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 June 30, 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 July 31, 1998 was 11,199,860 and 1,510,637, respectively.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

	JUNE 30, 1998	DECEMBER 31, 1997
	(UNAUDITED)	
ASSETS		
Current assets:		
Cash and temporary investments	$ 3,751	$ 2,209
Accounts receivable, net	14,689	12,833
Prepaid expenses	1,220	1,269
Other current assets	1,515	1,208
Total current assets	21,175	17,519
Property and equipment	73,152	70,522
Less accumulated depreciation	(38,281)	(36,494
Net property and equipment	34,871	34,028
Other assets:		
Excess of cost over fair value of assets acquired, net	20,271	20,276
Broadcast licenses, net	35,053	35,495
Other intangibles, net	6,211	5,115
Total other assets	61,535	60,886
	$117,581	$112,433

See notes to unaudited condensed consolidated financial statements.

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

	JUNE 30, 1998	DECEMBER 31, 1997
	(UNAUDITED)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 807	$ 1,001
Other current liabilities	8,144	6,792
Current portion of long-term debt	4,743	8,139
Total current liabilities	13,694	15,932
Deferred income taxes	4,810	4,297
Long-term debt	57,823	53,466
Broadcast program rights	170	273
Deferred compensation	326	210
STOCKHOLDERS' EQUITY:		
Common stock	127	101
Additional paid-in capital	36,747	36,513
Note receivable from principal stockholder	(790)	(790)
Retained earnings	4,674	2,431
Total stockholders' equity	40,758	38,255
	$117,581	$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 Income and Comprehensive Income
(in thousands except per share data)
Unaudited

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS ENDED JUNE 30,	
	1998	1997	1998	1997
Net operating revenue	$20,159	$17,508	$35,779	$31,023
Station operating expense:				
Programming and technical	4,129	3,686	8,148	7,354
Selling	5,810	5,132	10,257	8,930
Station general and administrative	2,807	2,414	5,543	4,955
Total station operating expense	12,746	11,232	23,948	21,239
Station operating income before corporate general and administrative, depreciation and amortization	7,413	6,276	11,831	9,784
Corporate general and administrative	1,244	1,074	2,261	1,881
Depreciation and amortization	1,539	1,450	3,167	2,732
Operating profit	4,630	3,752	6,403	5,171
Other expenses:				
Interest expense	1,143	1,172	2,283	2,383
Other	82	1	93	7
Income before income tax	3,405	2,579	4,027	2,781
Income tax provision	1,491	1,087	1,757	1,175
Net income and comprehensive income	$ 1,914	$ 1,492	$ 2,270	$ 1,606
Earnings per share (basic and diluted)	$ .15	$ .12	$ .18	$ .13
Weighted average common shares (Note 3)	12,710	12,586	12,703	12,586
Weighted average common shares and common equivalents (Note 3)	12,980	12,856	12,970	12,850

See notes to unaudited condensed consolidated financial statements.

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

	SIX MONTHS ENDED JUNE 30, 1998	SIX MONTHS ENDED JUNE 30, 1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash provided by operating activities	$ 4,860	$ 4,277
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(2,190)	(1,274)
Proceeds from sale of assets	3	306
Increase in intangibles and other assets	(240)	(430)
Acquisition of stations	(1,930)	(15,383)
Equity in operating results of investment	80	-
Net cash used in investing activities	(4,277)	(16,781)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	3,500	11,250
Payments on long-term debt	(2,539)	(1,030)
Net proceeds from exercise of stock options	-	102
Fractional shares - stock split	(2)	-
Net cash provided by financing activities	959	10,322
Net increase (decrease) in cash and temporary investments	1,542	(2,182)
Cash and temporary investments, beginning of period	2,209	4,339
Cash and temporary investments, end of period	$ 3,751	$ 2,157

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 six months ended June 30, 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.

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.

