

## 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 (Loss) to the Non-GAAP Term Media Cash Flow**

	<b>Three Months Ended December 31,</b>			
	<b>As Reported</b>		<b>Acquisition</b>	<b>Pro Forma</b>
	<b>2003</b>	<b>2002</b>	<b>Adjustment</b>	<b>2002</b>
	(in thousands)			
Net income	\$ 1,265	\$ 3,955	\$ 3,917	\$ 7,872
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	2,301	2,322	384	2,706
Depreciation and amortization	6,632	6,663	(1,160)	5,503
Loss on disposals of assets, net	1,075	592	0	592
Miscellaneous (income) expense, net	192	(141)	0	(141)
Appreciation in value of derivatives, net	0	0	0	0
Interest expense	10,637	10,759	895	11,654
Loss on early extinguishment of debt	0	5,563	0	5,563
Federal and state income tax expense (benefit)	9,146	2,682	2,402	5,084
Amortization of program broadcast rights	2,755	2,281	654	2,935
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	945	177	0	177
Payments for program broadcast rights	(2,710)	(2,326)	(429)	(2,755)
Media Cash Flow	\$ 32,238	\$ 32,527	\$ 6,663	\$ 39,190

	<b>Year Ended December 31,</b>			
	<b>As Reported</b>		<b>Acquisition</b>	<b>Pro Forma</b>
	<b>2003</b>	<b>2002</b>	<b>Adjustment</b>	<b>2002</b>
	(in thousands)			
Net income (loss)	\$ 14,024	\$ (23,941)	\$ 12,755	\$ (11,186)
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	8,460	5,607	3,403	9,010
Depreciation and amortization	27,791	17,728	4,424	22,152
Loss on disposals of assets, net	1,155	699	0	699
Miscellaneous (income) expense, net	(20)	(303)	0	(303)
Appreciation in value of derivatives, net	0	(1,581)	0	(1,581)
Interest expense	43,337	35,674	14,057	49,731
Loss on early extinguishment of debt	0	16,838	0	16,838
Federal and state income tax expense (benefit)	17,337	1,896	7,819	9,715
Cumulative effect of accounting change, net of income tax benefit	0	26,646	0	26,646
Amortization of program broadcast rights	11,136	6,325	6,025	12,350
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	2,372	723	0	723
Payments for program broadcast rights	(10,967)	(6,421)	(6,707)	(13,128)
Media Cash Flow	\$ 114,625	\$ 79,890	\$ 41,776	\$ 121,666

## Gray Television, Inc.

### Reconciliation of Net Income (Loss) to the Non-GAAP Term Adjusted Media Cash Flow

	Three Months Ended December 31,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income	\$ 1,265	\$ 3,955	\$ 3,917	\$ 7,872
Adjustments to reconcile to Media Cash Flow:				
Depreciation and amortization	6,632	6,663	(1,160)	5,503
Loss on disposals of assets, net	1,075	592	0	592
Miscellaneous (income) expense, net	192	(141)	0	(141)
Appreciation in value of derivatives, net	0	0	0	0
Interest expense	10,637	10,759	895	11,654
Loss on early extinguishment of debt	0	5,563	0	5,563
Federal and state income tax expense (benefit)	9,146	2,682	2,402	5,084
Amortization of program broadcast rights	2,755	2,281	654	2,935
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	945	177	0	177
Payments for program broadcast rights	(2,710)	(2,326)	(429)	(2,755)
Adjusted Media Cash Flow	\$ 29,937	\$ 30,205	\$ 6,279	\$ 36,484

	Year Ended December 31,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income (loss)	\$ 14,024	\$ (23,941)	\$ 12,755	\$ (11,186)
Adjustments to reconcile to Media Cash Flow:				
Depreciation and amortization	27,791	17,728	4,424	22,152
Loss on disposals of assets, net	1,155	699	0	699
Miscellaneous (income) expense, net	(20)	(303)	0	(303)
Appreciation in value of derivatives, net	0	(1,581)	0	(1,581)
Interest expense	43,337	35,674	14,057	49,731
Loss on early extinguishment of debt	0	16,838	0	16,838
Federal and state income tax expense (benefit)	17,337	1,896	7,819	9,715
Cumulative effect of accounting change, net of income tax benefit	0	26,646	0	26,646
Amortization of program broadcast rights	11,136	6,325	6,025	12,350
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	2,372	723	0	723
Payments for program broadcast rights	(10,967)	(6,421)	(6,707)	(13,128)
Adjusted Media Cash Flow	\$ 106,165	\$ 74,283	\$ 38,373	\$ 112,656

