

NEWS RELEASE

Gray Reports Operating Results for the Quarter Ended June 30, 2000

Atlanta, Georgia – July 27, 2000 . . . Gray Communications Systems, Inc. (NYSE: GCS and GCS.B) today announced that revenues increased 24% to \$43.4 million for the quarter ended June 30, 2000 from \$35.0 million for the same quarter of the prior year. Media Cash Flow increased 39%, to \$17.3 million for the quarter ended June 30, 2000 from \$12.4 million for the same quarter of the prior year. Gray reported a net loss available to common stockholders of \$1.6 million for the second quarter of 2000 compared to a net loss available to common stockholders of \$1.3 million for the second quarter of 1999.

For the six months ended June 30, 2000, revenues increased 24% to \$82.3 million from \$66.4 million for the same period of the prior year. For the six months ended June 30, 2000, Media Cash Flow increased 30%, to \$30.1 million from \$23.1 million for the same period of the prior year. Gray reported a net loss available to common stockholders of \$5.7 million for the first six months of 2000 compared to a net loss available to common stockholders of \$3.1 million for the first six months of 1999.

On a pro forma basis, revenues increased 5% to \$43.4 million for the quarter ended June 30, 2000 from \$41.2 million for the same quarter of the prior year. Pro forma Media Cash Flow increased 15% to \$17.3 million for the quarter ended June 30, 2000 from \$15.1 million for the same quarter of the prior year.

On a pro forma basis for the six months ended June 30, 2000, revenues increased 5% to \$82.3 million from \$78.4 million for the same six month period of the prior year. Pro forma Media Cash Flow for the six months ended June 30, 2000 increased 8% to \$30.1 million from \$27.9 million for the same period of the prior year.

Gray generated increased revenue and Media Cash Flow from improved operating results at its existing operations and from its acquired properties. Gray acquired KWTX-TV, KBTX-TV and KXII-TV on October 1, 1999 and The Goshen News on March 1, 1999. The increase in the net loss for the quarter and the year to date period was primarily attributable to increased interest expense and non-cash expenses such as depreciation and amortization that were generated by the acquisitions. Pro forma operating results for the quarter and the year to date period reflect increases in Media Cash Flow for all three of Gray's business segments.

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Gray Communications Systems, Inc.
Financial Highlights
(in thousands, except per share data)

	Three Months Ended June 30,					
	Historical			Pro Forma*		
	2000	1999	% Change	2000	1999	% Change
OPERATING REVENUES						
Broadcasting	\$ 30,692	\$ 23,138	33 %	\$ 30,692	\$ 29,278	5 %
Publishing	10,423	9,536	9 %	10,423	9,536	9 %
Paging	2,293	2,355	(3)%	2,293	2,355	(3)%
TOTAL OPERATING REVENUES	43,408	35,029	24 %	43,408	41,169	5 %
EXPENSES						
Broadcasting	16,710	13,684	22 %	16,710	17,147	(3)%
Publishing	7,928	7,355	8 %	7,928	7,355	8 %
Paging	1,515	1,724	(12)%	1,515	1,724	(12)%
Corporate and administrative	938	940	(0)%	938	940	(0)%
Depreciation and amortization	7,836	5,665	38 %	7,836	7,621	3 %
TOTAL EXPENSES	34,927	29,368	19 %	34,927	34,787	0 %
Miscellaneous income (expense), net	8,481	5,661	50 %	8,481	6,382	33 %
	(56)	34	(265)%	(56)	151	(137)%
Interest expense	8,425	5,695	48 %	8,425	6,533	29 %
	10,116	7,005	44 %	10,116	9,572	6 %
LOSS BEFORE INCOME TAXES	(1,691)	(1,310)	29 %	(1,691)	(3,039)	(44)%
Income tax benefit	(320)	(229)	40 %	(320)	(817)	(61)%
NET LOSS	(1,371)	(1,081)	27 %	(1,371)	(2,222)	(38)%
Preferred dividends	252	252	0 %	252	252	0 %
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	<u>\$ (1,623)</u>	<u>\$ (1,333)</u>	22 %	<u>\$ (1,623)</u>	<u>\$ (2,474)</u>	(34)%
Media Cash Flow**:						
Broadcasting	\$ 14,009	\$ 9,584	46 %	\$ 14,009	\$ 12,249	14 %
Publishing	2,527	2,211	14 %	2,527	2,211	14 %
Paging	785	637	23 %	785	637	23 %
Consolidated	<u>\$ 17,321</u>	<u>\$ 12,432</u>	39 %	<u>\$ 17,321</u>	<u>\$ 15,097</u>	15 %
Media Cash Flow** margins:						
Broadcasting	46 %	41 %		46 %	42 %	
Publishing	24 %	23 %		24 %	23 %	
Paging	34 %	27 %		34 %	27 %	
Consolidated	40 %	35 %		40 %	37 %	
Loss per share available to common stockholders:						
Basic and diluted	\$ (0.10)	\$ (0.11)		\$ (0.10)	\$ (0.16)	
Weighted average shares outstanding:						
Basic and diluted	15,494	11,966	29 %	15,494	15,402	1 %