3. STOCK SPLIT

On May 29, 1998 the Company consummated a five-for-four split of its Class A and Class B Common Stock, resulting in additional shares being issued of approximately 2,240,000 and 302,000, respectively, for holders of record on May 15, 1998. All share and per share information in the accompanying financial statements has been restated retroactively to reflect the split.

4. COMMITMENT

On May 18, 1998 the Company amended its credit agreement to provide that the Revolving Loan's conversion to a five year term loan be extended to June 30, 1999 from June 30, 1998, and to extend the Facilities maturity date to June 30, 2004 from June 30, 2003. The amendment modified the quarterly payments which are required on the Term Loan from a range of 2.5% to 5% to a range of 1.25% to 5%. The amendment also modified the quarterly payments, which are required on the outstanding amount of the Revolving Loan on September 30, 1999, from a range of 1.25% to 5% to a range of 2.5% to 7.5%.

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

5. SUBSEQUENT EVENT

On July 7, 1998, the Company entered into an agreement to purchase KAVU-TV (an ABC affiliate) and a low power Univision affiliate, serving the Victoria, Texas market for approximately $11,875,000, including approximately $2,000,000 of the Company's Class A common stock. The Company will also assume an existing Local Marketing Agreement for KVCT-TV (a Fox affiliate). The transaction is subject to the approval of the Federal Communications Commission and is expected to close during the fourth quarter of 1998.

On July 10, 1998, the Company signed a letter of intent to purchase an AM and FM radio station (KGMI-AM and KISM-FM) serving the Bellingham, Washington market for approximately $8,000,000. The transaction is subject to the completion of a definitive asset purchase agreement and the approval of the Federal Communications Commission, and is expected to close during the fourth quarter of 1998.

On August 10, 1998 the Company implemented a Stock Buy-Back Program (the "Buy-Back Program") pursuant to which the Company will purchase, on the open market, up to $2,000,000 of its Class A Common Stock.

6. STATION ACQUISITIONS

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.

On June 17, 1998 the Company acquired 50% of the outstanding stock of Finn Midill, ehf., an Icelandic corporation which owns six FM radio stations serving Reykjavik, Iceland for approximately $1,100,000. Additionally, the Company loaned approximately $570,000 to Finn Midill, ehf. which accrues interest at 7.5% plus an inflationary index, and is to be repaid in June, 2001. The investment is accounted for using the equity method. The Company's equity in the operating results of Finn Midill, ehf. since acquisition have not been significant.

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 six month periods ended June 30, 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 six months ended June 30, 1998 and 1997, Columbus accounted for an aggregate of 22% and 25%, respectively, and Milwaukee accounted for an aggregate of 25% 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 six months ended June 30, 1998 and 1997, approximately 82% and 81%, 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 JUNE 30, 1998 COMPARED TO THREE MONTHS ENDED JUNE 30, 1997

For the three months ended June 30, 1998, the Company's net operating revenue was $20,159,000 compared with $17,508,000 for the three months ended June 30, 1997, an increase of $2,651,000 or 15%. Approximately $1,212,000 or 46% 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 an 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 $1,514,000 or 13.5% to $12,746,000 for the three months ended June 30, 1998, compared with $11,232,000 for the three months ended June 30, 1997. Of the total increase, approximately $973,000 or 64% 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 $541,000 represents a total increase of 5% in stations owned and operated by the Company for the comparable period in 1997.

Operating profit increased by $878,000 or 23% to $4,630,000 for the three months ended June 30, 1998, compared with $3,752,000 for the three months ended June 30, 1997. The improvement was primarily the result of the $2,651,000 increase in net operating revenue, offset by the $1,514,000 increase in station operating expense, a $89,000 or 6% increase in depreciation and amortization, and a $170,000 or 16% 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, $40,000 in non-recurring employee benefit related matters, and the remaining increase of approximately $60,000 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 $1,914,000 ($0.15 per share) during the three months ended June 30, 1998, compared with net income of $1,492,000 ($0.12 per share) for the three months ended June 30, 1997, an increase of approximately $422,000. The increase in net income was principally the result of the $878,000 improvement in operating profit, offset by a $404,000 increase in income taxes directly associated with the improved operating performance of the Company.

