United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

(MARK ONE)

[x] Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the Quarterly Period ended March 31, 1998

or

[ ] Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 For the transition period from _________ to _________

Commission file number 1-11588

Saga Communications, Inc.

(Exact name of registrant as specified in its charter)

Delaware	38-3042953
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
73 Kercheval Avenue Grosse Pointe Farms, Michigan	48236
(Address of principal executive offices)	(Zip Code)

(313) 886-7070

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No .

The number of shares of the registrant's Class A Common Stock, $.01 par value, and Class B Common Stock, $.01 par value, outstanding as of April 30, 1998 was 8,959,963 and 1,208,510, respectively.

INDEX

PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Saga Communications, Inc.
Condensed Consolidated Balance Sheets
(dollars in thousands)

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and temporary investments	$ 2,429	$ 2,209
Accounts receivable, net	11,648	12,833
Prepaid expenses	906	1,269
Other current assets	1,667	1,208
Total current assets	16,650	17,519
Property and equipment	72,288	70,522
Less accumulated depreciation	(37,403)	(36,494)
Net property and equipment	34,885	34,028
Other assets:		
Excess of cost over fair value of assets acquired, net	20,691	20,276
Broadcast licenses, net	35,261	35,495
Other intangibles, net	5,072	5,115
Total other assets	61,024	60,886
	$ 112,559	$ 112,433

See notes to unaudited condensed consolidated financial statements.

Saga Communications, Inc.
Condensed Consolidated Balance Sheets
(dollars in thousands)

	MARCH 31, 1998 (UNAUDITED)	DECEMBER 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 870	$ 1,001
Other current liabilities	6,350	6,792
Current portion of long-term debt	8,194	8,139
Total current liabilities	15,414	15,932
Deferred income taxes	4,415	4,297
Long-term debt	53,453	53,466
Broadcast program rights	222	273
Deferred compensation	210	210
STOCKHOLDERS' EQUITY:		
Common stock	127	101
Additional paid-in capital	36,747	36,513
Note receivable from principal stockholder	(790)	(790)
Retained earnings	2,761	2,431
Total stockholders' equity	38,845	38,255
	$ 112,559	$ 112,433

Note: The balance sheet at December 31, 1997 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to unaudited condensed consolidated financial statements.

Saga Communications, Inc.
Condensed Consolidated Statements of Operations and Comprehensive Income
(dollars in thousands except per share data)
Unaudited

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
Net operating revenue	$15,620	$13,515
Station operating expense:		
Programming and technical	4,019	3,668
Selling	4,447	3,798
Station general and administrative	2,736	2,541
Total station operating expense	11,202	10,007
Station operating income before corporate general and administrative, depreciation and amortization	4,418	3,508
Corporate general and administrative	1,017	807
Depreciation and amortization	1,628	1,282
Operating profit	1,773	1,419
Other expenses:		
Interest expense	1,140	1,211
Loss on the sale of assets	11	6
Income before income tax	622	202
Income tax provision	266	88
Net income and comprehensive income	$ 356	$ 114
Earnings per share (basic and diluted)	$ .03	$ .01
Weighted average common shares (Note 3)	12,695	12,586
Weighted average common shares and common equivalents (Note 3)	12,960	12,841

See noted to unaudited condensed consolidated financial statements.

Saga Communications, Inc.
Condensed Consolidated Statements of Cash Flows
(dollars in thousands)
Unaudited

	THREE MONTHS ENDED MARCH 31, 1998	THREE MONTHS ENDED MARCH 31, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash provided by operating activities	$ 2,401	$ 2,193
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,326)	(573)
Increase in intangibles and other assets	(69)	(201)
Acquisition of stations	(828)	(2,660)
Net cash used in investing activities	(2,223)	(3,434)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	2,000	--
Payments on long-term debt	(1,958)	(20)
Net cash provided by (used in) financing activities	42	(20)
Net increase (decrease) in cash and temporary investments	220	(1,261)
Cash and temporary investments, beginning of period	2,209	4,339
Cash and temporary investments, end of period	$ 2,429	$ 3,078

See notes to unaudited condensed consolidated financial statements.

Saga Communications, Inc.
Notes to Condensed Consolidated Financial Statements
Unaudited

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for annual financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 1998 are not necessarily indicative of the results that may be expected for the year ended December 31, 1998. For further information, refer to the consolidated financial statements and footnotes thereto included in the Saga Communications, Inc. Annual Report (Form 10-K) for the year ended December 31, 1997.

The Company enters into interest-rate swap agreements to modify the interest characteristics of its outstanding debt. Each interest rate swap agreement is designated with all or a portion of the principal balance and term of a specific debt obligation. These agreements involve the exchange of amounts based on a fixed interest rate for amounts based on variable interest rates over the life of the agreement without an exchange of the notional amount upon which the payments are based. The differential to be paid or received as interest rates change is accrued and recognized as an adjustment of the interest expense related to the debt (the accrual accounting method). The related amount payable to or receivable from counterparties is included in other liabilities or assets. The fair values of the swap agreements are not recognized in the financial statements. Gains and losses on terminations of interest-rate swap agreements are deferred as an adjustment to interest expense related to the debt over the remaining term of the original contract life of the terminated swap agreement. In the event of the early extinguishment of a designated debt obligation, any realized or unrealized gain or loss from the swap would be recognized in income coincident with the extinguishment. Any swap agreements that are not designated with outstanding debt or notional amounts (or durations) of interest-rate swap agreements in excess of the principal amounts (or maturities) of the underlying debt obligations are recorded as an asset or liability at fair value, with changes in fair value recorded in other income or expense (the fair value method).

2. INCOME TAXES

The Company's effective tax rate is higher than the statutory rate as a result of certain non-deductible depreciation and amortization expenses and the inclusion of state taxes in the income tax amount.

Saga Communications, Inc.
Notes to Condensed Consolidated Financial Statements (Continued)
Unaudited

3. SUBSEQUENT EVENTS

In April, 1998 the Company declared a five-for-four split of its Class A and Class B Common Stock, for shareholders of record on May 15, 1998, effective on May 29, 1998 which will result in additional shares being issued of approximately 2,240,000 and 302,000, respectively. All share and per share information in the accompanying financial statements has been restated retroactively to reflect the split. The common stock and retained earnings accounts at March 31, 1998 reflect the retroactive capitalization of the split.

In April, 1998 the Company signed a letter of intent to acquire 50% of the stock ownership of six FM radio stations, serving Reykjavik, Iceland for approximately $1,050,000. Additionally, the Company will lend approximately $550,000 to the Icelandic entity to be repaid at negotiated terms. The investment is subject to certain conditions, including the completion of a definitive investment agreement.

4. ACQUISITION

On March 30, 1998, the Company acquired a regional and state news and sports information network (The Michigan Radio Network) for approximately $1,100,000, including approximately $234,000 of the Company's Class A common stock. The acquisition is subject to certain adjustments based on operating performance levels, that could result in an additional acquisition amount of $450,000 payable in cash and shares of the Company's Class A common stock. The acquisition was accounted for as a purchase, and accordingly, the total costs were allocated to the acquired assets and assumed liabilities based on their estimated fair values as of the acquisition date. The excess of consideration paid over the estimated fair value of the net assets acquired has been recorded as excess of cost over fair value of assets acquired.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the unaudited condensed consolidated financial statements and notes thereto of Saga Communications, Inc. and its subsidiaries contained elsewhere herein.

GENERAL

The Company's financial results are dependent on a number of factors, the most significant of which is the ability to generate advertising revenue through rates charged to advertisers. The rates a station is able to charge are, in large part, based on a station's ability to attract audiences in the demographic groups targeted by its advertisers, as measured principally by quarterly reports by independent national rating services. Various factors affect the rate a station can charge, including the general strength of the local and national economies, population growth, ability to provide popular programming, local market competition, relative efficiency of radio and/or broadcasting compared to other advertising media, signal strength and government regulation and policies. The primary operating expenses involved in owning and operating radio stations are employee salaries, depreciation and amortization, programming expenses, solicitation of advertising, and promotion expenses. In addition to these expenses, owning and operating television stations involve the cost of acquiring certain syndicated programming.

