

SALEM COMMUNICATIONS CORP /DE/  
Form 8-K  
March 12, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 8-K**

**CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934**

Date of Report (Date of earliest event reported): March 12, 2007

**SALEM COMMUNICATIONS CORPORATION**

(Exact Name of Registrant as Specified in its Charter)

|  |   |   |
|--|---|---|
| <b>Delaware</b><br>(State or Other Jurisdiction<br>of Incorporation)                           | <b>000-26497</b><br>(Commission<br>File Number) | <b>77-0121400</b><br>(IRS Employer<br>Identification No.) |
| <b>4880 Santa Rosa Road, Camarillo, California</b><br>(Address of Principal Executive Offices) |   | <b>93012</b><br>(Zip Code)                                |

**Registrant's telephone number, including area code: (805) 987-0400**

Not Applicable  
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))



**TABLE OF CONTENTS**

ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

ITEM 7.01 REGULATION FD DISCLOSURE

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

EXHIBITS

SIGNATURE

EXHIBIT INDEX

Exhibit 99.1

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ITEM 2.02 RESULTS OF OPERATIONS AND FINANCIAL CONDITION

On March 12, 2007, Salem Communications Corporation issued a press release regarding its results of operations for the quarter ended December 31, 2006.

ITEM 7.01 REGULATION FD DISCLOSURE

On March 12, 2007, Salem Communications Corporation issued a press release regarding its results of operations for the quarter ended December 31, 2006.

Additionally, on March 12, 2007, Salem Communications Corporation issued a press release announcing 5% growth in 2007 same station national block programming renewals.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits. The following exhibit is furnished with this report on Form 8-K:

| Exhibit No. | Description  |
|-------------|--|
| 99.1        | Press release, dated March 12, 2007, of Salem Communications Corporation regarding its results of operations for the quarter ended December 31, 2006.            |
| 99.2        | Press release, dated February March 12, 2007, of Salem Communications Corporation announcing 5% growth in 2007 same station national block programming renewals. |

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SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

SALEM COMMUNICATIONS CORPORATION

Date: March 12, 2007

By: /s/ EVAN D. MASYR

Evan D. Masyr

Vice President - Accounting and Finance

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EXHIBIT INDEX

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## **SALEM COMMUNICATIONS ANNOUNCES A 10.9% INCREASE IN FOURTH QUARTER 2006 TOTAL REVENUE**

CAMARILLO, CA March 12, 2007 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, 2006.

Commenting on the company's results, Edward G. Atsinger III, president and CEO said, "We achieved total revenue growth of 10.9% in the fourth quarter of 2006 due to the strong performance of our non-broadcast media business, continued development of our News Talk stations and our consistent block programming business. Our Internet and publishing businesses posted \$6.0 million in revenue, more than doubling their revenue from the prior year. Radio broadcasting grew revenue by 5.5% to \$53.7 million, led by a 19.6% increase in revenue from News Talk stations and by a 9.3% increase in revenue from block programming on our Christian Teaching and Talk stations. This revenue growth was offset by increased investment in marketing, promotion and local programming talent at certain of our News Talk stations, which reduced our station operating income for the quarter. We consider these investments an important step in driving our less developed radio stations to long-term profitability.

### **Fourth Quarter 2006 Results**

For the quarter ended December 31, 2006 compared to the quarter ended December 31, 2005:

- 

Total revenue increased 10.9% to \$59.8 million from \$53.9 million;

- 

Operating income decreased 17.5% to \$10.1 million from \$12.2 million;

-

Net income decreased 0.9% to \$3.3 million;

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Net income per diluted share increased 5.7% to \$0.14 from \$0.13;

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EBITDA increased 1.3% to \$15.5 million from \$15.3 million;

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Adjusted EBITDA decreased 0.4% to \$15.2 million;

### Broadcasting

- 

Net broadcasting revenue increased 5.5% to \$53.7 from \$50.9 million;

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Station operating income ( SOI ) decreased 1.4% to \$19.6 million from \$19.9 million;

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Same station net broadcasting revenue increased 4.8% to \$52.5 million from \$50.2 million;

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Same station SOI decreased 2.7% to \$19.6 million from \$20.2 million;

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Same station SOI margin decreased to 37.3% from 40.2%;

### Non-broadcast Media

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Non-broadcast revenue increased 102.7% to \$6.0 million from \$3.0 million; and

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Non-broadcast operating income increased 3.6% to \$0.4 million.