SIX MONTHS ENDED JUNE 30, 1998 COMPARED TO SIX MONTHS ENDED JUNE 30, 1997

For the six months ended June 30, 1998, the Company's net operating revenue was $35,779,000 compared with $31,023,000 for the six months ended June 30, 1997, an increase of $4,756,000 or 15%. Approximately $2,245,000 or 47% 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 an 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 $2,709,000 or 13% to $23,948,000 for the six months ended June 30, 1998, compared with $21,239,000 for the six months ended June 30, 1997. Of the total increase, approximately $1,860,000 or 69% 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 $849,000 represents a total increase of 4% in stations owned and operated by the Company for the comparable period in 1997.

Operating profit increased by $1,232,000 or 24% to $6,403,000 for the six months ended June 30, 1998, compared with $5,171,000 for the six months ended June 30, 1997. The improvement was primarily the result of the $4,756,000 increase in net operating revenue, offset by the $2,709,000 increase in station operating expense, a $435,000 or 16% increase in depreciation and amortization, and a $380,000 or 20% 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 $140,000 relating to an accrued bonus to the Company's principal stockholder, $50,000 in non-recurring employee benefit related matters, and the remaining increase of approximately $190,000 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 $2,270,000 ($0.18 per share) during the six months ended June 30, 1998, compared with net income of $1,606,000 ($0.13 per share) for the six months ended June 30, 1997, an increase of approximately $664,000. The increase in net income was principally the result of the $1,232,000 improvement in operating profit, offset by a $582,000 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 June 30, 1998, the Company had $62,566,000 of long-term debt (including the current portion thereof) outstanding and approximately $43,750,000 of unused borrowing capacity under the Revolving Loan (as defined below).

The Company has a credit agreement (the "Credit Agreement") with BankBoston, N.A.; 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, 2004. 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.

On May 18, 1998 the Company amended its credit agreement to provide that the Revolving Loan's conversion to a five year term loan be extended to June 30, 1999 from June 30, 1998, and to extend the Facilities maturity date to June 30, 2004 from June 30, 2003. The amendment modified the quarterly payments which are required on the Term Loan from a range of 2.5% to 5% to a range of 1.25% to 5%. The amendment also modified the quarterly payments, which are required on the outstanding amount of the Revolving Loan on September 30, 1999, from a range of 1.25% to 5% to a range of 2.5% to 7.5%.

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, 1999 the Revolving Loan will convert to a five year term loan. The outstanding amount of the Term Loan is required to be reduced quarterly in amounts ranging from 1.25% to 5% of the initial commitment and the outstanding amount of the Revolving Loan is required to be reduced quarterly in amounts ranging from 2.5% to 7.5% of the amount outstanding on September 30, 1999. 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 June 30, 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 June 30, 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 $60,000 in additional interest expense was recognized as a result of the interest rate swap agreement for the six months ended June 30, 1998 and an aggregate amount of $414,000 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 six months ended June 30, 1998 and 1997, the Company had net cash flows from operating activities of $4,860,000 and $4,277,000, 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.

On June 17, 1998 the Company acquired 50% in the outstanding stock of Finn Midill, ehf. an Icelandic Corporation which owns six FM radio stations serving Reykjavik, Iceland for approximately $1,100,000. Additionally, the Company loaned approximately $570,000 to Finn Midill, ehf. which accrues interest at 7.5% plus an inflationary index, and is to be repaid in June, 2001. The investment is accounted for using the equity method. The company's equity in the operating results of Finn Midill, ehf. since acquisition have not been significant.

The 1998 acquisitions and investment in Finn Midill, ehf. were financed through additional borrowings of $3,500,000 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.

