Sinclair Reports Second Quarter After Tax Cash Flow Per Share of $0.41

BALTIMORE, Aug. 1 /PRNewswire-FirstCall/ -- Sinclair Broadcast Group, Inc. (Nasdaq: SBGI), the "Company" or "Sinclair," today reported financial results for the three months and six months ended June 30, 2002.

Highlights:

- -- Net broadcast revenues of $174.6 million, excluding WTTV-TV
- -- Broadcast cash flow of $77.2 million, excluding WTTV-TV
- -- After tax cash flow per share of $0.41
- -- Closes on $600 million Bank Credit Facility
- -- Closes on sale of WTTV-TV in Indianapolis for $125 million
- -- Enters into Outsourcing Agreement in Cedar Rapids

Financial Results:

On a reported basis, net broadcast revenues from continuing operations were $174.6 million for the three months ended June 30, 2002, an increase of 2.6% versus the prior year period result of $170.2 million, and exceeding public guidance of up 1.0% to 2.0%. Broadcast cash flow from continuing operations was $77.2 million in the three-month period, an increase of 3.4% versus the prior year period result of $74.6 million, and exceeding public guidance of flat to up 2.5%. After tax cash flow per share of $0.41 decreased 16.3% from the prior year period result of $0.49, but exceeded First Call consensus estimates of $0.37.

On a reported basis, net broadcast revenues from continuing operations were $320.1 million for the six months ended June 30, 2001, an increase of 2.0% versus the prior year period result of $313.8 million. Broadcast cash flow from continuing operations was $130.4 million in the six-month period, an increase of 1.9% versus the prior year period result of $128.0 million. After tax cash flow per share of $0.52 decreased 17.5% from the prior year period result of $0.63.

"Second quarter results came in slightly better than expected, led by strength in the local markets," commented David Smith, President and CEO of Sinclair. "Of importance to note is that the advertising market is improving with each sequential quarter. We continue to see strengthening across the affiliation groups, the local/national markets and throughout most of our advertising categories. Contrary to general speculation in the marketplace, our current sales pace information does not indicate any signs of a double-dip recession. In fact, we are seeing just the opposite, with the advertising market tightening as we head into the third quarter."

Smith continued, "At Sinclair, our approach to growing the Company has always been a multi-pronged approach, with our television operations our primary focus. However, I would like to highlight some of our other value creation undertakings, specifically in the areas of financing, strategic alliance, asset rationalization and regulatory reform. Since our last quarterly earnings announcement, we refinanced our bank credit facility, which significantly lowers our cost of funds and preserves more free cash flow to reinvest into the Company. We also closed on our fourth outsourcing arrangement, this one in Cedar Rapids, Iowa, which allows us to benefit from improvements in overall operating efficiencies and compete more effectively for in-market advertising dollars. We closed on the sale of WTTV-TV in Indiana, the first station to be sold under our portfolio rationalization process. We continue to review our station mix for other potential transactions. And finally, we petitioned the court to re-visit their earlier decision regarding television duopoly, in which they ruled to remand the 8-voices rule to the FCC for further reconsideration. We are hopeful the court will decide to vacate the 8-voices rule to allow broadcasters to compete against rival media on a level playing field in their markets."

Operating and Financial Highlights:

-- Local advertising revenues increased 5.3%, while national advertising revenues were down 1.8% in the quarter versus the second quarter 2001. Excluding political revenues, local advertising revenues were up 4.6%, while national advertising revenues were down 3.4%. The quarter benefited from higher advertising revenues generated from the automotive, services, and beer/wine sectors, offset by the fast food and retail sectors. Local revenues, excluding political revenues, represented 59% of time sales, as compared to 57% for the second quarter 2001.

-- Political advertising revenues were $2.3 million in the quarter as compared to $0.6 million for the second quarter 2001.

-- Our FOX affiliates, which represented 36% of net broadcast revenues, were up 5.1% versus second quarter 2001. Our stations affiliated with the traditional networks were up 4.3% due primarily to our CBS stations, which were up 12.9%, while our NBC and ABC affiliate groups were each up 1.3%. As expected in questionable economic times when advertisers tend to place their ad dollars with the number one or two ranked stations in a market, our WB affiliates declined 2.3%, while our UPN stations declined 4.5% versus second quarter last year, but improving from first quarter results.

