NEWS RELEASE

Gray Reports Operating Results for the Three and Six Months Ended June 30, 2001

Atlanta, Georgia – August 7, 2001 . . . Gray Communications Systems, Inc. (NYSE: GCS and GCS.B) today announced its results for the three and six months ended June 30, 2001 and updated previously issued guidance for the full year ending December 31, 2001.

Summary Highlights (dollars in thousands except per share amounts):

Summary Selected Operating Data:	**Three Months Ended June 30, 2001**	**2000**	**%**	**Six Months Ended June 30, 2001**	**2000**	**%**
Total Operating Revenues	$ 39,978	$ 43,408	(8)%	$ 76,907	$ 82,296	(7)%
Political Revenues	$ 96	$ 773	(88)%	$ 127	$ 1,297	(90)%
Total Media Cash Flow[(1)]	$ 14,936	$ 17,321	(14)%	$ 26,411	$ 30,125	(12)%
Media Cash Flow[(1)] Margin	37 %	40 %	NA	34 %	37 %	NA
Media Cash Flow Per Share[(2)]	$ 0.96	$ 1.12	(14)%	$ 1.69	$ 1.95	(13)%
Net Loss Available to Common Stockholders	$ (2,388)	$ (1,623)	47 %	$ (7,570)	$ (5,724)	32 %
Net Loss per Share – Basic and Diluted	$ (0.15)	$ (0.10)	46 %	$ (0.49)	$ (0.37)	31 %
Weighted Average Shares Outstanding-Basic and Diluted	15,603	15,494	1 %	15,587	15,475	1 %

Summary Selected Balance Sheet Data:	**At June 30, 2001**	**2000**	**%**
Cash on Hand	$ 1,695	$ 1,461	16 %
Total Debt	$368,557	$380,552	(3)%
Debt to Trailing 12 Month Operating Cash Flow[(3)]	6.24	6.68	NA

See further details on pages 7, 8 and 9.

Comments on Results of Second Quarter 2001 Compared to Second Quarter 2000:

The operating results for the three months ended June 30, 2001 when compared to the three months ended June 30, 2000 reflect a general slowdown in the placement of advertising in both broadcasting and publishing. The decline was broad based among major customers and across major advertising categories. Total revenues decreased 7.9%, or $3.4 million, to $40.0 million from $43.4 million. Media Cash Flow[(1)] declined 13.8%, or $2.4 million, to $14.9 million from $17.3 million reflecting the decline in operating revenue. Cost reduction initiatives first implemented during the second quarter of 2000 and continuing to date allowed total operating costs and expenses before depreciation and amortization to decline 3.7%, or $1.0 million, to $26.1 million from $27.1 million.

Broadcast revenues declined 10.3%, or $3.2 million, to $27.5 million from $30.7 million. The decline reflected a generally soft advertising market at each of Gray's television stations. The Company believes that its share of the television advertising expenditures earned in each of its markets remained relatively consistent between the two quarters. Local and national sales revenues declined 6.5% and 7.2%, respectively. In addition, in the second quarter of 2001, the Company had revenues from political advertising of only $96,000 compared to $773,000 during the second quarter of 2000. Also, network compensation declined approximately $324,000 for the three months ended June 30, 2001 compared to the three months ended June 30, 2000, primarily reflecting the terms of the renewed CBS affiliation agreements for the Company's three stations in Texas. Operating expenses, excluding depreciation and amortization, for the Broadcast segment declined 3.8%, or $643,000, to $16.1 million from $16.7 million. The reduced expenses primarily reflect the benefit of staff reduction and other cost control initiatives the Company commenced in the second quarter of 2000.

Publishing revenues declined 2.3%, or $236,000, to $10.2 million from $10.4 million for the three months ended June 30, 2001 compared to the three months ended June 30, 2000. Modest revenue declines were recorded at all of the Company's newspapers except *The Gwinnett Daily Post*, located in eastern suburban Atlanta. Revenues for that paper increased approximately 6.0%. The overall decline reflected a relatively soft advertising market in each paper's local service area. Aggregate classified and circulation revenues decreased 6.9% and 1.4%, respectively, while retail advertising increased 2.5%. The increase in retail advertising reflects the continuing growth of both *The Gwinnett Daily Post* which recorded a 15.8% increase and the *Rockdale Citizen* which recorded a 1.4% increase over the second quarter 2000 results. Operating expenses for Publishing decreased 2.2%, or $171,000, to $7.8 million from $7.9 million for the three months ended June 30, 2001 compared to three months ended June 30, 2000. Aggregate non-newsprint operating costs decreased $350,000 as compared with the second quarter of 2000 reflecting on-going cost reduction initiatives the Company commenced in the second quarter of 2000 and closing Gwinnett News and Entertainment, Inc., its cable television channel in suburban Atlanta. Newsprint costs increased approximately $179,000 between the second quarter of 2001 compared to the second quarter of 2000 reflecting price increases for newsprint.