Gray Communications Systems, Inc.
Financial Highlights
(in thousands, except per share data)

	Six Months Ended June 30,					
	Historical			Pro Forma*		
	2000	1999	% Change	2000	1999	% Change
OPERATING REVENUES						
Broadcasting	\$ 57,360	\$ 44,306	29 %	\$ 57,360	\$ 55,637	3 %
Publishing	20,345	17,558	16 %	20,345	18,239	12 %
Paging	4,591	4,557	1 %	4,591	4,557	1 %
TOTAL OPERATING REVENUES	82,296	66,421	24 %	82,296	78,433	5 %
EXPENSES						
Broadcasting	33,626	26,673	26 %	33,626	33,306	1 %
Publishing	15,593	13,710	14 %	15,593	14,296	9 %
Paging	3,019	3,238	(7)%	3,019	3,238	(7)%
Corporate and administrative	1,966	1,687	17 %	1,966	1,687	17 %
Depreciation and amortization	15,510	11,119	39 %	15,510	15,195	2 %
TOTAL EXPENSES	69,714	56,427	24 %	69,714	67,722	3 %
Miscellaneous income, net	12,582	9,994	26 %	12,582	10,711	17 %
	8	456	(98)%	8	586	(99)%
Interest expense	12,590	10,450	20 %	12,590	11,297	11 %
	19,841	13,775	44 %	19,841	19,098	4 %
LOSS BEFORE INCOME TAXES	(7,251)	(3,325)	118 %	(7,251)	(7,801)	(7)%
Income tax benefit	(2,032)	(684)	197 %	(2,032)	(2,206)	(8)%
NET LOSS	(5,219)	(2,641)	98 %	(5,219)	(5,595)	(7)%
Preferred dividends	505	505	0 %	505	505	0 %
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	\$ (5,724)	\$ (3,146)	82 %	\$ (5,724)	\$ (6,100)	(6)%
Media Cash Flow**:						
Broadcasting	\$ 23,719	\$ 17,881	33 %	\$ 23,719	\$ 22,561	5 %
Publishing	4,819	3,901	24 %	4,819	3,997	21 %
Paging	1,587	1,336	19 %	1,587	1,336	19 %
Consolidated	\$ 30,125	\$ 23,118	30 %	\$ 30,125	\$ 27,894	8 %
Media Cash Flow** margins:						
Broadcasting	41 %	40 %		41 %	41 %	
Publishing	24 %	22 %		24 %	22 %	
Paging	35 %	29 %		35 %	29 %	
Consolidated	37 %	35 %		37 %	36 %	
Loss per share available to common stockholders:						
Basic and diluted	\$ (0.37)	\$ (0.26)		\$ (0.37)	\$ (0.40)	
Weighted average shares outstanding:						
Basic and diluted	15,475	11,961	29 %	15,475	15,396	1 %

The following tables exclude political revenue from Gray's historical and pro forma financial information. These tables present certain financial results of Gray without the impact of cyclical political revenue. Excluding the impact of the political revenue, Gray's revenue and Media Cash Flow** increased over the prior year on a historical and pro forma basis.