-- First quarter 2002 market share survey results reflected that we held our share of the local television advertising market, excluding political, at 18.3% versus the first quarter 2001.

-- The Company entered into an Outsourcing Agreement in Cedar Rapids, Iowa, whereby Second Generation of Iowa, LTD's television station, KFXA (FOX 28), will provide certain non-programming related sales, operational and managerial services for Sinclair's television station, KGAN-TV (CBS 2). The agreement is effective August 1, 2002 and represents our fourth outsourcing arrangement.

SFAS No. 142 Effect:

On January 1, 2002, the Company adopted SFAS No. 142 "Accounting for Goodwill and Other Intangible Assets." Had we adopted SFAS No. 142 on January 1, 2001, our amortization of intangibles in the second quarter 2001 would have been $3.0 million, a decrease of $24.9 million. Our previously reported basic loss per share of $0.24 for the second quarter 2001 would have been a basic loss per share of $0.02. Because the accounting change impacts the deferred tax provision only, there would have been no change to after tax cash flow per share in the second quarter 2001.

Pro Forma Results for Continuing Operations:
(Dollars in millions)

	Q1 2001	Q2 2001	Q3 2001	Q4 2001	FY2001
Net broadcast revenues	$143.5	$170.2	$148.6	$163.1	$625.4
Operating expenses, net of barter	69.2	71.9	68.3	69.4	278.8
Program contract					

payments	20.9	23.7	22.9	23.8	91.3
Broadcast cash flow	$53.4	$74.6	$57.4	$69.9	$255.3

	Q1 2002	Q2 2002
Net broadcast revenues	$145.5	$174.6
Operating expenses, net of barter	66.6	71.8
Program contract payments	25.7	25.6
Broadcast cash flow	$53.2	$77.2

References to "pro forma" or "pro forma basis" means that the financial results being discussed include the financial results of all stations owned or operated as of June 30, 2002 and announced pending acquisitions and divestitures expected to close in 2002 as if they were owned, acquired or divested for the entire period covered by the discussion. For 2001 and 2002, the pro forma results exclude WTTV-TV, which is accounted for under "Discontinued Operations" accounting.

Balance Sheet Analysis:

The Company's net debt of $1,663.1 million at June 30, 2002, which is net of $7.2 million in cash, increased by $55.8 million from the net debt of $1,607.3 million at March 31, 2002. Of this increase, $44.0 million was non-cash debt that related to the change in the mark-to-market of the Company's interest rate swaps and to new leases for tower space entered into during the quarter, which were capitalized. Capital expenditures in the quarter totaled $13.0 million. Financial leverage, as defined by total indebtedness, net of cash and before the HYTOPS, divided by the 12-month trailing pro forma EBITDA, was 6.7x at June 30, 2002. As of June 30, 2002, 43.2 million Class A common shares and 42.3 million Class B common shares were outstanding, for a total of 85.5 million common shares outstanding.

Forward-Looking Statements:

The matters discussed in this press release, particularly those in the section labeled "Outlook," include forward-looking statements regarding, among other things, future operating results. When used in this press release, the words "outlook," "intends to," "believes," "anticipates," "expects," "achieves," and similar expressions are intended to identify forward-looking statements. Such statements are subject to a number of risks and uncertainties. Actual results in the future could differ materially and adversely from those described in the forward-looking statements as a result of various important factors, including and in addition to the assumptions identified above, the impact of changes in national and regional economies, successful integration of acquired television stations (including achievement of synergies and cost reductions), outsourcing agreements, pricing and demand fluctuations in local and national advertising, volatility in programming costs, the market acceptance of new programming, the effectiveness of new salespeople, and the other risk factors set forth in the Company's most recent report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2002. There can be no assurances that the assumptions and other factors referred to in this release will occur. The Company undertakes no obligation to publicly release the result of any revisions to these forward-looking statements.

Outlook:

In accordance with Regulation FD, Sinclair is providing public dissemination through this press release of its expectations for its third quarter 2002 financial performance. The Company assumes no obligation to update its expectations. All matters discussed in the "Outlook" section are forward-looking and, as such, persons relying on this information should refer to the "Forward-Looking Statements" section above.