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

- 

A \$0.2 million loss (\$0.1 million loss, net of tax, or \$0.01 per share) on the disposal of assets;

- 

A \$1.3 million gain (\$0.06 gain per diluted share) from discontinued operations, net of tax; and

- 

A \$0.8 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

- 

\$0.2 million non-cash compensation included in broadcasting operating expenses.

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These 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 \$0.1 million and lost \$0.1 million for the quarter ended December 31, 2006. These stations had net broadcasting revenue of approximately \$1.0 million and were breakeven for the quarter ended December 31, 2005.

Per share numbers are calculated based on 23,852,840 diluted weighted average shares for the quarter ended December 31, 2006, and 25,433,317 diluted weighted average shares for the comparable 2005 period.

### **Full Year 2006 Results**

For the year ended December 31, 2006 compared to the year ended December 31, 2005:

- 

Total revenue increased 8.6% to \$227.8 million from \$209.6 million;

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Operating income increased 30.1% to \$57.9 million from \$44.5 million;

- 

Net income increased 50.0% to \$19.0 million, or \$0.78 net income per diluted share, from net income of \$12.7 million, or \$0.49 net income per diluted share;

- 

EBITDA increased 26.3% to \$71.5 million from \$56.6 million;

- 

Adjusted EBITDA increased 0.3% to \$58.4 million from \$58.2 million;

### **Broadcasting**

- 

Net broadcasting revenue increased 4.8% to \$208.4 from \$198.9 million;

- SOI decreased 0.1% to \$77.3 million from \$77.4 million;
- Same station net broadcasting revenue increased 2.4% to \$200.6 million from \$195.8 million;
- Same station SOI decreased 0.6% to \$77.4 million from \$77.9 million;
- Same station SOI margin decreased to 38.6% from 39.8%;

Non-broadcast Media

- Non-broadcast revenue increased 79.5% to \$19.4 million from \$10.8 million; and
- Non-broadcast operating income increased 32.9% to \$1.2 million from \$0.9 million.

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

- An \$18.6 million gain primarily from the disposal and exchange of assets 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 \$94.3 million of 9.0% senior subordinated notes due 2011;
- A \$2.5 million gain (\$0.10 per diluted share) from discontinued operations, net of tax related to the disposition of assets in the Baltimore, Jacksonville and Richmond 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:

○

\$3.5 million non-cash compensation included in corporate expenses; and

○

\$0.8 million non-cash compensation included in broadcasting operating expenses.

Included in the results for the year ended December 31, 2005 are:

•

Litigation costs of \$0.7 million (\$0.4 million loss, net of tax, or \$0.02 loss per share);

•

A \$0.5 million loss (\$0.3 million loss, net of tax, or \$0.01 loss per share) on disposal of assets; and

•

A \$0.4 million loss (\$0.01 loss per share) from discontinued operations, net of tax.

These 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 \$2.0 million and lost \$0.2 million for the year ended December 31, 2006. These stations had net broadcasting revenue of approximately \$3.5 million and lost \$0.5 million for the year ended December 31, 2005.

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Other comprehensive income of \$0.5 million, net of tax, for the year ended December 31, 2006 is due to the change in fair market value of the company's interest rate swaps.

Per share numbers are calculated based on 24,223,751 diluted weighted average shares for the year ended December 31, 2006, and 25,794,875 diluted weighted average shares for the comparable 2005 period.

### SOI Margin Composition Analysis

The following table, 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 fourth quarter SOI margin. The company believes this table is helpful in assessing the portfolio's financial and operational development.