Paging revenues approximated $2.3 million and declined a modest 1.5%, or $35,000, for the three months ended June 30, 2001 compared to the three months ended June 30, 2000. The decline reflected, in part, increasing competition for subscribers from alternate service providers including cellular phone providers. Continuing cost control efforts reduced paging operating costs by 9.2%.

During the three months ended June 30, 2001 the Company made $1.9 million of capital expenditures. Approximately $1.2 million of the capital expenditures in the second quarter of 2001 are related to the Company's on-going efforts to install digital television broadcast systems at its television stations.

Comments on Results of First Half of 2001 Compared to First Half of 2000:

The operating results for the six months ended June 30, 2001 when compared to the six months ended June 30, 2000 reflect a general slowdown in the placement of advertising in both broadcasting and publishing. The decline was broad based among major customers and across major advertising categories. Total revenues decreased 6.5%, or $5.4 million, to $76.9 million from $82.3 million. Media Cash Flow(1) declined 12.3%, or $3.7 million, to $26.4 million from $30.1 million reflecting the decline in operating revenue. Cost reduction initiatives first implemented during the second quarter of 2000 and continuing to date allowed total operating costs and expenses before depreciation and amortization to decline 2.8%, or $1.5 million, to $52.7 million from $54.2 million.

Broadcast revenues declined 8.3%, or $4.8 million, to $52.6 million from $57.4 million. The decline reflected a generally soft advertising market at each of Gray's television stations. The Company believes that its share of the television advertising expenditures earned in each of its markets remained relatively consistent between the two six month periods. Local and national sales revenues declined 4.3% and 6.0%, respectively. In addition, in the first half of 2001, the Company had revenues from political advertising of only $127,000 compared to $1.3 million during the first half of 2000. Also, network compensation declined approximately $615,000 for the six months ended June 30, 2001 compared to the six months ended June 30, 2000, primarily reflecting the terms of the renewed CBS affiliation agreements for the Company's three stations in Texas. Operating expenses, excluding depreciation and amortization, for the Broadcast segment declined 3.7%, or $1.3 million, to $32.4 million from $33.6 million. The reduced expenses primarily reflect on-going cost reduction initiatives the Company commenced in the second quarter of 2000.

Publishing revenues declined 2.1%, or $418,000, to $19.9 million from $20.3 million for the six months ended June 30, 2001 compared to the six months ended June 30, 2000. Modest revenue declines were recorded at all of the Company's newspapers except *The Gwinnett Daily Post*, located in eastern suburban Atlanta. Revenues for that paper increased approximately 6.0%. The overall decline reflected a relatively soft advertising market in each paper's local service area. Aggregate classified and circulation revenues decreased 5.8% and 2.3%, respectively, while retail advertising increased 2.0%. The increase in retail advertising reflects the continuing growth of both *The Gwinnett Daily Post* which recorded a 12.7% increase and the *Rockdale Citizen* which recorded a 4.0% increase over the first half 2000 results. Operating expenses for Publishing increased 0.4%, or $66,000, to $15.7 million from $15.6 million for the six months ended June 30, 2001 compared to the six months ended June 30, 2000. The increase was primarily attributable to increased newsprint costs approximating $404,000 offset, in part, by reduced non-newsprint operating costs reflecting on-going cost reduction initiatives the Company commenced in the second quarter of 2000 and the closing of Gwinnett News and Entertainment, Inc., its cable television channel in suburban Atlanta.

Paging revenues declined 4.1%, or $186,000, to $4.4 million from $4.6 million for the six months ended June 30, 2001 compared to the six months ended June 30, 2000. The decline reflected, in part, increasing competition for subscribers from alternate service providers including cellular phone providers. Continuing cost control efforts reduced paging operating costs by 6.9%.