During the years ended December 31, 1997 and 1996, none of the Company's operating locations represented more than 15% of the Company's station operating income (i.e., net operating revenue less station operating expense), other than the Columbus and Milwaukee stations. For the years ended December 31, 1997 and 1996, Columbus accounted for an aggregate of 24% and 22%, respectively, and Milwaukee accounted for an aggregate of 24% and 23%, respectively, of the Company's station operating income. For the three month periods ended March 31, 1998 and 1997, none of the Company's operating locations represented more that 15% of the Company's station operating income, other than the Columbus and Milwaukee stations. For the three months ended March 31, 1998 and 1997, Columbus accounted for an aggregate of 23% and 27%, respectively, and Milwaukee accounted for an aggregate of 27% of the Company's station operating income. While radio revenues in each of the Columbus and Milwaukee markets have remained relatively stable historically, an adverse change in these radio markets or these location's relative market position could have a significant impact on the Company's operating results as a whole.

Because audience ratings in the local market are crucial to a station's financial success, the Company endeavors to develop strong listener/viewer loyalty. The Company believes that the diversification of formats on its radio stations helps the Company to insulate itself from the effects of changes in musical tastes of the public on any particular format.

The number of advertisements that can be broadcast without jeopardizing listening/viewing levels (and the resulting ratings) is limited in part by the format of a particular radio station and, in the case of television stations, by restrictions imposed by the terms of certain network affiliation and syndication agreements. The Company's stations strive to maximize revenue by constantly managing the number of commercials available for sale and adjusting prices based upon local market conditions. In the broadcasting industry, stations often utilize trade (or barter) agreements to generate advertising time sales in exchange for goods or services used or useful in the operation of the stations, instead of for cash. The Company minimizes its use of trade agreements and historically has sold over 95% of its advertising time for cash.

Most advertising contracts are short-term, and generally run only for a few weeks. Most of the Company's revenue is generated from local advertising, which is sold primarily by each station's sales staff. For the three months ended March 31, 1998 and 1997, approximately 83% and 88%, respectively, of the Company's gross revenue was from local advertising. To generate national advertising sales, the Company engages an independent advertising sales representative that specializes in national sales for each of its stations.

The Company's revenue varies throughout the year. Advertising expenditures, the Company's primary source of revenue, generally have been lowest during the winter months which comprise the first quarter.

THREE MONTHS ENDED MARCH 31, 1998 COMPARED TO THREE MONTHS ENDED MARCH 31, 1997

For the three months ended March 31, 1998, the Company's net operating revenue was $15,620,000 compared with $13,515,000 for the three months ended March 31, 1997, an increase of $2,105,000 or 16%. Approximately $1,033,000 or 49% of the increase was attributable to revenue generated by stations which were not owned or operated by the Company for the comparable period in 1997. The balance of the increase in net operating revenue represented a 8% increase in stations owned and operated by the Company for the entire comparable period, primarily as a result of increased advertising rates at the majority of the Company's stations.

Station operating expense (i.e., programming, technical, selling and station general and administrative expenses) increased by $1,195,000 or 12% to $11,202,000 for the three months ended March 31, 1998, compared with $10,007,000 for the three months ended March 31, 1997. Of the total increase, approximately $887,000 or 74% was the result of the impact of the operation of stations which were not owned or operated by the Company for the comparable period in 1997. The remaining balance of the increase in station operating expense of $309,000 represents a total increase of 3% in stations owned and operated by the Company for the comparable period in 1997.

Operating profit increased by $354,000 or 25% to $1,773,000 for the three months ended March 31, 1998, compared with $1,419,000 for the three months ended March 31, 1997. The improvement was primarily the result of the $2,105,000 increase in net operating revenue, offset by the $1,195,000 increase in station operating expense, a $346,000 or 27% increase in depreciation and amortization, and a $210,000 or 26% increase in corporate general and administrative charges. The increase in depreciation and amortization expense was principally the result of the recent acquisitions. The increase in corporate general and administrative charges was primarily attributable to deferred compensation charges of $70,000 relating to an accrued bonus to the Company's principal stockholder and approximately $15,000 pertaining to option grants primarily to local station management. The remaining increase in corporate general and administrative expenses of approximately $125,000 represents additional costs due to the growth of the Company as a result of the Company's recent acquisitions.

