

Gray Television, Inc.

Certain Non-GAAP Measures Disclosure

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 and corporate overhead, 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 on a segment basis.

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. Also, the Company uses the term to measure its leverage, relative to other companies operating in the media industry, by dividing its debt by Adjusted Media Cash Flow for the previous twelve-month period. The Company refers to such leverage ratio calculation as “Debt to Trailing Twelve Month Adjusted Media Cash Flow”. Adjusted Media Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights) and non-cash compensation, 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

	Three Months Ended June 30,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income	\$ 7,032	\$ 3,087	\$ 3,848	\$ 6,935
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	2,107	1,116	856	1,972
Depreciation and amortization	7,117	3,700	1,862	5,562
Miscellaneous (income) expense, net	(51)	(59)	0	(59)
Appreciation in value of derivatives, net	0	(341)	0	(341)
Interest expense	10,972	7,901	4,466	12,367
Federal and state income tax expense (benefit)	4,412	1,662	2,358	4,020
Amortization of program broadcast rights	2,743	1,340	1,764	3,104
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	320	183	0	183
Payments for program broadcast rights	(3,036)	(1,343)	(1,988)	(3,331)
Media Cash Flow	\$ 31,616	\$ 17,246	\$ 13,166	\$ 30,412

	Six Months Ended June 30,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income (loss)	\$ 7,203	\$ (34,958)	\$ 5,102	\$ (29,856)
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	4,243	2,116	1,816	3,932
Depreciation and amortization	14,169	7,433	3,723	11,156
Miscellaneous (income) expense, net	(116)	(97)	0	(97)
Appreciation in value of derivatives, net	0	(730)	0	(730)
Interest expense	22,242	16,866	8,883	25,749
Loss on early extinguishment of debt	0	11,275	0	11,275
Federal and state income tax expense (benefit)	4,701	(2,341)	3,126	785
Cumulative effect of accounting change, net of income tax benefit	0	30,592	0	30,592
Amortization of program broadcast rights	5,437	2,661	3,586	6,247
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,117	368	0	368
Payments for program broadcast rights	(5,440)	(2,665)	(4,092)	(6,757)
Media Cash Flow	\$ 53,556	\$ 30,520	\$ 22,144	\$ 52,664

	Twelve Months Ended June 30, 2003		
	As Reported	Acquisition Adjustment	Pro Forma
	(in thousands)		
Net income	\$ 14,274	\$ 7,652	\$ 21,926
Adjustments to reconcile to Media Cash Flow:			
Corporate and administrative expenses	7,734	1,587	9,321
Depreciation and amortization	24,465	700	25,165
Miscellaneous (income) expense, net	377	0	377
Appreciation in value of derivatives, net	(851)	0	(851)
Interest expense	41,050	5,175	46,225
Loss on early extinguishment of debt	5,563	0	5,563
Federal and state income tax expense (benefit)	8,939	4,693	13,632
Cumulative effect of accounting change, net of income tax benefit	0	0	-0-
Amortization of program broadcast rights	9,100	2,440	11,540
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,473	0	1,473
Payments for program broadcast rights	(9,197)	(2,614)	(11,811)
Media Cash Flow	\$ 102,927	\$ 19,633	\$ 122,560

Gray Television, Inc.

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

	Three Months Ended June 30,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income	\$ 7,032	\$ 3,087	\$ 3,848	\$ 6,935
Adjustments to reconcile to Media Cash Flow:				
Depreciation and amortization	7,117	3,700	1,862	5,562
Miscellaneous (income) expense, net	(51)	(59)	0	(59)
Appreciation in value of derivatives, net	0	(341)	0	(341)
Interest expense	10,972	7,901	4,466	12,367
Federal and state income tax expense (benefit)	4,412	1,662	2,358	4,020
Amortization of program broadcast rights	2,743	1,340	1,764	3,104
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	320	183	0	183
Payments for program broadcast rights	(3,036)	(1,343)	(1,988)	(3,331)
Adjusted Media Cash Flow	<u>\$ 29,509</u>	<u>\$ 16,130</u>	<u>\$ 12,310</u>	<u>\$ 28,440</u>