During the six months ended June 30, 2001 the Company made $6.2 million of capital expenditures, of which approximately $4.6 million was accrued at June 30, 2001. Approximately $3.6 million of the accrued amount is payable at various due dates during 2002. Approximately $5.1 million of the capital expenditures in 2001 are related to the Company's on-going efforts to install digital television broadcast systems at its television stations.

Accounting for Hedging Activities:

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," as amended ("SFAS 133"). SFAS 133 provides a comprehensive standard for the recognition and measurement of derivatives and hedging activities. SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes "special accounting" for the different types of hedges. Changes in the fair value of derivatives that do not meet the hedged criteria are included in earnings in the same period of the change.

In 1999, the Company entered into an interest rate swap agreement that is designated as a hedge against fluctuations in interest expense resulting from a portion of its variable rate debt. Due to the terms of the interest rate swap agreement, it does not qualify for hedge accounting under SFAS 133. As a result of the adoption of SFAS 133 and the general decrease in market interest rates during the three and six months ended June 30, 2001, the Company recognized a non-cash derivative valuation expense of $175,000 and $961,000 for the three and six months ended June 30, 2001, respectively.

Outlook:

With the adoption of Regulation FD by the Securities and Exchange Commission, the Company is providing this guidance to widely disseminate the Company's outlook for the second half of 2001. The guidance being provided is based on the economic and market conditions as of August 7, 2001. The Company can give no assurances as to how changes in those conditions may affect the current expectations. The Company assumes no obligation to update the guidance or expectations contained in this "Outlook" section. All matters discussed in this "Outlook" section are forward-looking and, as such, persons relying on this information should refer to the "Cautionary Statements for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995**"** section below.

Updated Guidance on Second Half of 2001

The Company currently believes that the general economic conditions including the general decrease in advertising expenditures experienced during the first half of 2001 may continue during the second half of the year. Within such a general economic climate, the Company believes that the relative revenue performance noted during the first half of 2001 may continue during the second half of this year. Revenue generation, especially in light of current general economic conditions, is subject to many factors beyond the control of the Company. The Company's primary revenue source is derived from broadcast advertising contracts which are generally placed with limited advance notice, are short-term, generally run for no more than a few weeks and are generally cancelable by the advertiser without penalty. Accordingly, the Company's ability to forecast future revenue is limited and actual results may vary substantially from current expectations.

Total operating expenses, excluding depreciation and amortization, for the second half of 2001 are currently expected to be relatively consistent with or slightly below the results of 2000. It is anticipated that the third quarter of 2001 may have modest increases in such operating costs when compared to the third quarter of 2000 while the fourth quarter of 2001 is expected to have decreased operating costs when compared to the fourth quarter of 2000. The generally favorable operating expense expectations for the second half of 2001 reflect the Company's on-going expense reduction efforts.

During the three months ended June 30, 2001 the Company completed the installation of a digital television broadcast system at its Waco, Texas television station. The Company has commenced installation of a similar system at its Eau Claire, Wisconsin television station and anticipates starting and/or completing several additional installations of digital television broadcast systems during the course of 2001. The Company currently intends to have all such required installations completed by May of 2002 but can give no assurance that such timetable will be achieved. The estimated total multi-year (1999 through 2002) capital expenditures required to implement initial digital television broadcast systems will approximate $30.9 million which includes a capital lease of approximately $2.5 million for tower facilities at WVLT-TV, the Company's station in Knoxville, TN. As of June 30, 2001, the Company has incurred $7.1 million of such costs. The remaining $23.8 million in expenditures are expected to be incurred at various times throughout the remainder of 2001 and the first half of 2002 as the Company completes its DTV construction. The cash payments relating to such expenditures are expected to occur at various dates through 2003.

The Company currently intends to refinance its existing bank loan agreement. Such refinancing is expected to be in the form of a $50 million reducing revolving credit facility and a $200 million term loan. The Company anticipates that the refinanced credit facility will contain terms and conditions generally similar to the Company's existing bank loan agreement. The Company plans to complete this refinancing during the third quarter of 2001; however, the Company cannot guarantee when or if such refinancing will be completed.

