         | -----                            | -----                       |
| Net income                                                                                              | \$ 5,023                         | \$ 2,889                    |
|                                                                                                         | =====                            | =====                       |
| Selected Debt and Swap Data                                                                             | Outstanding at<br>March 31, 2009 | Applicable<br>Interest Rate |
|                                                                                                         | -----                            | -----                       |
| 7 3/4% senior subordinated notes                                                                        | \$ 90,605                        | 7.75%                       |
| Senior bank term loan B debt (1)                                                                        | 71,615                           | 2.25%                       |
| Senior bank term loan C debt (swap<br>matures 7/1/2012) (2)                                             | 30,000                           | 6.74%                       |
| Senior bank term loan C debt (swap<br>matures 7/1/2012) (2)                                             | 30,000                           | 6.45%                       |
| Senior bank term loan C debt (swap<br>matures 7/1/2012) (2)                                             | 30,000                           | 6.28%                       |
| Senior bank term C debt (at variable<br>rates) (1)                                                      | 70,852                           | 2.31%                       |

- (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 March 31, 2009, that spread was 1.75% and is incorporated into the applicable interest rate set forth above.

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