ACME Communications Announces Third Quarter 2010 Results

SANTA ANA, Calif., Dec. 10, 2010 -- ACME Communications, Inc. (Pink Sheets:ACME) today announced its financial results for the third quarter ended September 30, 2010. As previously announced, on August 26, 2010, Lin Media ("LIN") exercised their option to acquire our Dayton and Green Bay stations, and we expect these sales to be consummated in the first half of 2011. Accordingly, we have treated the results of those stations as discontinued operations for all periods presented.

Our net revenues from continuing operations increased 3% to $4.8 million for the third quarter compared to net revenues of $4.7 million in the third quarter of 2009. The increase was driven primarily by higher advertising revenue at our KWBQ/KASY (Albuquerque-Santa Fe) television stations compared to the third quarter of 2009. Continuing stations' revenues increased 5% while revenues at The Daily Buzz decreased 9% for the quarter compared to the prior year quarter. Total operating costs increased 9% to $6.0 million for the third quarter compared to $5.5 million for the third quarter of 2009 mainly related to a $700,000 impairment charge recorded on our long-lived assets at our Madison station. Station cash-based operating expenses decreased 10%, primarily due to cost savings at KWBQ/KASY derived from our shared services agreement with LIN and reduced compensation expense. Our resulting broadcast cash flow for the quarter increased significantly to $257,000 compared to $17,000 for the third quarter of 2009. Adjusted EBITDA (as defined in Supplemental Table 1 attached hereto) from continuing operations improved as well, decreasing to negative $237,000 compared to EBITDA of negative $606,000 for the third quarter of 2009 on higher broadcast cash flow and lower operating and corporate expenses.

Our loss before income taxes from discontinued operations for the third quarter of 2010 was $62,000 compared to a loss before income taxes from discontinued operations of $214,000 for the third quarter of 2009, principally on lower expenses related to our LIN shared-services agreement. We recorded a current tax benefit of $940,000 for our discontinued operations in the third quarter of 2010 relating to our September 2010 election to amend our 2008 tax return and carry back losses which effectively eliminated much of the alternative minimum taxes we paid for the 2007 and 2003 tax years. This election was allowed by the Worker, Homeownership, and Business Assistance Act of 2009.

Our net loss for the third quarter of 2010 was $390,000 compared to a $1.4 million net loss for the third quarter of 2009 due to reduced losses at our continuing operations and net income of $878,000 at our discontinued operations.

Commenting on the quarter's results, Doug Gealy, ACME's President and CEO, said, "Driven by heavy political spending during the back half of third quarter our market total revenues grew nicely including a small uptick for core advertising categories. We completed the vast majority of our LIN transition process related to our joint sales and shared services agreements by late September. Cost savings and revenue growth continue a positive trend in the fourth quarter 2010. We remain focused on creating opportunities to replicate our LIN deal, and are looking for similar or other arrangements to unlock shareholder value by selling off our remaining assets in a swift orderly fashion."

Sale of Tower Assets

The Company also announced that it recently sold three of its broadcast towers. It sold its non-core analog towers in the Dayton and Green Bay markets to SBC Towers on October 22, 2010 for $600,000 and on November 1, 2010 sold its Madison tower to Gray Television for $1.4 million. The aggregate net proceeds from these sales were approximately $1.8 million and the Company used $1.1 million of these net proceeds to pay down its revolving credit agreement to a zero balance.

Use of Broadcast Cash Flow, Adjusted EBITDA and Same Station Results

GAAP refers to generally accepted accounting principles in the United States. Broadcast cash flow, station cash-based operating expenses and adjusted EBITDA are non-GAAP measures. Broadcast cash flow is commonly used as an indicator of operating performance for broadcasting companies and is also used to value broadcasting assets. Station cash-based operating expenses, which use program payments in place of program amortization, exclude "The Daily Buzz" production costs and exclude non-cash operating expenses like depreciation and amortization, impairment of intangibles and long-lived assets and equity-based compensation, are an important metric in determining our cash expense growth. Adjusted EBITDA is also used as a performance measure and often used to measure a company's ability to service debt, as evidenced by the fact that our senior credit facility historically contained financial covenants relating to our adjusted EBITDA.

Broadcast cash flow, station cash-based operating expenses and adjusted EBITDA should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. We consider operating loss to be the most comparable GAAP measure to broadcast cash flow and to adjusted EBITDA; therefore, the Company has included a reconciliation of operating loss to broadcast cash flow and adjusted EBITDA in Supplemental Table 1. A reconciliation of operating expenses to cash-based station operating expenses is included in Supplemental Table 2. Because broadcast cash flow, cash-based station operating expenses and adjusted EBITDA are not measurements determined in accordance with GAAP and are thus susceptible to varying calculations, the broadcast cash flow, cash-based station operating expenses and adjusted EBITDA as presented may not be comparable to other similarly titled measures of other companies.

The Company expects to post its quarterly report on its Web site atwww.acmecommunications.com by Monday, December 13, 2010.

About ACME Communications, Inc.

ACME Communications, Inc. continuing operations consist of four owned and operated television stations serving markets covering 1.4% of the nation's television households. The Company's continuing operations stations are: KWBQ-TV and KASY-TV, Albuquerque-Santa Fe, NM; WBXX-TV, Knoxville, TN; and WBUW-TV, Madison, WI. All of the Company's stations, except KASY-TV, a MyNetworkTV affiliate, are affiliates of The CW Network. The Company also produces The Daily Buzz, a nationally syndicated morning news and lifestyle program which airs on more than 150 television stations across the country. The Company's shares are traded over-the-counter under the symbol: (Pink Sheets:ACME).