On August 10, 1998 the Company implemented a Stock Buy-Back Program (the "Buy-Back Program") pursuant to which the Company intends to purchase, on the open market, up to $2,000,000 of its Class A Common Stock. The Company anticipates that any shares purchased under the Buy-Back Program will be financed through funds generated from operations or borrowings under the Revolving Loan.

The Company's capital expenditures for the six months ended June 30, 1998 were approximately $2,190,000 ($1,274,000 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.

IMPACT OF THE YEAR 2000

Some of the Company's older computer programs were written using two digits rather than four to define the applicable year. As a result, those computer programs have time-sensitive software that recognize a date using "00" as the year 1900 rather than the year 2000. This could cause a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

The Company has completed an assessment and will have to modify or replace portions of its software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. The total Year 2000 project cost is estimated at approximately $300,000, which includes the cost of new software and hardware, most of which will be capitalized. The project is estimated to be completed not later than December 31, 1998, which is prior to any anticipated impact on its operating systems. The Company believes that with modifications to existing software and conversions to new software, the Year 2000 Issue will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, the Year 2000 Issue could have a material impact on the operations of the Company.

The cost of the project and the date on which the Company believes it will complete the Year 2000 modifications are based on management's best estimates, which were derived utilizing numerous assumptions of future events, including the continued availability of certain resources and other factors. However, there can be no guarantee that these estimates will be achieved and actual results could differ materially from those anticipated. Specific factors that might cause such material differences include, but are not limited to, the availability and cost of personnel trained in this area, the ability to locate and correct all relevant computer codes, and similar uncertainties.

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 4. Submission of Matters to a Vote of Security Holders

(a) The Annual Meeting of Stockholders was held on May 11, 1998.

(b) Not applicable

(c) At the Annual Meeting of Stockholders, the stockholders voted on the following matters: (Does not reflect the five-for-four stock split effective May 29, 1998)

(1) The six nominees for election as directors for the ensuing year, and until their successors are elected and qualified, received the following votes:

Name	For	Withheld
Jonathan Firestone*	5,519,794	9,854
Joseph P. Misiewicz*	5,519,794	9,854
Edward K. Christian	6,728,304	9,854
Donald Alt	6,727,804	10,354
Kristin Allen	6,727,804	10,354
Gary Stevens	6,727,804	10,354

* Elected by the holders of Class A Common Stock.

(2) The proposal to ratify the selection by the Board of Directors of Ernst & Young LLP as independent auditors to audit the Company's books and accounts for the fiscal year ending December 31, 1998 was approved with 17,612,555 votes cast for, 1,851 votes cast against, 342 abstentions and 0 broker non-votes.

(d) Not applicable.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

4 Amendment No. 1 to Credit Agreement dated as of May 18, 1998 by and between Saga Communications, Inc. and BankBoston, N.A.; The Bank of New York; Fleet Bank, N.A.; Mellon Bank, N.A.; and Union Bank of California, N.A.

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: August 14, 1998

/s/ Samuel D. Bush

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

Date: August 14, 1998

/s/ Catherine A. Bobinski

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

Exhibit 4

SAGA COMMUNICATIONS
AND ITS SUBSIDIARIES
73 Kercheval Avenue
Grosse Pointe Farms, Michigan 48236

Dated as of: May 18, 1998

BankBoston, N.A., Individually and
as Agent and Collateral Trustee
100 Federal Street
Boston, Massachusetts 02110

The Bank of New York, Individually
and as Co-Agent
One Wall Street
New York, New York 10286

Mellon Bank, N.A.
One Mellon Center
500 Grant Street
Pittsburgh, Pennsylvania 15258-0001

Fleet Bank, N.A.
1185 Avenue of the Americas
New York, New York 10036

Union Bank of California, N.A.
445 South Figueroa Street
Los Angeles, California 90071

RE: AMENDMENT NO. 1 TO CREDIT AGREEMENT

Ladies and Gentlemen:

We refer to the Amended and Restated Credit Agreement, dated as of June 17, 1996 (as amended and in effect immediately prior to the date hereof, the "CREDIT AGREEMENT"), among (a) Saga Communications, Inc., a Delaware corporation (the "BORROWER"), (b) the Subsidiaries of the Borrower from time to time party thereto (collectively, the "SUBSIDIARIES"), (c) the various financial institutions that are now or hereafter become parties thereto as lenders (the "LENDERS"), (d) BankBoston, N.A. (formerly known as The First National Bank of Boston) ("BANKBOSTON"), a national banking association, as agent (the "AGENT") for the Lenders, and (e) THE BANK OF

NEW YORK, a banking corporation organized under the laws of the State of New York, as co-agent for the Lenders (the "CO-AGENT").

WHEREAS, the Borrower, the Lenders, the Agent and the Co-Agent have agreed to modify certain terms and conditions of the Credit Agreement as specifically set forth in this letter agreement (this "AMENDMENT");

NOW, THEREFORE, in consideration of the mutual agreements contained in the Credit Agreement and herein and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1. CERTAIN TERMS. Capitalized terms used but not defined in this Amendment have the meanings specified for such terms in the Credit Agreement. Any reference herein to any agreement shall be deemed to be a reference to such agreement as amended as of the date hereof and as further amended, supplemented or otherwise modified from time to time.

SECTION 2. AMENDMENT TO CREDIT AGREEMENT.

(a) Section 1.1 of the Credit Agreement is hereby amended as follows:

(i) The definition of "Conversion Date" is hereby amended by deleting the date "June 30, 1998" and substituting in place thereof the date "June 30, 1999"; and

(ii) The definition of "Maturity Date" is hereby amended by deleting the date "June 30, 2003" and substituting in place thereof the date "June 30, 2004".

(b) Section 2.5 of the Credit Agreement is hereby amended as follows:

(i) Section 2.5(a) of the Credit Agreement is hereby amended by (x) deleting from sub-clause (i)(A) thereof the date "September 17, 1996" and substituting in place thereof the date "June 30, 1998" and (y) deleting the table set forth therein and replacing such table in its entirety with the following:

PERIOD	REDUCTION PERCENTAGE
06/30/98 - 12/31/98	2.5%
01/01/99 - 12/31/99	15.0%
01/01/00 - 12/31/00	15.0%
01/01/01 - 12/31/01	17.5%
01/01/02 - 12/31/02	20.0%
01/01/03 - 12/31/03	20.0%
03/31/04	5.0%
06/30/04	Term Loan A Matures

(ii) Section 2.5(b) of the Credit Agreement is hereby amended by (x) deleting at the end of the first sentence thereof the date "June 30, 1998" and substituting in place thereof the date "September 30, 1999" and (y) deleting the table set forth therein and replacing such table in its entirety with the following:

PERIOD	REDUCTION PERCENTAGE
01/01/98 - 06/30/99	0%
07/01/99 - 12/31/99	15.0%
01/01/00 - 12/31/00	20.0%
01/01/01 - 12/31/01	20.0%
01/01/02 - 12/31/02	20.0%
01/01/03 - 12/31/03	20.0%
03/31/04	2.5%
06/30/04	Term Loan B Matures

SECTION 3. EFFECTIVENESS. This Amendment shall become effective upon receipt by the Agent of duly executed counterparts of this Amendment, which, when taken together, bear the authorized signatures of each of the parties hereto.

SECTION 4. REPRESENTATIONS AND WARRANTIES. Each of the Principal Companies hereby represents and warrants to each Lender, the Agent, the Co-Agent and the Collateral Trustee, on as of the date hereof, as follows:

(a) This Amendment has been duly executed and delivered by each of the Principal Companies party hereto. The execution, delivery and performance by each Principal Company of this Amendment has been duly authorized by proper corporate proceedings by each Principal Company, and constitutes the legal, valid and binding obligation of each Principal Company, enforceable against such Principal Company in accordance with its terms.