"On a full year basis, we are re-confirming our previously issued guidance for net broadcast revenues and broadcast cash flow," commented David Amy, EVP and CFO. "However, we are increasing our expectation for after tax cash flow per share for the year from an increase of high single to low teen percents to our new guidance of up low to mid-twenty percents. This is due primarily to lower interest costs resulting from our refinancing activities. Turning to the third quarter, we expect to benefit from the inflow of political advertising dollars and recouping the $5.4 million of revenues lost after September 11th."

Due to the sale of WTTV-TV and the GAAP requirement that the station's operating income be treated under discontinued operations accounting (see note below), we are adjusting our full year estimates to reflect WTTV-TV's exclusion from the respective line items below for 2002 and 2001.

-- The Company expects net broadcast revenues for the third quarter to be up 6.5% to 7.5% from third quarter 2001 reported net broadcast revenues of $148.6 million. This expectation includes approximately $4.0 million in political advertising revenues. On a full year basis, we re-confirm our expectation for net broadcast revenues to be up low to mid-single digit percents from 2001 reported net broadcast revenue of $625.4 million.

-- The Company expects broadcast cash flow for the quarter to be up approximately 11% to 13% from third quarter 2001 broadcast cash flow of $57.4 million. On a full year basis, we re-confirm our expectation for broadcast cash flow to be up in the mid-single digit percents on $255.3 million reported in 2001.

-- The Company expects ATCF per share for the quarter of approximately $0.32 to $0.33, as compared to the third quarter 2001 ATCF per share of $0.25. On a full year basis, ATCF per share is revised upwards and is now expected to be up in the low to mid-twenty percents versus ATCF per share of $1.08 in 2001. This assumes achievement of the operating results discussed in this section, lower interest costs and weighted average shares outstanding of 85.6 million.

-- The Company expects third quarter program contract payments of approximately $24 million, versus $22.9 million for third quarter 2001. On a full year basis, program contract payments are expected to be approximately $101 million versus $91.2 million for 2001.

-- The Company expects third quarter program contract amortization to be approximately $30 million, versus $25.2 million in third quarter 2001. On a full year basis, program contract amortization is expected to be approximately $121 million versus $110.3 million last year.

-- The Company expects corporate overhead of approximately $5 million in the quarter, assuming current levels of staffing.

-- The Company expects net interest expense, before the $5.8 million subsidiary trust minority interest expense, to be approximately $32 million in the quarter and $128 million for the year, assuming no changes in the current interest rate yield curve, bank borrowing rates per the Company's new credit facility terms dated July 15, 2002, and the repayment of bank debt of $125 million from the sale of WTTV-TV.

-- The Company expects depreciation on property and equipment in the quarter of approximately $10 million, assuming the capital expenditures assumption below.

-- The Company expects amortization of acquired intangibles in the quarter of approximately $5 million.

-- The Company expects a current tax benefit from continuing operations of approximately $13 million in the third quarter and $37 million for the year.

-- The Company expects an $8 million book gain, net of taxes, on the sale of WTTV.

-- The Company expects to spend approximately $17 million in capital expenditures in the quarter, the majority of which will be for the digital television conversion.

Notes:

"Discontinued Operations" accounting has been adopted in the financial statements for all periods presented in this press release, as a result of the Company's announced sale of its television station, WTTV-TV. As such, the results from operations of WTTV, net of related income taxes, has been reclassified from income from operations and reflected as net income from discontinued operations in the financial statements for all periods presented in this press release.

The definitions used for the terms "Broadcast Cash Flow" and "Adjusted EBITDA" conform to those used in the Company's most recent report on Form 10-K filed with the Securities and Exchange Commission on March 29, 2002. Broadcast cash flow is a measurement utilized by lenders to measure our ability to service our debt and is utilized by industry analysts to determine a private market value of our television stations and to determine our television operating performance.

