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 September 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 October 31, 1998 was 11,203,360 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)

	SEPTEMBER 30, 1998 (UNAUDITED)	DECEMBER 31, 1997
ASSETS		
Current assets:		
Cash and temporary investments	$ 4,929	$ 2,209
Accounts receivable, net	14,695	12,833
Prepaid expenses	1,389	1,269
Other current assets	1,566	1,208
Total current assets	22,579	17,519
Property and equipment	73,223	70,522
Less accumulated depreciation	(39,186)	(36,494)
Net property and equipment	34,037	34,028
Other assets:		
Excess of cost over fair value of assets acquired, net	20,099	20,276
Broadcast licenses, net	35,000	35,495
Other intangibles, net	7,906	5,115
Total other assets	63,005	60,886
	$ 119,621	$ 112,433

See notes to unaudited condensed consolidated financial statements.

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

	SEPTEMBER 30, 1998 (UNAUDITED)	DECEMBER 31, 1997
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	$ 810	$ 1,001
Other current liabilities	8,000	6,792
Current portion of long-term debt	6,017	8,139
Total current liabilities	14,827	15,932
Deferred income taxes	4,972	4,297
Long-term debt	56,118	53,466
Broadcast program rights	347	273
Deferred compensation	326	210
STOCKHOLDERS' EQUITY:		
Common stock	127	101
Additional paid-in capital	36,751	36,513
Note receivable from principal stockholder	(790)	(790)
Retained earnings	7,066	2,431
Treasury Stock (Note 4)	(123)	--
Total stockholders' equity	43,031	38,255
	$119,621	$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 SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997	1998	1997
Net operating revenue	$19,941	$17,091	$55,720	$48,114
Station operating expense:				
Programming and technical	4,342	3,928	12,490	11,282
Selling	4,796	4,317	15,053	13,247
Station general and administrative	2,687	2,486	8,230	7,441
Total station operating expense	11,825	10,731	35,773	31,970
Station operating income before corporate general and administrative, depreciation and amortization	8,116	6,360	19,947	16,144
Corporate general and administrative	1,017	959	3,278	2,840
Depreciation and amortization	1,633	1,520	4,800	4,252
Operating profit	5,466	3,881	11,869	9,052
Other expenses:				
Interest expense	1,159	1,325	3,442	3,708
Other	252	-	345	7
Income before income tax	4,055	2,556	8,082	5,337
Income tax provision	1,663	1,077	3,420	2,252
Net income and comprehensive income	$ 2,392	$ 1,479	$ 4,662	$ 3,085
Earnings per share:				
Basic	$ .19	$.12	$.37	$.24
Diluted	$ .18	$.11	$.36	$.24
Weighted average common shares (Note 3)	12,711	12,678	12,705	12,617
Weighted average common shares and common equivalents (Note 3)	12,979	12,911	12,967	12,880

See notes to unaudited condensed consolidated financial statements.

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

	NINE MONTHS ENDED SEPTEMBER 30,	
	1998	1997
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash provided by operating activities	$ 8,716	$ 8,139
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(2,424)	(2,121)
Proceeds from sale of assets	2	304
Increase in intangibles and other assets	(2,149)	(522)
Acquisition of stations	(2,155)	(15,383)
Equity in operating results of investment	320	--
Net cash used in investing activities	(6,406)	(17,722)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from long-term debt	3,500	11,250
Payments on long-term debt	(2,970)	(3,210)
Purchase of treasury stock	(123)	--
Net proceeds from exercise of stock options	4	392
Fractional shares stock split	(1)	--
Net cash provided by financing activities	410	8,432
Net increase (decrease) in cash and temporary investments	2,720	(1,151)
Cash and temporary investments, beginning of period	2,209	4,339
Cash and temporary investments, end of period	$ 4,929	$ 3,188

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 nine months ended September 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. COMMITMENTS

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%.

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 first quarter of 1999.

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

4. COMMITMENTS (CONTINUED)

On August 31, 1998, the Company entered into an agreement 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 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 intends to purchase, up to $2,000,000 of its Class A Common Stock. As of September 30, 1998 the Company had purchased 7,700 shares at an average price of $16.00 per share.

On October 22, 1998, the Company entered into an agreement to purchase an AM and FM radio station (KAFE-FM and KPUG-AM) serving the Bellingham, Washington market for approximately $6,000,000. The transaction is subject to the approval of the Federal Communications Commission, and is expected to close during the first quarter of 1999.

5. 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. is reported in other expenses as a loss of approximately $320,000.