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

	As Reported			
	Three Months Ended December 31, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 18,264	\$ 2,792	\$ 184	\$ 21,240
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Amortization of program broadcast rights	2,755	0	0	2,755
Depreciation and amortization	5,938	468	226	6,632
Corporate and administrative expenses	1,904	339	58	2,301
Common Stock contributed to 401(k) Plan	806	120	19	945
Loss on disposals of assets, net	1,009	56	10	1,075
Less:				
Payments for program broadcast rights	(2,710)	0	0	(2,710)
Media Cash Flow by Segment	<u>\$ 27,966</u>	<u>\$ 3,775</u>	<u>\$ 497</u>	<u>\$ 32,238</u>

	As Reported			
	Year Ended December 31, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 64,267	\$ 9,461	\$ 950	\$ 74,678
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Amortization of program broadcast rights	11,136	0	0	11,136
Depreciation and amortization	25,183	1,639	969	27,791
Corporate and administrative expenses	6,961	1,271	228	8,460
Common Stock contributed to 401(k) Plan	2,001	318	53	2,372
Loss on disposals of assets, net	929	214	12	1,155
Less:				
Payments for program broadcast rights	(10,967)	0	0	(10,967)
Media Cash Flow by Segment	<u>\$ 99,510</u>	<u>\$ 12,903</u>	<u>\$ 2,212</u>	<u>\$ 114,625</u>

	As Reported				Acquisition Adjustment	Pro Forma Total
	Three Months Ended December 31, 2002					
	Broadcasting	Publishing	Paging	Total		
	(in thousands)					
Operating income	\$ 20,441	\$ 2,341	\$ 36	\$ 22,818	\$ 7,214	\$ 30,032
Adjustments to reconcile to Media Cash Flow by Segment:						
Add back:						
Amortization of program broadcast rights	2,281	0	0	2,281	654	2,935
Depreciation and amortization	5,992	401	270	6,663	(1,160)	5,503
Corporate and administrative expenses	1,880	374	68	2,322	384	2,706
Common Stock contributed to 401(k) Plan	130	41	6	177	0	177
Loss on disposals of assets, net	487	93	12	592	0	592
Less:						
Payments for program broadcast rights	(2,326)	0	0	(2,326)	(429)	(2,755)
Media Cash Flow by Segment	<u>\$ 28,885</u>	<u>\$ 3,250</u>	<u>\$ 392</u>	<u>\$ 32,527</u>	<u>\$ 6,663</u>	<u>\$ 39,190</u>

	As Reported				Acquisition Adjustment	Pro Forma Total
	Year Ended December 31, 2002					
	Broadcasting	Publishing	Paging	Total		
	(in thousands)					
Operating income	\$ 45,018	\$ 9,073	\$ 1,138	\$ 55,229	\$ 34,631	\$ 89,860
Adjustments to reconcile to Media Cash Flow by Segment:						
Add back:						
Amortization of program broadcast rights	6,325	0	0	6,325	6,025	12,350
Depreciation and amortization	14,984	1,657	1,087	17,728	4,424	22,152
Corporate and administrative expenses	4,142	1,232	233	5,607	3,403	9,010
Common Stock contributed to 401(k) Plan	523	167	33	723	0	723
Loss on disposals of assets, net	575	112	12	699	0	699
Less:						
Payments for program broadcast rights	(6,421)	0	0	(6,421)	(6,707)	(13,128)
Media Cash Flow by Segment	<u>\$ 65,146</u>	<u>\$ 12,241</u>	<u>\$ 2,503</u>	<u>\$ 79,890</u>	<u>\$ 41,776</u>	<u>\$ 121,666</u>