"After tax cash flow" (ATCF) is defined as net income (loss) available to common shareholders, plus depreciation and amortization (excluding film amortization), impairment and write down charge of long-lived assets, stock-based compensation, restructuring charges, contract termination costs, amortization of deferred financing costs, the loss from equity investments (or minus the gain), the loss on derivative instruments (or minus the gain), extraordinary loss, the deferred tax provision related to operations (or minus the deferred tax benefit), the cumulative effect of change in accounting principle minus the gain on sale of assets and deferred NOL carrybacks. After tax cash flow should not be considered in isolation or as a substitute for measures of performance or to represent cash provided by operating activities prepared in accordance with generally accepted accounting principles. ATCF is a measurement utilized by industry analysts to determine the Company's public market value and operating performance.

"After tax cash flow per share" is defined as after tax cash flow divided by diluted weighted average common and common equivalent shares outstanding. Fiscal year 2001 weighted average shares outstanding, assuming dilution, have been revised to reflect the dilutive effect of equity put options.

After tax cash flow calculation:

	Three Months Ended	Six Months Ended

	June 30, 2002	June 30, 2001	June 30, 2002	June 30, 2001
Net loss available to common shareholders	$(4,011)	$(20,307)	$(49,565)	$(59,508)
Depreciation of property and equipment	9,710	9,372	19,430	18,638
Amortization of acquired intangible broadcast assets and other assets	5,055	27,885	9,867	55,346
Impairment of asset	---	5,475	---	5,475
Restructuring charge	---	---	---	2,287
Stock based compensation	574	398	1,016	1,006
Amortization of deferred financing costs	1,175	941	2,313	1,930
Loss (gain) on sale of assets	418	(446)	466	(446)
Loss on derivative instruments	15,783	452	4,858	9,800
Loss (gain) from equity investments	84	(86)	1,611	(18)
Extraordinary loss, net of taxes	---	4,699	728	4,699
Depreciation, amortization & deferred tax provision related to discontinued operations	1,072	1,520	1,320	3,073
Cumulative adjustment for change in accounting principle	---	---	41,608	---
Deferred tax provision (benefit) related to continuing operations	5,189	11,355	10,804	11,137
After tax cash flow	$35,049	$41,258	$44,456	$53,419

Sinclair Conference Call:

The senior management of Sinclair will hold a conference call to discuss its second quarter results on Thursday, August 1, 2002, at 5:00 p.m. EDT. After the call, an audio replay will be available at www.sbgi.net under "Conference Call" until 11:59 p.m. EDT on August 8, 2002. The press and the public will be welcome on the call in a listen-only mode. The dial-in number is (877) 407-9205.

About Sinclair:

Sinclair Broadcast Group, Inc., one of the largest and most diversified television broadcasting companies, currently owns and operates, programs or provides sales services to 62 television stations in 39 markets. Sinclair's television group reaches approximately 24.0% of U.S. television households and includes ABC, CBS, FOX, NBC, WB, and UPN affiliates. Sinclair, through its wholly owned subsidiary, Sinclair Ventures, Inc., owns equity interests in Internet companies including G1440, Inc., an Internet consulting and development company. Sinclair has a strategic alliance with Acrodyne Communications, Inc., a manufacturer of transmitters and other television broadcast equipment.

Historical Financial Highlights and Other Data:
(Dollars in thousands except for per share data)

Three Months Six Months

	Ended June 30, 2002	2001	Incr.(Dec.) %	Ended June 30, 2002	2001	Incr.(Dec.) %
Net broadcast revenues	$174,632	$ 170,245	2.6	$320,111	$313,758	2.0
Broadcast cash flow	77,188	74,629	3.4	130,421	128,006	1.9
Adjusted EBITDA	72,527	69,575	4.2	120,823	118,097	2.3
After tax cash flow	35,049	41,258	(15.0)	44,456	53,419	(16.8)
After tax cash flow per share	0.41	0.49	(16.3)	0.52	0.63	(17.5)
Corporate expense	4,661	5,054	(7.8)	9,598	9,909	(3.1)
SG&A expenses related to G1440	1,928	1,958	(1.5)	3,556	4,521	(21.3)
Program contract payments	25,656	23,718	8.2	51,359	44,597	15.2
Cash and cash equivalents	7,164	1,415	N.M.	7,164	1,415	N.M.
Debt before HYTOPS	1,670,240	1,651,987	N.M.	1,670,240	1,651,987	N.M.
Capital expenditures	12,962	5,916	N.M.	22,705	12,690	N.M.
Current tax provision (benefit) from continuing operations	(7,834)	(14,794)	N.M.	(13,462)	(19,905)	N.M.
Deferred tax provision related to continuing operations	5,189	11,355	N.M.	10,804	11,137	N.M.