6. RECENT ACCOUNTING PRONOUNCEMENTS

In June 1998, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards No. 133 ("SFAS 133"), "Accounting for Derivative Instruments and Hedging Activities". SFAS 133 requires that an entity recognize all derivatives as either assets or liabilities in the balance sheet and measure such instruments at fair value. The statement is effective for fiscal quarters of fiscal years beginning after June 15, 1999 and is not expected to have a material effect on the operations of the Company.

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 nine month periods ended September 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 nine months ended September 30, 1998 and 1997, Columbus accounted for an aggregate of 22% and 25%, respectively, and Milwaukee accounted for an aggregate of 25% and 26%, respectively, 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 locations' relative market positions 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 nine months ended September 30, 1998 and 1997, approximately 81% 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 SEPTEMBER 30, 1998 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1997

For the three months ended September 30, 1998, the Company's net operating revenue was $19,941,000 compared with $17,091,000 for the three months ended September 30, 1997, an increase of $2,850,000 or 17%. Approximately $544,000 or 19% 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 13.5% 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 $1,094,000 or 10% to $11,825,000 for the three months ended September 30, 1998, compared with $10,731,000 for the three months ended September 30, 1997. Of the total increase, approximately $386,000 or 35% 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 $708,000 represents a total increase of 6.6% in stations owned and operated by the Company for the comparable period in 1997.

Operating profit increased by $1,585,000 or 41% to $5,466,000 for the three months ended September 30, 1998, compared with $3,881,000 for the three months ended September 30, 1997. The improvement was primarily the result of the $2,850,000 increase in net operating revenue, offset by the $1,094,000 increase in station operating expense, a $113,000 or 7% increase in depreciation and amortization, and a $58,000 or 6% increase in corporate general and administrative charges. The increase in depreciation and amortization expense was principally the result of the Company's recent acquisitions. (See Note 5 to the Company's Condensed Consolidated Financial Statements.) The increase in corporate general and administrative charges was primarily attributable to 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 $2,392,000 ($0.19 per basic share) during the three months ended September 30, 1998, compared with net income of $1,479,000 ($0.12 per basic share) for the three months ended September 30, 1997, an increase of approximately $913,000. The increase in net income was principally the result of the $1,585,000 improvement in operating profit and a decrease in interest expense of $166,000, offset by a $252,000 increase in other expense and a $586,000 increase in income taxes directly associated with the improved operating performance of the Company. The decrease in interest expense was primarily attributable to decreased interest rates. The increase in other expense was principally the result of the Company's equity in the operating results of an investment in Reykjavik, Iceland, the loss in which is reported as other expense.

NINE MONTHS ENDED SEPTEMBER 30, 1998 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1997

For the nine months ended September 30, 1998, the Company's net operating revenue was $55,720,000 compared with $48,114,000 for the nine months ended September 30, 1997, an increase of $7,606,000 or 16%. Approximately $3,130,000 or 41% 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 9% 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 $3,803,000 or 12% to $35,773,000 for the nine months ended September 30, 1998, compared with $31,970,000 for the nine months ended September 30, 1997. Of the total increase, approximately $2,357,000 or 62% 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 $1,446,000 represents a total increase of 5% in stations owned and operated by the Company for the comparable period in 1997.

Operating profit increased by $2,817,000 or 31% to $11,869,000 for the nine months ended September 30, 1998, compared with $9,052,000 for the nine months ended September 30, 1997. The improvement was primarily the result of the $7,606,000 increase in net operating revenue, offset by the $3,803,000 increase in station operating expense, a $548,000 or 13% increase in depreciation and amortization, and a $438,000 or 15% 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 a $70,000 increase in deferred compensation charges 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 $318,000 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 $4,662,000 ($0.37 per share) during the nine months ended September 30, 1998, compared with net income of $3,085,000 ($0.24 per share) for the nine months ended September 30, 1997, an increase of approximately $1,577,000. The increase in net income was principally the result of the $2,817,000 improvement in operating profit and a $266,000 decrease in interest expense, offset by a $338,000 increase in other expense and a $1,168,000 increase in income taxes directly associated with the improved operating performance of the Company. The decrease in interest expense was primarily attributable to decreased interest rates, the increase in other expense was principally the result of the Company's equity in the operating results of an investment in Reykjavik, Iceland.

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 September 30, 1998, the Company had $62,135,000 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.

The Company is currently in the process of negotiating a new credit agreement, with a total commitment of $150,000,000 in borrowing capacity. The Company anticipates having the new credit agreement in place late in the fourth quarter of 1998 or in the first quarter of 1999.