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

Selected operating data:	Three Months Ended June 30, 2001	2000	% Change
OPERATING REVENUES			
Broadcasting	$ 27,533	$ 30,692	(10)%
Publishing	10,187	10,423	(2)%
Paging	2,258	2,293	(2)%
TOTAL OPERATING REVENUES	39,978	43,408	(8)%
EXPENSES			
Broadcasting	16,067	16,710	(4)%
Publishing	7,757	7,928	(2)%
Paging	1,376	1,515	(9)%
Corporate and administrative	884	938	(6)%
Depreciation and amortization	7,846	7,836	0 %
TOTAL EXPENSES	33,930	34,927	(3)%
	6,048	8,481	(29)%
Miscellaneous income (expense), net	27	(56)	NA
Derivative valuation income (expense), net	(175)	-0-	NA
	5,900	8,425	(30)%
Interest expense	8,916	10,115	(12)%
LOSS BEFORE INCOME TAXES	(3,016)	(1,690)	78 %
Income tax benefit	(782)	(320)	144 %
NET LOSS	(2,234)	(1,370)	63 %
Preferred dividends	154	253	(39)%
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$ (2,388)	$ (1,623)	47 %
Basic and diluted per share information:			
Loss per share available to common stockholders	$ (0.15)	$ (0.10)	46 %
Weighted average shares outstanding	15,603	15,494	1 %
Political revenue	$ 96	$ 773	(88)%
Capital expenditures	$ 1,921	$ 3,747	(49)%
Media Cash Flow(1):			
Broadcasting	$ 11,578	$ 14,009	(17)%
Publishing	2,467	2,527	(2)%
Paging	891	785	14 %
Consolidated	$ 14,936	$ 17,321	(14)%
Media Cash Flow per weighted average share(2)	$ 0.96	$ 1.12	(14)%
Media Cash Flow(1) margins:			
Broadcasting	42 %	46 %	
Publishing	24 %	24 %	
Paging	39 %	34 %	
Consolidated	37 %	40 %	
Operating Cash Flow(4)	$ 14,052	$ 16,383	(14)%
Trailing 12 Month Operating Cash Flow(3)	$ 59,076	$ 56,929	4 %
Debt to Trailing 12 Month Operating Cash Flow(3)	6.24	6.68	NA

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

Selected operating data:	Six Months Ended June 30, 2001	2000	% Change
OPERATING REVENUES			
Broadcasting	$ 52,575	$ 57,360	(8)%
Publishing	19,927	20,345	(2)%
Paging	4,405	4,591	(4)%
TOTAL OPERATING REVENUES	76,907	82,296	(7)%
EXPENSES			
Broadcasting	32,375	33,626	(4)%
Publishing	15,659	15,593	0 %
Paging	2,812	3,019	(7)%
Corporate and administrative	1,829	1,966	(7)%
Depreciation and amortization	15,696	15,510	1 %
TOTAL EXPENSES	68,371	69,714	(2)%
	8,536	12,582	(32)%
Miscellaneous income, net	98	8	1125 %
Derivative valuation income (expense), net	(961)	-0-	NA
	7,673	12,590	(39)%
Interest expense	18,167	19,841	(8)%
LOSS BEFORE INCOME TAXES	(10,494)	(7,251)	45 %
Income tax benefit	(3,232)	(2,032)	59 %
NET LOSS	(7,262)	(5,219)	39 %
Preferred dividends	308	505	(39)%
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$ (7,570)	$ (5,724)	32 %
Basic and diluted per share information:			
Loss per share available to common stockholders	$ (0.49)	$ (0.37)	31 %
Weighted average shares outstanding	15,587	15,475	1 %
Political revenue	$ 127	$ 1,297	(90)%
Capital expenditures	$ 6,247	$ 5,976	5 %
Media Cash Flow(1):			
Broadcasting	$ 20,453	$ 23,719	(14)%
Publishing	4,344	4,819	(10)%
Paging	1,614	1,587	2 %
Consolidated	$ 26,411	$ 30,125	(12)%
Media Cash Flow per weighted average share(2)	$ 1.69	$ 1.95	(13)%
Media Cash Flow(1) margins:			
Broadcasting	39 %	41 %	
Publishing	22 %	24 %	
Paging	37 %	35 %	
Consolidated	34 %	37 %	
Operating Cash Flow(4)	$ 24,582	$ 28,159	(13)%
Trailing 12 Month Operating Cash Flow(3)	$ 59,076	$ 56,929	4 %
Debt to Trailing 12 Month Operating Cash Flow(3)	6.24	6.68	NA

The following table excludes political advertising revenue from Gray's financial information.