#### Three Months Ended December 31,

(Net Broadcasting Revenue and SOI in millions)

| SOI Margin %   | Stations  | 2005        |             |               | 2006      |               |               | Average SOI % |
|----------------|-----------|-------------|-------------|---------------|-----------|---------------|---------------|---------------|
|                |           | Revenue     | SOI         | Average SOI % | Revenue   | SOI           | Average SOI % |               |
| 50% or greater | 19        | 20.2        | 13.1        | 64.7%         | 30        | \$23.4        | \$14.5        | 62.0%         |
| 30% to 49%     | 29        | 13.8        | 5.9         | 42.9%         | 20        | 11.9          | 4.8           | 40.7%         |
| 0% to 29%      | 31        | 10.3        | 1.9         | 18.4%         | 32        | 9.8           | 1.6           | 16.9%         |
| Less than 0%   | 18        | 2.5         | (0.7)       | (27.7%)       | 17        | 3.8           | (0.8)         | (21.7%)       |
| Subtotal       | 97        | 46.8        | 20.2        | 43.2%         | 99        | 48.9          | 20.1          | 41.2%         |
| Other          | -         | 4.1         | (0.3)       | (6.6%)        | -         | 4.8           | (0.5)         | (11.2%)       |
| <b>Total</b>   | <b>97</b> | <b>50.9</b> | <b>19.9</b> | <b>39.1%</b>  | <b>99</b> | <b>\$53.7</b> | <b>\$19.6</b> | <b>36.3%</b>  |

### Balance Sheet

As of December 31, 2006, the company had net debt of \$360.3 million and was in compliance with the covenants of its credit facilities and bond indentures. The company's bank leverage ratio was 5.88 versus a compliance covenant of 6.75 and its bond leverage ratio was 5.46 versus a compliance covenant of 7.0.

### **Stock Repurchases**

During the quarter ended December 31, 2006, the company did not repurchase shares of its Class A common stock. As of March 9, 2007 Salem had repurchased 2,130,418 shares of Class A common stock for approximately \$32.2 million at an average price of \$15.12 per share and had 23,842,520 shares of its Class A and Class B common stock outstanding.

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## Acquisitions and Divestitures

During the quarter ended December 31, 2006, Salem completed the following divestiture and exchange transactions:

- KORL (690 AM) in Honolulu, Hawaii was acquired on October 1, 2006 by exchanging KHCM (1170 AM) in Honolulu, Hawaii plus \$1.0 million (Salem retained the call letters KHCM, which are used on 690 AM);

- WZAZ (1400 AM) in Jacksonville, Florida was sold on December 5, 2006 for \$1.0 million (this station was operated by acquirer under a Local Marketing Agreement ( LMA ) as of October 1, 2006);

- WJGR (1320 AM) and WZNZ (1460 AM) in Jacksonville, Florida were sold on December 5, 2006 for \$1.8 million (these stations were operated by acquirer under an LMA as of October 1, 2006); and

- WITH (1230 AM) in Baltimore, Maryland was sold on December 22, 2006 for \$3.0 million.

The following divestiture transaction was pending as of December 31, 2006:

- WKNR (850 AM) in Cleveland, Ohio was sold on February 7, 2007 for \$7.0 million.

The following acquisition and divestiture transactions were entered into after December 31, 2006:

- KKSX (910 AM) in Portland, Oregon will be acquired for approximately \$4.5 million (this station is operated by Salem under an LMA as of February 1, 2007 with call letters KTRO); and

- ChristianMusicPlanet.com was acquired on February 8, 2007 for \$0.3 million; and

- WVRY (105.1 FM) in Nashville, Tennessee to be sold for \$0.9 million.

## First Quarter 2007 Outlook

For the first quarter of 2007, Salem is projecting:

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Total revenue to be between \$55.5 million and \$56.0 million compared to first quarter 2006 total revenue of \$52.0 million;

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Adjusted EBITDA to be between \$10.8 million and \$11.3 million compared to first quarter 2006 Adjusted EBITDA of \$11.8 million; and

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Net income per diluted share to be approximately zero.

