

NEWS RELEASE

Gray Reports Operating Results for the Year and Quarter Ended December 31, 2000

Atlanta, Georgia – February 1, 2001 . . . Gray Communications Systems, Inc. (NYSE: GCS.B and GCS) today announced that revenues increased 8% to \$47.3 million for the quarter ended December 31, 2000 from \$44.0 million for the same quarter of the prior year. Media Cash Flow increased 12%, to \$18.9 million for the quarter ended December 31, 2000 from \$16.8 million for the same quarter of the prior year. Gray reported a net loss available to common stockholders of \$113,000 for the fourth quarter of 2000 compared to a net loss available to common stockholders of \$2.0 million for the fourth quarter of 1999.

For the year ended December 31, 2000, revenues increased 19% to \$171.2 million from \$144.0 million for the same period of the prior year. For the year ended December 31, 2000, Media Cash Flow increased 30%, to \$66.2 million from \$50.9 million for the same period of the prior year. Gray reported a net loss available to common stockholders of \$7.2 million for the year ended December 31, 2000 compared to a net loss available to common stockholders of \$7.3 million for the same period of the prior year.

On a pro forma basis for the year ended December 31, 2000, revenues increased 6% to \$171.2 million from \$162.0 million for the same period of the prior year. Pro forma Media Cash Flow for the year ended December 31, 2000 increased 13% to \$66.2 million from \$58.4 million for the same period of the prior year.

Gray generated increased revenue and Media Cash Flow from improved operating results at its existing operations and from its acquired properties. Gray acquired KWTX-TV, KBTX-TV and KXII-TV on October 1, 1999 and The Goshen News on March 1, 1999.

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Gray Communications Systems, Inc.
Financial Highlights
(in thousands, except per share data)

| | Three Months Ended December 31, | | |
|---|---------------------------------|------------|----------|
| | Historical | | |
| | 2000 | 1999 | % Change |
| OPERATING REVENUES | | | |
| Broadcasting | \$ 34,093 | \$ 31,155 | 9 % |
| Publishing | 10,981 | 10,564 | 4 % |
| Paging | 2,233 | 2,283 | (2)% |
| TOTAL OPERATING REVENUES | 47,307 | 44,002 | 8 % |
| EXPENSES | | | |
| Broadcasting | 18,537 | 18,142 | 2 % |
| Publishing | 8,227 | 7,812 | 5 % |
| Paging | 1,757 | 1,746 | 1 % |
| Corporate and administrative | 953 | 891 | 7 % |
| Depreciation and amortization | 7,880 | 7,635 | 3 % |
| TOTAL EXPENSES | 37,354 | 36,226 | 3 % |
| | 9,953 | 7,776 | 28 % |
| Miscellaneous income (expense), net | 618 | (224) | NA |
| | 10,571 | 7,552 | 40 % |
| Interest expense | 10,048 | 10,130 | (1)% |
| INCOME (LOSS) BEFORE INCOME TAXES | 523 | (2,578) | NA |
| Income tax expense (benefit) | 382 | (871) | NA |
| NET INCOME (LOSS) | 141 | (1,707) | NA |
| Preferred dividends | 254 | 252 | 1 % |
| NET LOSS AVAILABLE TO COMMON STOCKHOLDERS | \$ (113) | \$ (1,959) | (94)% |
| Media Cash Flow**: | | | |
| Broadcasting | \$ 15,647 | \$ 13,491 | 16 % |
| Publishing | 2,790 | 2,786 | 0 % |
| Paging | 483 | 543 | (11)% |
| Consolidated | \$ 18,920 | \$ 16,820 | 12 % |
| Media Cash Flow*** margins: | | | |
| Broadcasting | 46 % | 43 % | |
| Publishing | 25 % | 26 % | |
| Paging | 22 % | 24 % | |
| Consolidated | 40 % | 38 % | |
| Loss per share available to common stockholders: | | | |
| Basic and diluted | \$ (0.01) | \$ (0.13) | |
| Weighted average shares outstanding: | | | |
| Basic and diluted | 15,525 | 15,423 | 1 % |

Gray Communications Systems, Inc.
Financial Highlights
(in thousands, except per share data)

| | Year Ended December 31, | | | | | |
|---|-------------------------|-------------------|-------------|-------------------|--------------------|--------------|
| | Historical | | | Pro Forma* | | |
| | 2000 | 1999 | % Change | 2000 | 1999 | % Change |
| OPERATING REVENUES | | | | | | |
| