

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 September 30,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income	\$ 5,556	\$ 3,116	\$ 3,736	\$ 6,852
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	1,916	1,169	1,203	2,372
Depreciation and amortization	6,990	3,632	1,861	5,493
Miscellaneous (income) expense, net	(16)	42	0	42
Appreciation in value of derivatives, net	0	(851)	0	(851)
Interest expense	10,458	8,049	4,279	12,328
Federal and state income tax expense (benefit)	3,490	1,555	2,291	3,846
Amortization of program broadcast rights	2,946	1,383	1,784	3,167
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	308	180	0	180
Payments for program broadcast rights	(2,817)	(1,432)	(2,185)	(3,617)
Media Cash Flow	<u>\$ 28,831</u>	<u>\$ 16,843</u>	<u>\$ 12,969</u>	<u>\$ 29,812</u>

	Nine Months Ended September 30,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income (loss)	\$ 12,759	\$ (31,842)	\$ 8,838	\$ (23,004)
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	6,159	3,285	3,019	6,304
Depreciation and amortization	21,159	11,065	5,584	16,649
Miscellaneous (income) expense, net	(132)	(55)	0	(55)
Appreciation in value of derivatives, net	0	(1,581)	0	(1,581)
Interest expense	32,700	24,915	13,162	38,077
Loss on early extinguishment of debt	0	11,275	0	11,275
Federal and state income tax expense (benefit)	8,191	(786)	5,417	4,631
Cumulative effect of accounting change, net of income tax benefit	0	30,592	0	30,592
Amortization of program broadcast rights	8,382	4,044	5,370	9,414
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,426	546	0	546
Payments for program broadcast rights	(8,257)	(4,095)	(6,277)	(10,372)
Media Cash Flow	<u>\$ 82,387</u>	<u>\$ 47,363</u>	<u>\$ 35,113</u>	<u>\$ 82,476</u>

	Twelve Months Ended September 30, 2003		
	As Reported	Acquisition Adjustment	Pro Forma
	(in thousands)		
Net income	\$ 16,713	\$ 3,918	\$ 20,631
Adjustments to reconcile to Media Cash Flow:			
Corporate and administrative expenses	8,482	384	8,866
Depreciation and amortization	27,822	(1,160)	26,662
Miscellaneous (income) expense, net	320	0	320
Interest expense	43,459	895	44,354
Loss on early extinguishment of debt	5,563	0	5,563
Federal and state income tax expense (benefit)	10,874	2,402	13,276
Amortization of program broadcast rights	10,662	653	11,315
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,602	0	1,602
Payments for program broadcast rights	(10,583)	(429)	(11,012)
Media Cash Flow	<u>\$ 114,914</u>	<u>\$ 6,663</u>	<u>\$ 121,577</u>

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

	Three Months Ended September 30,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income	\$ 5,556	\$ 3,116	\$ 3,736	\$ 6,852
Adjustments to reconcile to Media Cash Flow:				
Depreciation and amortization	6,990	3,632	1,861	5,493
Miscellaneous (income) expense, net	(16)	42	0	42
Appreciation in value of derivatives, net	0	(851)	0	(851)
Interest expense	10,458	8,049	4,279	12,328
Federal and state income tax expense (benefit)	3,490	1,555	2,291	3,846
Amortization of program broadcast rights	2,946	1,383	1,784	3,167
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	308	180	0	180
Payments for program broadcast rights	(2,817)	(1,432)	(2,185)	(3,617)
Adjusted Media Cash Flow	<u>\$ 26,915</u>	<u>\$ 15,674</u>	<u>\$ 11,766</u>	<u>\$ 27,440</u>

	Nine Months Ended September 30,			
	As Reported		Acquisition	Pro Forma
	2003	2002	Adjustment	2002
	(in thousands)			
Net income (loss)	\$ 12,759	\$ (31,842)	\$ 8,838	\$ (23,004)
Adjustments to reconcile to Media Cash Flow:				
Depreciation and amortization	21,159	11,065	5,584	16,649
Miscellaneous (income) expense, net	(132)	(55)	0	(55)
Appreciation in value of derivatives, net	0	(1,581)	0	(1,581)
Interest expense	32,700	24,915	13,162	38,077
Loss on early extinguishment of debt	0	11,275	0	11,275
Federal and state income tax expense (benefit)	8,191	(786)	5,417	4,631
Cumulative effect of accounting change, net of income tax benefit	0	30,592	0	30,592
Amortization of program broadcast rights	8,382	4,044	5,370	9,414
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,426	546	0	546
Payments for program broadcast rights	(8,257)	(4,095)	(6,277)	(10,372)
Adjusted Media Cash Flow	<u>\$ 76,228</u>	<u>\$ 44,078</u>	<u>\$ 32,094</u>	<u>\$ 76,172</u>