First quarter 2007 outlook reflects the following:

- 

Same station net broadcasting revenue increasing to \$49.0 million to \$49.5 million from a base of \$47.8 million in first quarter 2006;

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Non-broadcast revenue increasing to approximately \$5.5 million from a base of \$3.3 million in first quarter 2006;

- 

Same station SOI declining to \$15.9 million to \$16.4 million from a base of \$17.4 million in first quarter 2006;

- 

Non-cash compensation expense of \$0.7 million compared to first quarter 2006 non-cash compensation expense of \$1.3 million;

- 

Increased marketing and programming costs of \$1.2 million primarily on News Talk stations in Chicago, Dallas, Denver, Los Angeles, Louisville and Phoenix, and on Contemporary Christian Music stations in Atlanta, Dallas, Los Angeles and Portland;

- 

Continued growth from our core block programming business and our underdeveloped radio stations, particularly our News Talk stations;



- 
- Ongoing softness in the radio advertising market; and

- 
- The impact of recent acquisition, exchange and divestiture transactions.

**Conference Call Information**

Salem will host a teleconference to discuss its results today, on March 12, 2007 at 5:00 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](http://www.salem.cc). A replay of the teleconference will be available through March 26, 2007 and can be heard by dialing 973-341-3080, pass code 8515586 or on the investor relations portion of the company's website, located at [www.salem.cc](http://www.salem.cc).

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Salem Communications Corporation (Nasdaq: SALM) is 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. 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™, a national radio advertising sales force; Salem Web Network™, an Internet provider of Christian content and online streaming; and Salem Publishing™, a publisher of Christian-themed magazines. Upon the close of all announced transactions, the company will own 97 radio stations, including 61 stations in 23 of the top 25 markets. Additional information about Salem may be accessed at the company's website, [www.salem.cc](http://www.salem.cc).

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### ***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.*

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

|   | <b>Three Months Ended</b> |             | <b>Year Ended</b>   |             |
|---|---------------------------|-------------|---------------------|-------------|
|   | <b>December 31,</b>       |             | <b>December 31,</b> |             |
|   | <b>2005</b>               | <b>2006</b> | <b>2005</b>         | <b>2006</b> |
|   | (unaudited)               |             |                     |             |
| Net broadcasting revenue                              | \$ 50,915                 | \$ 53,736   | \$ 198,852          | \$ 208,400  |
| Non-broadcast revenue                                 | 2,975                     | 6,031       | 10,790              | 19,369      |
| Total revenue   | 53,890                    | 59,767      | 209,642             | 227,769     |
| Operating expenses:                                   |                           |             |                     |             |
| Broadcasting operating expenses                       | 31,005                    | 34,104      | 121,462             | 131,117     |
| Non-broadcast operating expenses                      | 2,561                     | 5,602       | 9,889               | 18,172      |
| Legal settlement                                      | -                         | -           | 650                 | -           |
| Corporate expenses                                    | 4,936                     | 5,710       | 19,607              | 24,043      |
| Depreciation and amortization                         | 3,234                     | 4,075       | 13,017              | 15,193      |
| (Gain) loss on disposal of assets                     | (32)                      | 225         | 527                 | (18,647)    |
| Total operating expenses                              | 41,704                    | 49,716      | 165,152             | 169,878     |
| Operating income                                      | 12,186                    | 10,051      | 44,490              | 57,891      |
| Other income (expense):                               |                           |             |                     |             |
| Interest income                                       | 70                        | 96          | 207                 | 210         |
| Interest expense                                      | (5,998)                   | (6,485)     | (22,559)            | (26,342)    |
| Loss on early redemption of long-term debt            | -                         | -           | (24)                | (3,625)     |
| Other expense, net                                    | (143)                     | 46          | (506)               | (420)       |
| Income from continuing operations before income taxes | 6,115                     | 3,708       | 21,608              | 27,714      |
| Provision for income taxes                            | 2,858                     | 1,789       | 8,570               | 11,167      |
| Income from continuing operations                     | 3,257                     | 1,919       | 13,038              | 16,547      |
| Discontinued operations, net of tax                   | 37                        | 1,346       | (376)               | 2,452       |
| Net income  | \$ 3,294                  | \$ 3,265    | \$ 12,662           | \$ 18,999   |
| Other comprehensive income (loss), net of tax         | 436                       | (5)         | 318                 | 457         |
| Comprehensive income                                  | \$ 3,730                  | \$ 3,260    | \$ 12,980           | \$ 19,456   |
|   | \$ 0.13                   | \$ 0.08     | \$ 0.51             | \$ 0.68     |