Gray Communications Systems, Inc.
Financial Highlights Excluding Political Revenue
(in thousands)

	Three Months Ended June 30,					
	Historical (Excluding Political Revenues)			Pro Forma* (Excluding Political Revenues)		
	2000	1999	% Change	2000	1999	% Change
OPERATING REVENUES - excluding political revenue						
Broadcasting - excluding political revenue	\$ 29,918	\$ 22,998	30 %	\$ 29,918	\$ 29,303	2 %
Publishing	10,423	9,536	9 %	10,423	9,536	9 %
Paging	2,293	2,355	(3)%	2,293	2,355	(3)%
TOTAL OPERATING REVENUES - excluding political revenue	\$ 42,634	\$ 34,889	22 %	\$ 42,634	\$ 41,194	3 %
Media Cash Flow** - excluding political revenue						
Broadcasting - excluding political revenue	\$ 13,235	\$ 9,444	40 %	\$ 13,235	\$ 12,274	8 %
Publishing	2,527	2,211	14 %	2,527	2,211	14 %
Paging	785	637	23 %	785	637	23 %
Consolidated - excluding political revenue	\$ 16,547	\$ 12,292	35 %	\$ 16,547	\$ 15,122	9 %
Media Cash Flow** margins: - excluding political revenue						
Broadcasting - excluding political revenue	44 %	41 %		44 %	42 %	
Publishing	24 %	23 %		24 %	23 %	
Paging	34 %	27 %		34 %	27 %	
Consolidated - excluding political revenue	39 %	35 %		39 %	37 %	

	Six Months Ended June 30,					
	Historical (Excluding Political Revenues)			Pro Forma* (Excluding Political Revenues)		
	2000	1999	% Change	2000	1999	% Change
OPERATING REVENUES - excluding political revenue						
Broadcasting - excluding political revenue	\$ 56,062	\$ 44,117	27 %	\$ 56,062	\$ 55,437	1 %
Publishing	20,345	17,558	16 %	20,345	18,239	12 %
Paging	4,591	4,557	1 %	4,591	4,557	1 %
TOTAL OPERATING REVENUES - excluding political revenue	\$ 80,998	\$ 66,232	22 %	\$ 80,998	\$ 78,233	4 %
Media Cash Flow** - excluding political revenue						
Broadcasting - excluding political revenue	\$ 22,421	\$ 17,692	27 %	\$ 22,421	\$ 22,361	0 %
Publishing	4,819	3,901	24 %	4,819	3,997	21 %
Paging	1,587	1,336	19 %	1,587	1,336	19 %
Consolidated - excluding political revenue	\$ 28,827	\$ 22,929	26 %	\$ 28,827	\$ 27,694	4 %
Media Cash Flow** margins: - excluding political revenue						
Broadcasting - excluding political revenue	40 %	40 %		40 %	40 %	
Publishing	24 %	22 %		24 %	22 %	
Paging	35 %	29 %		35 %	29 %	
Consolidated - excluding political revenue	36 %	35 %		36 %	35 %	

Conference Call Information

Gray Communications Systems, Inc. will be hosting a conference call to discuss its second quarter operating results on Thursday, July 27, 2000. The call will begin at 11:00 AM EDT, and it will be available for replay via telephone until August 10, 2000. The live dial-in number is (800) 450-0785. The call will be webcast live at www.graycommunications.com in the Investor Relations Section. The taped replay will be available at (800) 475-6701 and the access code for the taped replay is 529505. A replay of the conference call will also be available on-line at www.streetfusion.com and it will be available for replay at this web site until August 10, 2000.

* Gray Communications Systems, Inc. (“Gray” or the “Company”) acquired the outstanding capital stock of KWTX Broadcasting Company operating KWTX-TV, Brazos Broadcasting Company operating KBTX-TV and the assets of KXII-TV on October 1, 1999. In addition, Gray acquired the assets of The Goshen News on March 1, 1999. The results of operations of these acquired businesses have been included in the Company’s historical financial statements since their respective acquisition dates. The pro forma results of operations of these acquired businesses have been included in the Company’s pro forma financial statements since the first day of the respective reporting period.

** Media Cash Flow is defined as operating income, plus depreciation, non-cash compensation, amortization (including amortization of program license rights), and corporate overhead, less payments for program license liabilities. The Company has included Media Cash Flow data because such data is commonly used as a measure of performance for media companies and is also used by investors to measure a company’s ability to service debt. Media Cash Flow is not, and should not, be used as an indicator or alternative to operating income, net income or cash flow as reflected in the Company’s consolidated financial statements. Media Cash Flow is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

Gray Communications Systems, Inc. is a communications company headquartered in Atlanta, Georgia, and operates ten CBS-affiliated television stations, three NBC-affiliated television stations, four daily newspapers, an advertising weekly shopper, a satellite uplink and production business and a paging business. Gray’s current operations are concentrated in the Southeast, Southwest and Midwest United States.