At September 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 (5.6% at September 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 $100,000 in additional interest expense was recognized as a result of the interest rate swap agreement for the nine months ended September 30, 1998 and an aggregate amount of $454,000 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 nine months ended September 30, 1998 and 1997, the Company had net cash flows from operating activities of $8,716,000 and $8,139,000, 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% 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.

The 1998 acquisition of the Michigan Radio Network and the 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 up to $2,000,000 of its Class A Common Stock. As of September 30, 1998, the Company has acquired 7,700 shares at an average price per share of $16.00. The Company anticipates that any additional 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 nine months ended September 30, 1998 were approximately $2,424,000 ($2,121,000 in the comparable period in 1997). The Company anticipates capital expenditures in 1998 to be approximately $3,500,000, which it expects to finance through funds generated from operations.

IMPACT OF THE YEAR 2000

The Year 2000 Issue ("Y2K") is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's computer programs or hardware that have date-sensitive software or embedded chips may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to produce broadcast signals, process financial transactions, or engage in similar normal business activities.

Based on recent assessments, the Company has determined that it will be required to modify or replace portions of its software and certain hardware so that those systems will properly utilize dates beyond December 31, 1999. The Company presently believes that with modifications or replacements of existing software and certain hardware, Y2K can be mitigated. However, if such modifications and replacements are not made, or are not timely completed, Y2K could have a material impact on the operations of the Company.

The Company's plan to resolve Y2K involves the following four phases: assessment, remediation, testing, and implementation. To date, the Company has substantially completed its assessment of all systems that could be significantly affected by Y2K. The assessment indicated that some significant financial and operational systems could be affected by Y2K, including: i) accounting and financial reporting systems, ii) broadcast studio equipment and software necessary to deliver programming, iii) certain computer hardware not capable of recognizing a four digit code for the applicable year, iv) certain traffic and billing software, and v) certain local area networks. The assessment phase will be completed in the fourth quarter of 1998. The Company is also assessing the potential external risks associated with Y2K, including Y2K compliance status of its significant external agents. To date the Company is not aware of any external agent with a Y2K issue that would materially impact the Company's result of operations, liquidity or capital resources. However, the Company has no means of ensuring that external agents will be Y2K compliant. The inability of external agents to complete their Y2K resolution process in a timely fashion could materially impact the Company. The effect of non-compliance by external agents is not determinable.

The Company's remediation phase is to replace or upgrade to Y2K compliant software and hardware if applicable for related systems based upon its findings during the assessment phase. The Company anticipates completing this phase no later than June 30, 1999. The Company's testing and implementation phases will run concurrently for certain systems. Completion of the testing phase for all significant systems is expected by June 30, 1999.

The Company will utilize both internal and external resources to replace, upgrade, test and implement the software and operating equipment for Y2K modifications. The total Y2K project cost is estimated at approximately $500,000, 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 September 30, 1999, 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, Y2K will not pose significant operational problems for its computer systems. However, if such modifications and conversions are not made, or are not completed timely, Y2K 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.

Management of the Company believes it has an effective program in place to resolve the Y2K issue in a timely manner. As noted above, the Company has not yet completed all necessary phases of the Y2K program. In the event that the Company does no complete any additional phases, the Company could experience disruptions in its operations, including among other things a temporary inability to process financial transactions, deliver broadcast programming, or engage in normal operational and business activities. In addition, disruptions in the economy generally resulting from Y2K issues could also materially adversely affect the Company. The Company could be subject to litigation for computer systems failure, equipment shutdown or failure to properly date business records. The amount of potential liability and lost revenue cannot be reasonably estimated at this time.

The Company currently has no contingency plans for certain critical applications. The Company plans to evaluate the status of completion in March 1999 and determine whether such a plan is necessary.

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 5. Other Information

Stockholders who intend to submit proposals at the 1999 Annual Meeting of Stockholders, currently scheduled to be held on May 10, 1999, without including such proposals in the Proxy Statement for such meeting must notify the Company of this intention no later than February 22, 1999.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits
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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: November 13, 1998

/s/ Samuel D. Bush

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

Date: November 13, 1998

/s/ Catherine A. Bobinski

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

5
1,000
U.S. DOLLARS

9-MOS
DEC-31-1998
JAN-01-1998
SEP-30-1998
1
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0
14,695
0
0
22,579
73,223
(39,186)
119,621
14,827
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0
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42,904
119,621
55,720
55,720
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44,196
0
0
3,442
8,082
3,420
4,662
0
0
0
4,662
.37
.36