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|   |    |            |    |            |                       |
|---|----|------------|----|------------|-----------------------|
| Basic income per share before discontinued operations   |    |            |    |            |                       |
| Discontinued operations, net of tax                     | \$ | -          | \$ | 0.06       | \$ (0.01) \$ 0.10     |
| Basic income per share after discontinued operations    | \$ | 0.13       | \$ | 0.14       | \$ 0.49 \$ 0.78       |
| Diluted income per share before discontinued operations | \$ | 0.13       | \$ | 0.08       | \$ 0.51 \$ 0.68       |
| Discontinued operations, net of tax                     | \$ | -          | \$ | 0.06       | \$ (0.01) \$ 0.10     |
| Diluted income per share after discontinued operations  | \$ | 0.13       | \$ | 0.14       | \$ 0.49 \$ 0.78       |
| Basic weighted average shares outstanding               |    | 25,376,973 |    | 23,847,520 | 25,735,641 24,215,867 |
| Diluted weighted average shares outstanding             |    | 25,433,317 |    | 23,852,840 | 25,794,875 24,223,751 |
| <b>Other Data:</b>                                      |    |            |    |            |                       |
| Station operating income                                | \$ | 19,910     | \$ | 19,632     | \$ 77,390 \$ 77,283   |
| Station operating margin                                |    | 39.1%      |    | 36.5%      | 38.9% 37.1%           |

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**Salem Communications Corporation**  
**Condensed Consolidated Balance Sheets**  
(in thousands)

|   | <b>December 31,<br/>2005</b> | <b>December 31,<br/>2006</b> |
|---|------------------------------|------------------------------|
| <b>Assets</b>                                     |                              |                              |
| Cash  | \$ 3,979                     | \$ 710                       |
| Accounts receivable, net                          | 30,953                       | 31,984                       |
| Deferred income taxes                             | 4,614                        | 5,020                        |
| Other current assets                              | 4,047                        | 2,881                        |
| Assets of discontinued operations                 | 12,456                       | -                            |
| Property, plant and equipment, net                | 116,245                      | 128,713                      |
| Intangible assets, net                            | 463,139                      | 508,410                      |
| Bond issue costs                                  | 2,742                        | 593                          |
| Bank loan fees                                    | 3,709                        | 2,996                        |
| Fair value of interest rate swaps                 | 743                          | 1,290                        |
| Other assets                                      | 3,303                        | 3,667                        |
| <b>Total assets</b>                               | <b>\$ 645,930</b>            | <b>\$ 686,264</b>            |
| <b>Liabilities and Stockholders' Equity</b>       |                              |                              |
| Current liabilities                               | \$ 20,658                    | \$ 27,295                    |
| Long-term debt and capital lease obligations      | 326,685                      | 358,978                      |
| Deferred income taxes                             | 40,810                       | 53,935                       |
| Other liabilities                                 | 8,659                        | 8,340                        |
| Stockholders' equity                              | 249,118                      | 237,716                      |
| <b>Total liabilities and stockholders' equity</b> | <b>\$ 645,930</b>            | <b>\$ 686,264</b>            |

