

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		Six Months Ended	
	June 30,		June 30,	
	2004	2003	2004	2003
	(in thousands)			
Net income	\$ 12,197	\$ 7,032	\$ 17,700	\$ 7,203
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	2,163	2,084	4,536	4,199
Depreciation	5,870	5,336	11,672	10,526
Amortization of intangible assets	237	1,781	519	3,643
Amortization of restricted stock award	94	23	189	44
(Gain) loss on disposals of assets, net	(626)	25	(622)	37
Miscellaneous (income) expense, net	(262)	(76)	(407)	(153)
Interest expense	10,474	10,972	20,935	22,242
Federal and state income tax expense	7,875	4,412	11,429	4,701
Amortization of program broadcast rights	2,759	2,743	5,515	5,436
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	379	320	909	1,118
Payments for program broadcast rights	(2,701)	(3,036)	(5,399)	(5,440)
Media Cash Flow	<u>\$ 38,459</u>	<u>\$ 31,616</u>	<u>\$ 66,976</u>	<u>\$ 53,556</u>

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

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	June 30,		June 30,	
	2004	2003	2004	2003
	(in thousands)			
Net income	\$ 12,197	\$ 7,032	\$ 17,700	\$ 7,203
Adjustments to reconcile to Media Cash Flow:				
Depreciation	5,870	5,336	11,672	10,526
Amortization of intangible assets	237	1,781	519	3,643
Amortization of restricted stock award	94	23	189	44
(Gain) loss on disposals of assets, net	(626)	25	(622)	37
Miscellaneous (income) expense, net	(262)	(76)	(407)	(153)
Interest expense	10,474	10,972	20,935	22,242
Federal and state income tax expense	7,875	4,412	11,429	4,701
Amortization of program broadcast rights	2,759	2,743	5,515	5,436
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	379	320	909	1,118
Payments for program broadcast rights	(2,701)	(3,036)	(5,399)	(5,440)
Adjusted Media Cash Flow	<u>\$ 36,296</u>	<u>\$ 29,532</u>	<u>\$ 62,440</u>	<u>\$ 49,357</u>

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

	Three Months Ended June 30, 2004			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 27,209	\$ 2,761	\$ 314	\$ 30,284
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	1,830	287	46	2,163
Amortization of program broadcast rights	2,759	0	0	2,759
Depreciation	5,427	244	199	5,870
Amortization of intangibles	232	0	5	237
Amortization of restricted stock award	78	14	2	94
Common Stock contributed to 401(k) Plan	323	49	7	379
(Gain) loss on disposals of assets, net	(597)	(24)	(5)	(626)
Less:				
Payments for program broadcast rights	(2,701)	0	0	(2,701)
Media Cash Flow by Segment	<u>\$ 34,560</u>	<u>\$ 3,331</u>	<u>\$ 568</u>	<u>\$ 38,459</u>

	Six Months Ended June 30, 2004			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 44,111	\$ 4,996	\$ 550	\$ 49,657
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	3,796	635	105	4,536
Amortization of program broadcast rights	5,515	0	0	5,515
Depreciation	10,750	518	404	11,672
Amortization of intangibles	464	50	5	519
Amortization of restricted stock award	157	28	4	189
Common Stock contributed to 401(k) Plan	775	116	18	909
(Gain) loss on disposals of assets, net	(587)	(30)	(5)	(622)
Less:				
Payments for program broadcast rights	(5,399)	0	0	(5,399)
Media Cash Flow by Segment	<u>\$ 59,582</u>	<u>\$ 6,313</u>	<u>\$ 1,081</u>	<u>\$ 66,976</u>

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

	Three Months Ended June 30, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 19,551	\$ 2,522	\$ 267	\$ 22,340
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	1,732	301	51	2,084
Amortization of program broadcast rights	2,743	0	0	2,743
Depreciation	4,809	278	249	5,336
Amortization of intangibles	1,675	105	1	1,781
Amortization of restricted stock award	19	3	1	23
Common Stock contributed to 401(k) Plan	270	43	7	320
Loss on disposals of assets, net	23	0	2	25
Less:				
Payments for program broadcast rights	(3,036)	0	0	(3,036)
Media Cash Flow by Segment	<u>\$ 27,786</u>	<u>\$ 3,252</u>	<u>\$ 578</u>	<u>\$ 31,616</u>

	Six Months Ended June 30, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 29,116	\$ 4,430	\$ 447	\$ 33,993
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	3,444	639	116	4,199
Amortization of program broadcast rights	5,436	0	0	5,436
Depreciation	9,450	563	513	10,526
Amortization of intangibles	3,430	212	1	3,643
Amortization of restricted stock award	36	7	1	44
Common Stock contributed to 401(k) Plan	935	155	28	1,118
Loss on disposals of assets, net	35	0	2	37
Less:				
Payments for program broadcast rights	(5,440)	0	0	(5,440)
Media Cash Flow by Segment	<u>\$ 46,442</u>	<u>\$ 6,006</u>	<u>\$ 1,108</u>	<u>\$ 53,556</u>