

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

	Three Months Ended	
	March 31,	
	2004	2003
	(in thousands)	
Net income	\$ 5,502	\$ 171
Adjustments to reconcile to Media Cash Flow:		
Corporate and administrative expenses	2,373	2,136
Depreciation	5,801	5,190
Amortization of intangible assets	283	1,862
Amortization of restricted stock award	94	0
Loss on disposals of assets, net	4	13
Miscellaneous (income) expense, net	(143)	(78)
Interest expense	10,461	11,270
Federal and state income tax expense (benefit)	3,554	289
Amortization of program broadcast rights	2,756	2,693
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	530	798
Payments for program broadcast rights	(2,697)	(2,404)
Media Cash Flow	<u>\$ 28,518</u>	<u>\$ 21,940</u>

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Payments for program broadcast rights	(2,697)	(2,404)
Adjusted Media Cash Flow	<u>\$ 26,145</u>	<u>\$ 19,804</u>

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

	Three Months Ended March 31, 2004			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 16,902	\$ 2,235	\$ 237	\$ 19,374
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	1,966	348	59	2,373
Amortization of program broadcast rights	2,756	0	0	2,756
Depreciation	5,323	273	205	5,801
Amortization of intangibles	233	50	0	283
Amortization of restricted stock award	78	14	2	94
Common Stock contributed to 401(k) Plan	452	67	11	530
Loss on disposals of assets, net	10	(6)	0	4
Less:				
Payments for program broadcast rights	(2,697)	0	0	(2,697)
Media Cash Flow by Segment	<u>\$ 25,023</u>	<u>\$ 2,981</u>	<u>\$ 514</u>	<u>\$ 28,518</u>

	Three Months Ended March 31, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 9,564	\$ 1,908	\$ 180	\$ 11,652
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	1,729	342	65	2,136
Amortization of program broadcast rights	2,693	0	0	2,693
Depreciation	4,641	285	264	5,190
Amortization of intangibles	1,755	107	0	1,862
Common Stock contributed to 401(k) Plan	665	112	21	798
Loss on disposals of assets, net	13	0	0	13
Less:				
Payments for program broadcast rights	(2,404)	0	0	(2,404)
Media Cash Flow by Segment	<u>\$ 18,656</u>	<u>\$ 2,754</u>	<u>\$ 530</u>	<u>\$ 21,940</u>