The Company generated net income in the amount of approximately $356,000 ($0.03 per share (adjusted for the stock split)) during the three months ended March 31, 1998, compared with net income of $114,000 ($0.01 per share) for the three months ended March 31, 1997, an increase of approximately $242,000. The increase in net income was principally the result of the $354,000 improvement in operating profit and a $71,000 decrease in interest costs, offset by a $178,000 increase in income taxes directly associated with the improved operating performance of the Company.

LIQUIDITY AND CAPITAL RESOURCES

The Company's policy is generally to repay its long-term debt with excess cash on hand to reduce its financing costs. As of March 31, 1998, the Company had $61,647,000 of long-term debt (including the current portion thereof) outstanding and approximately $45,250,000 of unused borrowing capacity under the Revolving Loan (as defined below).

The Company has a credit agreement (the "Credit Agreement") with The First National Bank of Boston; The Bank of New York; Fleet Bank, N.A.; Mellon Bank, N.A.; and Union Bank of California, N.A. (collectively, the "Lenders"), with two facilities (the "Facilities"): a $54,000,000 senior secured term loan (the "Term Loan") and a $56,000,000 senior secured reducing revolving/term loan facility (the "Revolving Loan"). The Facilities mature June 30, 2003. The Company's indebtedness under the Facilities is secured by a first priority lien on substantially all the assets of the Company and its subsidiaries, by a pledge of its subsidiaries' stock and by a guarantee of its subsidiaries.

The Revolving Loan has a total commitment of $56,000,000, of which $51,000,000 may be used for permitted acquisitions and related transaction expenses and $5,000,000 may be used for working capital needs and stand-by letters of credit. On June 30, 1998 the Revolving Loan will convert to a five year term loan. However, the Company is currently negotiating an amendment to the Credit Agreement which would provide that the Revolving Loan's conversion to a five year term loan will be extended to June 30, 1999, and the Facilities maturity will be extended to June 30, 2004. The outstanding amount of the Term Loan is required to be reduced quarterly in amounts ranging from 2.5% to 5% of the initial commitment and the outstanding amount of the Revolving Loan is required to be reduced quarterly in amounts ranging from 1.25% to 5% of the initial commitment. In addition, the Facilities may be further reduced by specified percentages of Excess Cash Flow (as defined in the Credit Agreement) based on leverage ratios.

Interest rates under the Facilities are payable, at the Company's option, at alternatives equal to LIBOR plus 1.125% to 1.75% or the prime rate plus 0% to .5%. The spread over LIBOR and the prime rate vary from time to time, depending upon the Company's financial leverage. The Company also pays quarterly commitment fees equal to 1/2% per annum on the aggregate unused portion of the Revolving Loan.

The Credit Agreement contains a number of financial covenants which, among other things, require the Company to maintain specified financial ratios and impose certain limitations on the Company with respect to investments, additional indebtedness, dividends, distributions, guarantees, liens and encumbrances.

At March 31, 1998, the Company had an interest rate swap agreement with a total notional amount of $32,000,000 that it uses to convert the variable Eurodollar interest rate of a portion of its bank borrowings to a fixed interest rate. The swap agreement was entered into to reduce the risk to the Company of rising interest rates. In accordance with the terms of the swap agreement, dated November 21, 1995, the Company pays 6.15% calculated on a $32,000,000 notional amount. The Company receives LIBOR (5.7% at March 31, 1998) calculated on a notional amount of $32,000,000. Net receipts or payments under the agreement are recognized as an adjustment to interest expense. The swap agreement expires in December 1999. As the LIBOR increases, interest payments received and the market value of the swap position increase. Approximately $23,000 in additional interest expense was recognized as a result of the interest rate swap agreement for the three months ended March 31, 1998 and an aggregate amount of $377,000 in additional interest expense has been recognized since the inception of the agreement.

During the years ended December 31, 1997, and 1996, the Company had net cash flows from operating activities of $11,659,000 and $7,679,000, respectively. During the three months ended March 31, 1998 and 1997, the Company had net cash flows from operating activities of $2,401,000 and $2,193,000, respectively. The Company believes that cash flow from operations will be sufficient to meet quarterly debt service requirements for interest and scheduled payments of principal under the Credit Agreement. If such cash flow is not sufficient to meet such debt service requirements, the Company may be required to sell additional equity securities, refinance its obligations or dispose of one or more of its properties in order to make such scheduled payments. There can be no assurance that the Company would be able to effect any such transactions on favorable terms.