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**Salem Communications Corporation**  
**Supplemental Information**  
(in thousands)

|  | <b>Three Months Ended</b> |                  | <b>Year Ended</b>   |                   |
|--|---------------------------|------------------|---------------------|-------------------|
|  | <b>December 31,</b>       |                  | <b>December 31,</b> |                   |
|  | <b>2005</b>               | <b>2006</b>      | <b>2005</b>         | <b>2006</b>       |
|  | <b>(unaudited)</b>        |                  |                     |                   |
| <b>Capital expenditures</b>  |                           |                  |                     |                   |
| Acquisition related / income producing                                   | \$ 10,266                 | \$ 2,813         | \$ 16,010           | \$ 14,608         |
| Maintenance  | 691                       | 2,180            | 6,212               | 6,514             |
| <b>Total capital expenditures</b>  | <b>\$ 10,957</b>          | <b>\$ 4,993</b>  | <b>\$ 22,222</b>    | <b>\$ 21,122</b>  |
| <b>Tax information</b>   |                           |                  |                     |                   |
| Cash tax expense   | \$ 177                    | \$ 57            | \$ 341              | \$ 256            |
| Deferred tax expense   | 2,681                     | 1,732            | 8,229               | 10,911            |
|  |                           |                  | 894                 |                   |
| <b>Provision for income taxes</b>  | <b>\$ 2,858</b>           | <b>\$ 1,789</b>  | <b>\$ 8,570</b>     | <b>\$ 11,167</b>  |
| Tax benefit of non-book amortization                                     | \$ 4,542                  | \$ 3,499         | \$ 13,602           | \$ 14,119         |
| <b>Reconciliation of Same Station Net Broadcasting Revenue to</b>        |                           |                  |                     |                   |
| <b>Total Net Broadcasting Revenue</b>                                    |                           |                  |                     |                   |
| Net broadcasting revenue - same station                                  | \$ 50,159                 | \$ 52,542        | \$ 195,832          | \$ 200,620        |
| Net broadcasting revenue - acquisitions                                  | 16                        | 633              | 446                 | 6,041             |
| Net broadcasting revenue - dispositions                                  | 663                       | 456              | 2,497               | 456               |
| Net broadcasting revenue - format changes                                | 77                        | 105              | 77                  | 1,283             |
| <b>Total net broadcasting revenue</b>                                    | <b>\$ 50,915</b>          | <b>\$ 53,736</b> | <b>\$ 198,852</b>   | <b>\$ 208,400</b> |
| <b>Reconciliation of Same Station Broadcasting Operating Expenses to</b> |                           |                  |                     |                   |
| <b>Total Broadcasting Operating Expenses</b>                             |                           |                  |                     |                   |
| Broadcasting operating expenses - same station                           | \$ 29,990                 | \$ 32,926        | \$ 117,978          | \$ 123,263        |
| Broadcasting operating expenses - acquisitions                           | 36                        | 586              | 817                 | 6,414             |

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|  |                  |                  |                   |                   |
|--|------------------|------------------|-------------------|-------------------|
| Broadcasting operating expenses - dispositions   | 847              | 481              | 2,484             | 458               |
| Broadcasting operating expenses - format changes | 132              | 111              | 183               | 982               |
| <b>Total broadcasting operating expenses</b>     | <b>\$ 31,005</b> | <b>\$ 34,104</b> | <b>\$ 121,462</b> | <b>\$ 131,117</b> |

**Reconciliation of Same Station Station Operating  
Income to**

|   |                  |                  |                  |                  |
|---|------------------|------------------|------------------|------------------|
| <b>Total Station Operating Income</b>     |                  |                  |                  |                  |
| Station operating income - same station   | \$ 20,169        | \$ 19,616        | \$ 77,854        | \$ 77,357        |
| Station operating income - acquisitions   | (20)             | 47               | (371)            | (373)            |
| Station operating income - dispositions   | (184)            | (25)             | 13               | (2)              |
| Station operating income - format changes | (55)             | (6)              | (106)            | 301              |
| <b>Total station operating income</b>     | <b>\$ 19,910</b> | <b>\$ 19,632</b> | <b>\$ 77,390</b> | <b>\$ 77,283</b> |