	Six Months Ended June 30,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income (loss)	\$ 7,203	\$ (34,958)	\$ 5,102	\$ (29,856)
Adjustments to reconcile to Media Cash Flow:				
Depreciation and amortization	14,169	7,433	3,723	11,156
Miscellaneous (income) expense, net	(116)	(97)	0	(97)
Appreciation in value of derivatives, net	0	(730)	0	(730)
Interest expense	22,242	16,866	8,883	25,749
Loss on early extinguishment of debt	0	11,275	0	11,275
Federal and state income tax expense (benefit)	4,701	(2,341)	3,126	785
Cumulative effect of accounting change, net of income tax benefit	0	30,592	0	30,592
Amortization of program broadcast rights	5,437	2,661	3,586	6,247
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,118	368	0	368
Payments for program broadcast rights	(5,440)	(2,665)	(4,092)	(6,757)
Adjusted Media Cash Flow	<u>\$ 49,314</u>	<u>\$ 28,404</u>	<u>\$ 20,328</u>	<u>\$ 48,732</u>

	Twelve Months Ended June 30, 2003		
	As Reported	Acquisition Adjustment	Pro Forma
	(in thousands)		
Net income	\$ 14,274	\$ 7,652	\$ 21,926
Adjustments to reconcile to Media Cash Flow:			
Depreciation and amortization	24,465	700	25,165
Miscellaneous (income) expense, net	377	0	377
Appreciation in value of derivatives, net	(851)	0	(851)
Interest expense	41,050	5,175	46,225
Loss on early extinguishment of debt	5,563	0	5,563
Federal and state income tax expense (benefit)	8,939	4,693	13,632
Amortization of program broadcast rights	9,100	2,440	11,540
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,473	0	1,473
Payments for program broadcast rights	(9,197)	(2,614)	(11,811)
Adjusted Media Cash Flow	<u>\$ 95,193</u>	<u>\$ 18,046</u>	<u>\$ 113,239</u>

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

	As Reported			
	Three Months Ended June 30, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 19,573	\$ 2,522	\$ 270	\$ 22,365
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Amortization of program broadcast rights	2,743	0	0	2,743
Depreciation and amortization	6,484	384	249	7,117
Corporate and administrative expenses	1,751	304	52	2,107
Common Stock contributed to 401(k) Plan	271	42	7	320
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>

	As Reported			
	Six Months Ended June 30, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 29,150	\$ 4,431	\$ 449	\$ 34,030
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Amortization of program broadcast rights	5,437	0	0	5,437
Depreciation and amortization	12,880	776	513	14,169
Corporate and administrative expenses	3,480	645	118	4,243
Common Stock contributed to 401(k) Plan	935	155	27	1,117
Less:				
Payments for program broadcast rights	(5,440)	0	0	(5,440)
Media Cash Flow by Segment	<u>\$ 46,442</u>	<u>\$ 6,007</u>	<u>\$ 1,107</u>	<u>\$ 53,556</u>

	Three Months Ended June 30, 2002					
	As Reported				Acquisition	Pro Forma
	Broadcasting	Publishing	Paging	Total	Adjustment	Total
	(in thousands)					
Operating income	\$ 9,275	\$ 2,600	\$ 375	\$ 12,250	\$ 10,672	\$ 22,922
Adjustments to reconcile to Media Cash Flow by Segment:						
Add back:						
Amortization of program broadcast rights	1,340	0	0	1,340	1,764	3,104
Depreciation and amortization	3,011	414	275	3,700	1,862	5,562
Corporate and administrative expenses	772	289	55	1,116	856	1,972
Common Stock contributed to 401(k) Plan	136	42	5	183	0	183
Less:						
Payments for program broadcast rights	(1,343)	0	0	(1,343)	(1,988)	(3,331)
Media Cash Flow by Segment	<u>\$ 13,191</u>	<u>\$ 3,345</u>	<u>\$ 710</u>	<u>\$ 17,246</u>	<u>\$ 13,166</u>	<u>\$ 30,412</u>

	Six Months Ended June 30, 2002					
	As Reported				Acquisition	Pro Forma
	Broadcasting	Publishing	Paging	Total	Adjustment	Total
	(in thousands)					
Operating income	\$ 15,545	\$ 4,385	\$ 677	\$ 20,607	\$ 17,111	\$ 37,718
Adjustments to reconcile to Media Cash Flow by Segment:						
Add back:						
Amortization of program broadcast rights	2,661	0	0	2,661	3,586	6,247
Depreciation and amortization	6,036	852	545	7,433	3,723	11,156
Corporate and administrative expenses	1,449	559	108	2,116	1,816	3,932
Common Stock contributed to 401(k) Plan	266	83	19	368	0	368
Less:						
Payments for program broadcast rights	(2,665)	0	0	(2,665)	(4,092)	(6,757)
Media Cash Flow by Segment	<u>\$ 23,292</u>	<u>\$ 5,879</u>	<u>\$ 1,349</u>	<u>\$ 30,520</u>	<u>\$ 22,144</u>	<u>\$ 52,664</u>