

Gray Television, Inc.

Certain Non-GAAP Measures Disclosures

The Company has used certain terms that are not measures recognized under generally accepted accounting principles (“GAAP”). The Company defines each of these terms below and discusses why it believes the terms may be meaningful. Other companies in the broadcast and publishing industries may use similar terms which may or may not be comparable to the terms used by Gray. These non-GAAP measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

Media Cash Flow is a non-GAAP term that the Company uses as a measure of performance and as a measure of valuing the approximate fair value of the Company’s television and publishing businesses. As a performance measure the Company uses this term as a “benchmarking tool” to compare its results to the corresponding results of other companies in the broadcast and publishing industries. The Company also believes those same industries use this measure to estimate the fair market value of the business by multiplying Media Cash Flow by a multiple. Media Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation, corporate overhead and loss on disposal of assets, less payments for program broadcast obligations. Accordingly, the Company has provided a reconciliation of Media Cash Flow to net income. The Company has also provided a reconciliation from Media Cash Flow to operating income

Adjusted Media Cash Flow is a non-GAAP term the Company uses as a measure of performance. Adjusted Media Cash Flow is used by the Company to approximate the amount used to calculate key financial performance covenants including, but not limited to, limitations on debt, interest coverage, and fixed charge coverage ratios as defined in the Company’s senior credit facility and/or subordinated note indenture. Adjusted Media Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and loss on disposal of assets, less payments for program broadcast obligations. Accordingly, the Company has provided a reconciliation of Adjusted Media Cash Flow to net income.

Gray Television, Inc.
Reconciliation of Net Income to
the Non-GAAP Term Media Cash Flow

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	(in thousands)			
Net income	\$ 11,782	\$ 5,556	\$ 29,482	\$ 12,759
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	2,884	1,894	7,420	6,093
Depreciation	6,088	5,402	17,760	15,928
Amortization of intangible assets	232	1,588	751	5,231
Amortization of restricted stock award	134	22	323	66
(Gain) loss on disposals of assets, net	17	43	(605)	80
Miscellaneous (income) expense, net	(193)	(59)	(600)	(212)
Interest expense	10,418	10,458	31,353	32,700
Federal and state income tax expense	7,613	3,490	19,042	8,191
Amortization of program broadcast rights	2,800	2,946	8,315	8,382
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	476	308	1,384	1,426
Payments for program broadcast rights	(2,765)	(2,817)	(8,164)	(8,257)
Media Cash Flow	<u>\$ 39,486</u>	<u>\$ 28,831</u>	<u>\$106,461</u>	<u>\$ 82,387</u>

Gray Television, Inc.
Reconciliation of Net Income to
the Non-GAAP Term Adjusted Media Cash Flow

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	(in thousands)			
Net income	\$ 11,782	\$ 5,556	\$ 29,482	\$ 12,759
Adjustments to reconcile to Media Cash Flow:				
Depreciation	6,088	5,402	17,760	15,928
Amortization of intangible assets	232	1,588	751	5,231
Amortization of restricted stock award	134	22	323	66
(Gain) loss on disposals of assets, net	17	43	(605)	80
Miscellaneous (income) expense, net	(193)	(59)	(600)	(212)
Interest expense	10,418	10,458	31,353	32,700
Federal and state income tax expense	7,613	3,490	19,042	8,191
Amortization of program broadcast rights	2,800	2,946	8,315	8,382
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	476	308	1,384	1,426
Payments for program broadcast rights	(2,765)	(2,817)	(8,164)	(8,257)
Adjusted Media Cash Flow	<u>\$ 36,602</u>	<u>\$ 26,937</u>	<u>\$ 99,041</u>	<u>\$ 76,294</u>

Gray Television, Inc.
Reconciliation of Operating Income to
the Non-GAAP Term Media Cash Flow by Segment

	Three Months Ended September 30, 2004			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 26,850	\$ 2,477	\$ 293	\$ 29,620
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	2,442	380	62	2,884
Amortization of program broadcast rights	2,800	0	0	2,800
Depreciation	5,660	237	191	6,088
Amortization of intangibles	233	0	(1)	232
Amortization of restricted stock award	115	16	3	134
Common Stock contributed to 401(k) Plan	404	62	10	476
(Gain) loss on disposals of assets, net	50	(34)	1	17
Less:				
Payments for program broadcast rights	(2,765)	0	0	(2,765)
Media Cash Flow by Segment	\$ 35,789	\$ 3,138	\$ 559	\$ 39,486

	Nine Months Ended September 30, 2004			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 70,961	\$ 7,473	\$ 843	\$ 79,277
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	6,238	1,015	167	7,420
Amortization of program broadcast rights	8,315	0	0	8,315
Depreciation	16,410	755	595	17,760
Amortization of intangibles	697	50	4	751
Amortization of restricted stock award	272	44	7	323
Common Stock contributed to 401(k) Plan	1,179	178	27	1,384
(Gain) loss on disposals of assets, net	(537)	(64)	(4)	(605)
Less:				
Payments for program broadcast rights	(8,164)	0	0	(8,164)
Media Cash Flow by Segment	\$ 95,371	\$ 9,451	\$ 1,639	\$ 106,461

Gray Television, Inc.
Reconciliation of Operating Income to
the Non-GAAP Term Media Cash Flow by Segment

	Three Months Ended September 30, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 16,888	\$ 2,239	\$ 318	\$ 19,445
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	1,559	283	52	1,894
Amortization of program broadcast rights	2,946	0	0	2,946
Depreciation	4,884	289	229	5,402
Amortization of intangibles	1,481	106	1	1,588
Amortization of restricted stock award	18	3	1	22
Common Stock contributed to 401(k) Plan	259	42	7	308
Loss on disposals of assets, net	(116)	158	1	43
Less:				
Payments for program broadcast rights	(2,817)	0	0	(2,817)
Media Cash Flow by Segment	<u>\$ 25,102</u>	<u>\$ 3,120</u>	<u>\$ 609</u>	<u>\$ 28,831</u>

	Nine Months Ended September 30, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 46,003	\$ 6,670	\$ 765	\$ 53,438
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	5,003	922	168	6,093
Amortization of program broadcast rights	8,382	0	0	8,382
Depreciation	14,335	851	742	15,928
Amortization of intangibles	4,911	319	1	5,231
Amortization of restricted stock award	54	10	2	66
Common Stock contributed to 401(k) Plan	1,194	197	35	1,426
Loss on disposals of assets, net	(81)	157	4	80
Less:				
Payments for program broadcast rights	(8,257)	0	0	(8,257)
Media Cash Flow by Segment	<u>\$ 71,544</u>	<u>\$ 9,126</u>	<u>\$ 1,717</u>	<u>\$ 82,387</u>