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**Salem Communications  
Corporation  
Supplemental Information  
(in thousands)**

|   | <b>Three Months Ended<br/>December 31,</b> |                  | <b>Year Ended<br/>December 31,</b> |                  |
|---|--|------------------|------------------------------------|------------------|
|   | <b>2005</b>                                | <b>2006</b>      | <b>2005</b>                        | <b>2006</b>      |
|   | (unaudited)                                |                  |                                    |                  |
| <b>Reconciliation of Station<br/>Operating Income and<br/>Non-Broadcast</b> |  |                  |                                    |                  |
| <b>Operating Income to<br/>Operating Income</b>                             |  |                  |                                    |                  |
| Station operating income  | \$ 19,910                                  | \$ 19,632        | \$ 77,390                          | \$ 77,283        |
| Non-broadcast operating income  | 414  | 429              | 901                                | 1,197            |
| Less:   |  |                  |                                    |                  |
| Corporate expenses  | (4,936)                                    | (5,710)          | (19,607)                           | (24,043)         |
| Legal settlement  | -  | -                | (650)                              | -                |
| Depreciation and amortization   | (3,234)                                    | (4,075)          | (13,017)                           | (15,193)         |
| Gain (loss) on disposal of assets   | 32   | (225)            | (527)                              | 18,647           |
| <b>Operating income</b>   | <b>\$ 12,186</b>                           | <b>\$ 10,051</b> | <b>\$ 44,490</b>                   | <b>\$ 57,891</b> |
| <b>Reconciliation of Adjusted<br/>EBITDA to EBITDA to Net<br/>Income</b>    |  |                  |                                    |                  |
| Adjusted EBITDA   | \$ 15,245                                  | \$ 15,185        | \$ 58,178                          | \$ 58,351        |
| Less:   |  |                  |                                    |                  |
| Stock-based compensation  | -  | (788)            | -                                  | (4,334)          |
| Discontinued operations, net of<br>tax                                      | 37   | 1,346            | (376)                              | 2,452            |
| Gain (loss) on disposal of assets   | 32   | (225)            | (527)                              | 18,647           |
| Legal settlement  | -  | -                | (650)                              | -                |
| Loss on early redemption of<br>long-term debt                               | -  | -                | (24)                               | (3,625)          |
| EBITDA  | 15,314                                     | 15,518           | 56,601                             | 71,491           |
| Plus:   |  |                  |                                    |                  |
| Interest income   | 70   | 96               | 207                                | 210              |
| Less:   |  |                  |                                    |                  |
| Depreciation and amortization   | (3,234)                                    | (4,075)          | (13,017)                           | (15,193)         |

|                            |                 |                 |                  |                  |
|----------------------------|-----------------|-----------------|------------------|------------------|
| Interest expense           | (5,998)         | (6,485)         | (22,559)         | (26,342)         |
| Provision for income taxes | (2,858)         | (1,789)         | (8,570)          | (11,167)         |
| <b>Net income</b>          | <b>\$ 3,294</b> | <b>\$ 3,265</b> | <b>\$ 12,662</b> | <b>\$ 18,999</b> |

|  | <b>Outstanding<br/>at 12/31/2006</b> | <b>Applicable<br/>Interest<br/>Rate</b> |
|--|--------------------------------------|---|
| <b>Selected Debt and Swap Data</b>                       |                                      |   |
| 7 3/4% senior subordinated notes                         | \$ 100,000                           | 7.75%                                   |
| Senior bank term loan B debt (1)                         | 73,125                               | 7.13%                                   |
| 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)          | 75,000                               | 7.22%                                   |
| Senior bank revolving debt (at variable rates) (1)       | 19,100                               | 7.25%                                   |
| Swingline credit facility (3)                            | 1,241                                | 8.25%                                   |

(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, 2006, that spread was 1.75% and is incorporated into the applicable interest rates set forth above.