ACME Communications, Inc. and Subsidiaries

Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Net revenues	$ 4,782	$ 4,662	$ 13,668	$ 13,923
Operating expenses:				
Cost of service:				
Programming, including program amortization	2,504	2,225	7,436	6,813
Other costs of service (excluding depreciation and				
amortization of $416 and $451 for the three months ended				

September 30, 2010 and 2009, respectively, and $1,299 and $1,391 for the nine months ended September 30, 2010 and 2009, respectively)	595	551	1,695	1,902
Selling, general and administrative expenses	1,281	1,651	4,426	5,070
Depreciation and amortization	416	452	1,304	1,398
Impairment of long-lived assets	700	--	700	--
Corporate expenses	494	626	1,320	1,616
Operating expenses	5,990	5,505	16,881	16,799
Operating loss	(1,208)	(843)	(3,213)	(2,876)
Other expenses:				
Interest, net	(90)	(62)	(253)	(197)
Loss from continuing operations, before income taxes	(1,298)	(905)	(3,466)	(3,073)
Income tax benefit (expense)	30	(316)	(690)	(650)
Loss from continuing operations	(1,268)	(1,221)	(4,156)	(3,723)
Discontinued operations:				
Income (loss) from discontinued operations, before income taxes	(62)	(214)	31	(495)
Income tax benefit	940	--	940	--
Income (loss) from discontinued operations	878	(214)	971	(495)
Net income (loss)	$ (390)	$ (1,435)	$ (3,185)	$ (4,218)
Net income (loss) per share, basic and diluted:				
Continuing operations	$ (0.08)	$ (0.08)	$ (0.26)	$ (0.23)
Discontinued operations	0.05	(0.01)	0.06	(0.03)
Net income (loss) per share	$ (0.02)	$ (0.09)	$ (0.20)	$ (0.26)
Weighted average basic and diluted common shares outstanding	16,047	16,047	16,047	16,047

Supplemental Table 1

ACME Communications Inc. and Subsidiaries
Reconciliation of Operating Loss to Broadcast Cash Flow and Adjusted EBITDA
(Unaudited)
(In thousands)

	Three Months Ended September 30,		**Nine Months Ended September 30,**	
	2010	**2009**	**2010**	**2009**
Operating loss	$ (1,208)	$ (843)	$ (3,213)	$ (2,876)

Add (less):				
Stock-based compensation at stations	--	--	--	--
Depreciation and amortization	416	452	1,304	1,398
Impairment of long-lived assets	700	--	700	--
Amortization of program rights	914	868	2,963	2,649
Corporate expenses	494	626	1,320	1,616
Program payments	(1,059)	(1,086)	(3,183)	(3,285)
Broadcast cash flow (1)	257	17	(109)	(498)
Add (less):				
Corporate expenses	(494)	(626)	(1,320)	(1,616)
Stock-based compensation at corporate	--	3	--	10
Adjusted EBITDA	$ (237)	$ (606)	$ (1,429)	$ (2,104)
Broadcast cash flow margin (1)	5.4%	0.4%	-0.8%	-3.6%
Adjusted EBITDA margin (1)	-5.0%	-13.0%	-10.5%	-15.1%

(1) We define:

* Broadcast cash flow as operating income (loss), plus stock-based compensation, depreciation and amortization,
amortization of program rights, impairment of intangibles and long-lived assets and corporate expenses, less program payments (before program supplier deferrals);

* Adjusted EBITDA as broadcast cash flow less corporate expenses, exclusive of stock-based compensation;

* Broadcast cash flow margin is broadcast cash flow as a percentage of net revenues; and

* Adjusted EBITDA margin is adjusted EBITDA as a percentage of net revenues.

Supplemental Table 2

ACME Communications Inc. and Subsidiaries
Reconciliation of Operating Expenses to Cash-Based Station Operating Expenses
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Operating expenses	$ 5,990	$ 5,505	$ 16,881	$ 16,799

Add (less):				
Program payments	1,059	1,086	3,183	3,285
Depreciation and amortization	(416)	(452)	(1,304)	(1,398)
Impairment of long-lived assets	(700)	--	(700)	--
Corporate expense	(494)	(626)	(1,320)	(1,616)
Barter program costs	(422)	(408)	(1,209)	(1,220)
Program amortization	(914)	(868)	(2,963)	(2,649)
Daily Buzz production costs	(1,051)	(827)	(2,902)	(2,565)
Total cash-based station operating expenses	$ 3,052	$ 3,410	$ 9,666	$ 10,636

Supplemental Table 3

ACME Communications Inc. and Subsidiaries
Reconciliation of Net Revenues to Station Net Revenues
(Unaudited)
(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	**2009**	**2010**	**2009**
Net revenues	$ 4,782	$ 4,662	$ 13,668	$ 13,923
Less: Daily Buzz net revenues	(827)	(912)	(2,426)	(2,382)
Station net revenues	$ 3,955	$ 3,750	$ 11,242	$ 11,541

CONTACT: ACME Communications, Inc.
Doug Gealy, President & Chief Executive Officer
314-989-0566 ext 16
Tom Allen
714-245-9499