(b) The execution, delivery and performance by each Principal Company of this Amendment does not and will not contravene any Contractual Obligation of such Principal Company or any applicable law, and does not and will not result in or require the creation or imposition of any Lien on any property of any Principal Company, other than Liens in favor of the Collateral Trustee.

(c) The representations and warranties of the Principal Companies contained in the Credit Agreement, the other Loan Documents or in any document or instrument delivered pursuant to or in connection with the Credit Agreement, the other Loan Documents or this Amendment was true as of the date as of which it was made, and no Default or Event of Default has occurred and is continuing as of the date of this Amendment or would occur after giving effect to the transactions contemplated by this Amendment.

SECTION 5. RATIFICATION, ETC. Except as expressly amended hereby, the Credit Agreement, the other Loan Documents and all documents, instruments and agreements related thereto are hereby ratified and confirmed in all respects and shall continue in full force and effect. All references in the Credit Agreement or such other Loan Documents or in any related agreement or instrument to the Credit Agreement or such other Loan Documents shall hereafter refer to such agreements as amended hereby, pursuant to the provisions of the Credit Agreement.

SECTION 6. NO IMPLIED WAIVER, ETC. Except as expressly provided herein, nothing contained herein shall constitute a waiver of, impair or otherwise affect any of the Obligations, any other obligations of the Principal Companies or any right of the Agent, the Co-Agent, the Collateral Trustee or the Lenders consequent thereon.

SECTION 7. MISCELLANEOUS. This Amendment may be executed by the parties hereto in several counterparts, each of which shall be deemed to be an original and all of which shall constitute together but one and the same agreement. THIS AMENDMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE COMMONWEALTH OF MASSACHUSETTS.

IN WITNESS WHEREOF, the parties hereto have caused this Amendment to be executed by their respective officers thereunto duly authorized as of the day and year first above written.

Very truly yours,

SAGA COMMUNICATIONS, INC.
SAGA BROADCASTING CORP.
FRANKLIN COMMUNICATIONS, INC.
TIDEWATER COMMUNICATIONS, INC.
SAGA COMMUNICATIONS OF ILLINOIS, INC.
SAGA COMMUNICATIONS OF IOWA REAL ESTATE, INC.
LAKEFRONT COMMUNICATIONS, INC.
SAGA COMMUNICATIONS OF IOWA, INC.
SAGA COMMUNICATIONS OF NEW ENGLAND, INC.
SAGA QUAD STATES COMMUNICATIONS, INC.
SAGA COMMUNICATIONS OF MICHIGAN, INC.

By: /s/ Samuel Bush

Name: Samuel Bush
Title: Treasurer

Agreed and Accepted By :

BANKBOSTON, N.A., individually
and as Agent

By: /s/ Lisa M. Pellow

Name: Lisa M. Pellow
Title: Director

THE BANK OF NEW YORK,
individually and as Co-Agent

By: /s/ Vincent L. Pacilio

Name: Vincent L. Pacilio
Title: Senior Vice President

MELLON BANK, N.A.

By: /s/ Paul F. Noel

Name: Paul F. Noel
Title: Vice President

UNION BANK OF CALIFORNIA, N.A.
By: /s/ Kristina M. Mouzakis

Name: Kristina M. Mouzakis
Title: Assistant Vice President

FLEET BANK, N.A.

By: /s/ Russ J. Lopinto

Name: Russ J. Lopinto
Title: Vice President

5
1,000
U.S. DOLLARS

6-MOS
DEC-31-1998
JAN-01-1998
JUN-30-1998
1
3,751
0
14,689
0
0
21,175
73,152
(38,281)
117,581
13,694
0
0
0
127
40,631
117,581
35,779
35,779
0
23,948
5,521
0
2,283
4,027
1,757
2,270
0
0
0
2,270
.18
.18