

## Gray Television, Inc.

### Non-GAAP Measures

The terms Media Cash Flow, Operating Cash Flow and Free Cash Flow are non-GAAP measures which the Company believes are commonly used in the broadcast industry as measures of operating performance, valuation and a company's ability to service debt. These terms are defined below. Media Cash Flow, Operating Cash Flow and Free Cash Flow should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. The Company considers income from operations, a GAAP performance measure, contained in the statement of operations and net cash provided by operating activities, a GAAP liquidity measure, contained in the statement of cash flows to be the most comparable GAAP measures. Accordingly, the Company has provided a reconciliation of Media Cash Flow, Operating Cash Flow and Free Cash Flow to operating income and net cash provided by operating activities.

Media Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), loss on early extinguishment of debt, non-cash compensation and corporate overhead, less payments for program broadcast obligations.

Operating Cash Flow is defined as Media Cash Flow less corporate overhead.

Free Cash Flow is defined as Operating Cash Flow less:

1. interest expense, excluding non-cash amortization of bond discounts and deferred financing costs;
2. dividends;
3. cash capital expenditures and
4. cash paid for taxes, net of refunds.

**Gray Television, Inc.**  
**Reconciliation of As Reported Net Cash Provided by Operating Activities to As Adjusted Operating**  
**Cash Flow**  
**(in thousands)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2003</b>	<b>2002</b>
Net cash provided by operating activities	\$ 22,989	\$ 266
Adjustments to reconcile net cash provided by operating activities to net income (loss):		
Depreciation	(5,190)	(3,627)
Amortization of intangible assets	(1,862)	(106)
Amortization of deferred loan costs	(426)	(353)
Amortization of bond discount	(36)	(36)
Amortization of directors' restricted stock award	(21)	-0-
Amortization of program broadcast rights	(2,693)	(1,321)
Write-off loan acquisition costs from early extinguishment of debt	-0-	(3,030)
Payments for program broadcast rights	2,404	1,321
Supplemental employee benefits	18	23
Common Stock contributed to 401(k) Plan	(868)	(194)
Deferred income taxes	(374)	3,560
Appreciation in value of derivatives, net	-0-	389
Intangible adjustment, net	-0-	(30,592)
Gain (loss) on asset sales	(13)	16
Changes in operating assets and liabilities:		
Receivables, inventories and other current assets	(9,172)	(3,904)
Accounts payable and other current liabilities	<u>(4,585)</u>	<u>(457)</u>
Net income (loss)	171	(38,045)
Adjustments to reconcile net income (loss) to operating income:		
Appreciation in value of derivatives, net	-0-	(389)
Miscellaneous income, net	(65)	(38)
Interest expense	11,270	8,965
Loss on early extinguishment of debt	-0-	11,275
Federal and state income tax expense (benefit)	289	(4,003)
Cumulative effect of accounting change, net of income tax benefit of \$8,873	<u>-0-</u>	<u>30,592</u>
Operating income	11,665	8,357
Adjustments to reconcile operating income to Media Cash Flow:		
Amortization of program broadcast rights	2,693	1,321
Depreciation and amortization of intangible assets	7,052	3,733
Corporate and administrative expenses	2,136	1,000
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	798	184
Payments for program broadcast rights	<u>(2,404)</u>	<u>(1,321)</u>
Media Cash Flow	21,940	13,274
Adjustments to reconcile Media Cash Flow to Operating Cash Flow:		
Corporate and administrative expenses	<u>(2,136)</u>	<u>(1,000)</u>
Operating Cash Flow (as reported)	19,804	12,274
Adjustments to reconcile As Reported Operating Cash Flow to Adjusted Operating Cash Flow:		
2002 Acquisitions	<u>-0-</u>	<u>8,018</u>
Operating Cash Flow (as adjusted)	<u>\$ 19,804</u>	<u>\$ 20,292</u>

**Gray Television, Inc.**  
**Reconciliation of As Reported Operating Cash Flow to As Reported Free Cash Flow**  
**(in thousands)**

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b><u>2003</u></b>	<b><u>2002</u></b>
Operating Cash Flow (as reported)	\$ 19,804	\$ 12,274
Adjustments to reconcile Operating Cash Flow (as reported) to Free Cash Flow:		
Interest expense excluding non-cash amortization bond discounts and financing costs	(10,845)	(8,612)
Common and preferred cash dividends	(1,807)	(467)
Capital expenditures	(3,730)	(5,244)
Cash paid for income taxes, net of refunds received	<u>(1,006)</u>	<u>(10)</u>
Free Cash Flow (as reported)	<u>\$ 2,416</u>	<u>\$ (2,059)</u>