(3) Subject to prime interest rate.

**Salem Communications Corporation**  
**Supplemental Information**  
(in millions)

|  | <b>Projected</b>           |                | <b>Three Months</b>   |       |
|--|----------------------------|----------------|-----------------------|-------|
|  | <b>Three Months Ending</b> |                | <b>Ended</b>          |       |
|  | <b>March 31, 2007</b>      |                | <b>March 31, 2007</b> |       |
|  | <b>Low</b>                 | <b>High</b>    |                       |       |
|  |                            |                | (unaudited)           |       |
| <b>Reconciliation of Station Operating Income to Operating Income</b>                            |                            |                |                       |       |
| Station operating income   | \$ 16.2                    | \$ 16.7        |                       |       |
| Plus:  |                            |                |                       |       |
| Non-broadcast revenue  | 5.5                        | 5.5            |                       |       |
| Less:  |                            |                |                       |       |
| Non-broadcast operating expenses   | (5.5)                      | (5.5)          |                       |       |
| Corporate expenses   | (5.7)                      | (5.7)          |                       |       |
| Stock-based compensation (corporate expense portion)   | (0.5)                      | (0.5)          |                       |       |
| Depreciation and amortization  | (3.7)                      | (3.7)          |                       |       |
| <b>Operating income</b>  | <b>\$ 6.3</b>              | <b>\$ 6.8</b>  |                       |       |
| <b>Reconciliation of Same Station Net Broadcasting Revenue to Total Net Broadcasting Revenue</b> |                            |                |                       |       |
| Net broadcasting revenue - same station  | \$ 49.0                    | \$ 49.5        | \$ 47.8               |       |
| Net broadcasting revenue - acquisitions / dispositions / format changes                          | 1.0                        | 1.0            |                       | 1.0   |
| <b>Total net broadcasting revenue</b>  | <b>\$ 50.0</b>             | <b>\$ 50.5</b> | <b>\$ 48.8</b>        |       |
| <b>Reconciliation of Same Station Station Operating Income to Total Station Operating Income</b> |                            |                |                       |       |
| Station operating income - same station  | \$ 15.9                    | \$ 16.4        | \$ 17.4               |       |
|  | 0.3                        | 0.3            |                       | (0.3) |

Station operating income - acquisitions / dispositions /  
format changes

|                                       |           |             |           |             |           |             |
|---------------------------------------|-----------|-------------|-----------|-------------|-----------|-------------|
| <b>Total station operating income</b> | <b>\$</b> | <b>16.2</b> | <b>\$</b> | <b>16.7</b> | <b>\$</b> | <b>17.1</b> |
|---------------------------------------|-----------|-------------|-----------|-------------|-----------|-------------|

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### **Salem Communications Announces 5% Growth in 2007 Same Station National Block Programming Rates**

CAMARILLO, Calif., March 12, 2007 -- 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 the results of its national block programming rate negotiations, which are carried out annually at the start of each year. For 2007, Salem expects same station national block programming revenues to increase by approximately 5%. Consistent with recent years, over 90% of Salem's national block programming business was successfully renewed.

Edward G. Atsinger, III, Salem's president and CEO, commented, "Once again, the successful relationships we maintain with our national block programmers and their recognition of the value of our national radio station platform have resulted in a successful renewal process. Block programming continues to be the foundation of our Christian Teaching and Talk stations, providing a reliable stream of revenue and cash flow."

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™, a national radio advertising sales force; Salem Web Network™, a leading Internet provider of Christian content and online streaming; and Salem Publishing™, a leading publisher of Christian-themed magazines and books. Upon the close of all announced transactions, the company will own 97 radio stations, including 61 stations in 23 of the top 25 markets. Additional information about Salem may be accessed at the company's website, [www.salem.cc](http://www.salem.cc).

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### ***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.*