	Twelve Months Ended September 30, 2003		
	As Reported	Acquisition Adjustment	Pro Forma
	(in thousands)		
Net income	\$ 16,713	\$ 3,918	\$ 20,631
Adjustments to reconcile to Media Cash Flow:			
Depreciation and amortization	27,822	(1,160)	26,662
Miscellaneous (income) expense, net	320	0	320
Interest expense	43,459	895	44,354
Loss on early extinguishment of debt	5,563	0	5,563
Federal and state income tax expense (benefit)	10,874	2,402	13,276
Amortization of program broadcast rights	10,662	653	11,315
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,602	0	1,602
Payments for program broadcast rights	(10,583)	(429)	(11,012)
Adjusted Media Cash Flow	<u>\$ 106,432</u>	<u>\$ 6,279</u>	<u>\$ 112,711</u>

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

	As Reported			
	Three Months Ended September 30, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 16,772	\$ 2,397	\$ 319	\$ 19,488
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Amortization of program broadcast rights	2,946	0	0	2,946
Depreciation and amortization	6,365	394	231	6,990
Corporate and administrative expenses	1,577	287	52	1,916
Common Stock contributed to 401(k) Plan	259	42	7	308
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>

	As Reported			
	Nine Months Ended September 30, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 45,922	\$ 6,827	\$ 769	\$ 53,518
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Amortization of program broadcast rights	8,382	0	0	8,382
Depreciation and amortization	19,246	1,170	743	21,159
Corporate and administrative expenses	5,057	932	170	6,159
Common Stock contributed to 401(k) Plan	1,194	197	35	1,426
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>

	Three Months Ended September 30, 2002					
	As Reported				Acquisition	Pro Forma
	Broadcasting	Publishing	Paging	Total	Adjustment	Total
	(in thousands)					
Operating income	\$ 9,119	\$ 2,366	\$ 426	\$ 11,911	\$ 10,306	\$ 22,217
Adjustments to reconcile to Media Cash Flow by Segment:						
Add back:						
Amortization of program broadcast rights	1,383	0	0	1,383	1,784	3,167
Depreciation and amortization	2,956	404	272	3,632	1,861	5,493
Corporate and administrative expenses	812	299	58	1,169	1,203	2,372
Common Stock contributed to 401(k) Plan	130	43	7	180	0	180
Less:						
Payments for program broadcast rights	(1,432)	0	0	(1,432)	(2,185)	(3,617)
Media Cash Flow by Segment	<u>\$ 12,968</u>	<u>\$ 3,112</u>	<u>\$ 763</u>	<u>\$ 16,843</u>	<u>\$ 12,969</u>	<u>\$ 29,812</u>

	Nine Months Ended September 30, 2002					
	As Reported				Acquisition	Pro Forma
	Broadcasting	Publishing	Paging	Total	Adjustment	Total
	(in thousands)					
Operating income	\$ 24,665	\$ 6,751	\$ 1,102	\$ 32,518	\$ 27,417	\$ 59,935
Adjustments to reconcile to Media Cash Flow by Segment:						
Add back:						
Amortization of program broadcast rights	4,044	0	0	4,044	5,370	9,414
Depreciation and amortization	8,992	1,256	817	11,065	5,584	16,649
Corporate and administrative expenses	2,261	858	166	3,285	3,019	6,304
Common Stock contributed to 401(k) Plan	394	126	26	546	0	546
Less:						
Payments for program broadcast rights	(4,095)	0	0	(4,095)	(6,277)	(10,372)
Media Cash Flow by Segment	<u>\$ 36,261</u>	<u>\$ 8,991</u>	<u>\$ 2,111</u>	<u>\$ 47,363</u>	<u>\$ 35,113</u>	<u>\$ 82,476</u>