N.M. - Not meaningful

SINCLAIR BROADCAST GROUP, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Three Months Ended June 30, 2002	2001	Six Months Ended June 30, 2002	2001
REVENUES:				
Station broadcast revenues, net of agency commissions	$174,632	$170,245	$320,111	$313,758
Revenues realized from barter arrangements	15,847	14,408	30,580	26,818
Other revenues	1,138	1,852	2,251	4,035
Total revenues	191,617	186,505	352,942	344,611

OPERATING EXPENSES:				
Program and production	36,907	36,392	70,668	73,604
Selling, general and administrative	42,920	44,133	84,158	84,799
Expenses realized from barter arrangements	14,397	12,793	27,239	24,000
Amortization of program contract costs and net realizable value adjustments	33,015	25,308	62,717	47,600
Depreciation of property and equipment	9,710	9,372	19,430	18,638
Amortization of acquired intangible broadcast assets and other assets	5,055	27,885	9,867	55,346
Stock based compensation	574	398	1,016	1,006
Impairment of asset	---	5,475	---	5,475
Restructuring charge	---	---	---	2,287
Total operating expenses	142,578	161,756	275,095	312,755
Operating income	49,039	24,749	77,847	31,856
OTHER INCOME (EXPENSE):				
Interest expense	(32,361)	(36,344)	(65,950)	(71,085)
Subsidiary trust minority interest expense	(5,973)	(5,973)	(11,945)	(11,945)
Interest income	76	535	546	1,210
Gain (loss) from equity investments	(84)	86	(1,611)	18
Gain (loss) on asset sales	(418)	446	(466)	446
Loss on derivative instrument	(15,783)	(452)	(4,858)	(9,800)
Other income	849	290	1,598	485
Total other expense	(53,694)	(41,412)	(82,686)	(90,671)
Loss before income taxes	(4,655)	(16,663)	(4,839)	(58,815)
Benefit for income taxes	2,646	3,438	2,658	8,767
Net loss from continuing operations	(2,009)	(13,225)	(2,181)	(50,048)
Income from discontinued operations, net of taxes	585	204	127	414
Cumulative effect of change in accounting principle, net of taxes	---	---	(41,608)	---
Extraordinary loss, net of taxes	---	(4,699)	(728)	(4,699)

Net loss	$(1,424)	$(17,720)	$(44,390)	$(54,333)
Preferred stock dividends payable	2,587	2,587	5,175	5,175
Net loss available to common shareholders	$(4,011)	$(20,307)	$(49,565)	$(59,508)
Basic loss per share from continuing operations	$(0.05)	$(0.19)	$(0.09)	$(0.65)
Basic earnings per share from discontinued operations	$0.01	$---	$---	$---
Basic loss per share from extraordinary item	$---	$(0.06)	$(0.01)	$(0.06)
Basic loss per share from cumulative effect of change in accounting principle	$---	$---	$(0.49)	$---
Basic loss per share	$(0.05)	$(0.24)	$(0.58)	$(0.70)
Diluted loss per share from continuing operations	$(0.05)	$(0.19)	$(0.09)	$(0.65)
Diluted earnings per share from discontinued operations	$0.01	$---	$---	$---
Diluted loss per share from extraordinary item	$---	$(0.06)	$(0.01)	$(0.06)
Diluted loss per share from cumulative effect of change in accounting principle	$---	$---	$(0.49)	$---
Diluted loss per share	$(0.05)	$(0.24)	$(0.58)	$(0.70)
Weighted average shares outstanding - no dilution	85,430	84,312	85,154	84,435
Weighted average shares outstanding - assuming dilution	85,750	84,429	85,396	84,927

SOURCE Sinclair Broadcast Group, Inc.

Web site: http: //www.sbgi.net

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Company News On-Call: http://www.prnewswire.com/gh/cnoc/comp/110203.html