



A LETTER TO OUR SHAREHOLDERS

To Our Fellow Stockholders:

“Many a small thing has been made large by the right kind of advertising.” — Mark Twain (1835-1910), *A Connecticut Yankee in King Arthur’s Court*.

That’s the mission of our company...and we do it by using the not so secret sauce of both radio and TV.

There is no question that 2009 set us back. We weren’t alone as the malaise of fear and indifference spread across so many industries.

What we did to overcome this is to stay true to our craft. We continued to create compelling radio and TV by mixing in effective advertising copy, stirring it into the fabric, and repeating, repeating, repeating the message until it made a difference.

And...business got better. 2010 started the ascendancy of the media industry once again.

We couldn’t have done it without the help of our people. My special thanks at this point for both the sacrifices that they made to insure the stability of Saga and their commitment to excellence which allows us to continually rise above industry norms.

In a few short words, here is what happened in 2010 with some comparisons to the black year of 2009:

Free cash flow increased 10% to \$21.1 million in 2010 from \$19.2 million in 2009. Net operating revenue increased 5.8% for the year to \$127.8 million. Station operating expense decreased 2.0% to \$92.8 million (station operating expense includes depreciation and amortization attributable to the stations). Operating income excluding impairment of intangible assets was \$27.8 million in 2010 compared to \$18.7 million in 2009.

Now, what’s next? 2011 continues to show growth in baby steps. We are not galloping, but the hobble we had in 2009 is not only an unpleasant memory but also a specter to be remembered if we get too self assured.



Your company is solid.....well financed and has one of the better balance sheets in our sector. To provide again some brief detail on this, let me give you a snapshot:

As of December 31, 2010 the Company's outstanding bank debt was \$96.1 million with a trailing 12 month leverage ratio calculated as a multiple of EBITDA of 2.6 times. This compares to a trailing 12 month leverage ratio of 4.3 times as of December 31, 2009. Subsequent to the end of the year, we reduced our outstanding debt by an additional \$4 million.

We like being respected by other media companies who we know have that secret desire to have our financial position and strength.

It allows us to do many things to ensure our future, either by growth, special dividends, stock buybacks, or the continued reduction of debt. I believe, however, that a certain level of debt is a prudent and a good way to run a company.

In the last couple of challenging years, we have performed well. Our team has been in place for many years. We are strong, wise, and accomplished as both broadcasters and business executives.

We know our focus and our place. It has been that way for 25 years and I always remember the words of Ray Kroc, "Look after the customer and the business will take care of itself."

Simple things make a company excellent, and that is our continued goal.

Please take a few minutes and review the following pages of SEC required information. It will show in detail what I have been talking about on this page.

As always, I invite you to visit any Saga station and see for yourself our values and commitment in action as we serve our local communities.

Sincerely,

A handwritten signature in black ink, appearing to read "Ed Christian". The signature is fluid and stylized, with a large initial "E" and "C".

Ed Christian
President/CEO
Saga Communications, Inc.