On March 14, 1997, the Company acquired an FM radio station (KAZR-FM) serving the Des Moines, Iowa market for approximately $2,700,000. The Company began operating the radio station under the terms of a local market agreement on August 1, 1996, which remained in effect until the acquisition.

On April 17, 1997, the Company acquired an FM radio station (KLTI-FM) serving the Des Moines, Iowa market for approximately $3,200,000. The Company began operating the radio station under the terms of a local market agreement on January 1, 1997, which remained in effect until the acquisition.

On May 5, 1997, the Company acquired two AM and two FM radio stations (WTAX-AM, WDBR-FM, WVAX-AM, and WYXY-FM) serving the Springfield, Illinois market for approximately $6,000,000. The Company began operating the radio stations under the terms of a local market agreement on July 1, 1996, which remained in effect until the acquisition.

On May 9, 1997, the Company acquired two FM radio stations (WFMR-FM and WPNT-FM) serving the Milwaukee, Wisconsin market for approximately $5,000,000.

On November 18, 1997, the Company acquired an FM radio station (WQLL-FM) serving the Manchester, New Hampshire market for approximately $3,400,000. The Company began operating the radio station under the terms of a local market agreement on July 1, 1997, which remained in effect until the acquisition.

On November 25,1997, the Company acquired a regional and state news and sports information network (The Illinois Radio Network) for approximately $1,750,000.

The 1997 acquisitions were financed through funds generated from operations and additional borrowings of $11,250,000 under the Revolving Loan.

On March 30, 1998, the Company acquired a regional and state news and sports information network (The Michigan Radio Network) for approximately $1,100,000, including approximately $234,000 of the Company's Class A common stock. The acquisition is subject to certain adjustments based on operating performance levels, that could result in an additional acquisition amount of $450,000 payable in shares of the Company's Class A common stock. The acquisition was financed through additional borrowings under the Revolving Loan.

The Company anticipates that any future acquisitions of radio and television stations will be financed through funds generated from operations, borrowings under the Revolving Loan, additional debt or equity financing, or a combination thereof. However, there can be no assurances that any such financing will be available.

The Company's capital expenditures for the three months ended March 31, 1987 were approximately $1,326,000 ($573,000 in the comparable period in 1997). The Company anticipates capital expenditures in 1998 to be approximately $3,000,000, which it expects to finance through funds generated from operations.

INFLATION

The impact of inflation on the Company's operations has not been significant to date. There can be no assurance that a high rate of inflation in the future would not have an adverse effect on the Company's operations.

FORWARD-LOOKING STATEMENTS

Statements contained in this Form 10-Q that are not historical facts are forward-looking statements that are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. In addition, when used in this Form 10-Q, words such as "believes," "anticipates," "expects," and similar expressions are intended to identify forward looking statements. The Company cautions that a number of important factors could cause the Company's actual results for 1998 and beyond to differ materially from those expressed in any forward looking statements made by or on behalf of the Company. Forward looking statements involve a number of risks and uncertainties including, but not limited to, the Company's financial leverage and debt service requirements, dependence on key stations, U.S. and local economic conditions, the successful integration of acquired stations, and regulatory matters. The Company cannot assure that it will be able to anticipate or respond timely to changes in any of the factors listed above, which could adversely affect the operating results in one or more fiscal quarters. Results of operations in any past period should not be considered, in and of itself, indicative of the results to be expected for future periods. Fluctuations in operating results may also result in fluctuations in the price of the Company's stock.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) EXHIBITS

27 Financial Data Schedule

(b) Reports on Form 8-K

None

SIGNATURES

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.

SAGA COMMUNICATIONS, INC.

Date: May 14, 1998

/s/ Samuel D. Bush

Samuel D. Bush
Vice President, Chief Financial
Officer, and Treasurer
(Principal Financial Officer)

Date: May 14, 1998

/s/ Catherine A. Bobinski

Catherine A. Bobinski
Corporate Controller and
Chief Accounting Officer
(Principal Accounting Officer)

5
1,000
U.S. DOLLARS

3-MOS
DEC-31-1998
JAN-01-1998
MAR-31-1998
1
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