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

	Three Months Ended June 30, (Excluding Political Advertising Revenue)			Six Months Ended June 30, (Excluding Political Advertising Revenue)		
	2001	2000	% Change	2001	2000	% Change
Operating revenues - excluding political advertising revenue						
Broadcasting - excluding political advertising revenue	$ 27,437	$ 29,919	(8)%	$ 52,448	$ 56,063	(6)%
Publishing	10,187	10,423	(2)%	19,927	20,345	(2)%
Paging	2,258	2,293	(2)%	4,405	4,591	(4)%
Total	$ 39,882	$ 42,635	(6)%	$ 76,780	$ 80,999	(5)%
Media Cash Flow[(1)] - excluding political advertising revenue						
Broadcasting - excluding political advertising revenue	$ 11,482	$ 13,236	(13)%	$ 20,326	$ 22,422	(9)%
Publishing	2,467	2,527	(2)%	4,344	4,819	(10)%
Paging	891	785	14 %	1,614	1,587	2 %
Total	$ 14,840	$ 16,548	(10)%	$ 26,284	$ 28,828	(9)%
Media Cash Flow[(1)] margins - excluding political advertising revenue						
Broadcasting - excluding political advertising revenue	42 %	44 %		39 %	40 %	
Publishing	24 %	24 %		22 %	24 %	
Paging	39 %	34 %		37 %	35 %	
Total	37 %	39 %		34 %	36 %	

The following table provides selected balance sheet information as of June 30, 2001 and 2000.

Gray Communications Systems, Inc.
Selected Balance Sheet Data
(in thousands)

	June 30,		
	2001	2000	% Change
Cash	$ 1,695	$ 1,461	16 %
Total assets	$ 616,870	$ 644,338	(4)%
Long-term debt including current portion	$ 368,557	$ 380,552	(3)%
Preferred stock	$ 8,606	$ 13,500	(36)%
Total stockholders' equity	$ 148,765	$ 162,652	(9)%
Total liabilities	$ 468,105	$ 481,686	(3)%

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Notes:

(1) Media Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and corporate overhead, less payments for program broadcast obligations.

(2) Media Cash Flow Per Share is calculated by dividing Media Cash Flow by the weighted average number of shares outstanding used to calculate basic and diluted loss per share.

(3) Trailing 12 Month Operating Cash Flow is the total of Operating Cash Flow for the 12 months then ended. Such amounts for 2000 incorporate pro forma results for the applicable period of 1999 giving effect to the Company's acquisitions during 1999 as if such acquisitions were completed as of January 1, 1999.

(4) Operating Cash Flow is defined as Media Cash Flow less corporate overhead.

The Company has included Media Cash Flow, Operating Cash Flow, Trailing 12 Month Operating Cash Flow and certain related calculations 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, Operating Cash Flow, Trailing 12 Month Operating Cash Flow and certain related calculations are 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, Operating Cash Flow, Trailing 12 Month Operating Cash Flow and certain related calculations are not measures 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.

Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act:

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used herein, the words "believes," "expects," "anticipates," "estimates" and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe the Company's future strategic plans, goals or objectives are also forward-looking statements. Readers of this press release are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of the Company or management, are not guarantees of future performance, results or events and involve risks and uncertainties, and that actual results and events may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to, (i) general economic conditions in the markets in which the Company operates, (ii) competitive pressures in the markets in which the Company operates, (iii) the effect of future legislation or regulatory changes on the Company's operations, (iv) high debt levels and (v) other factors described from time to time in the Company's filings with the Securities and Exchange Commission. The forward-looking statements included in this press release are made only as of the date hereof. The Company undertakes no obligation to update such forward-looking statements to reflect subsequent events or circumstances.

Gray Communications Systems, Inc. is a communications company headquartered in Atlanta, Georgia, and operates thirteen television stations (ten CBS and three NBC affiliated stations), four daily newspapers, a wireless messaging and paging business and a satellite uplink and production business. The Company's current operations are concentrated in the South, Southwest and Midwest U. S.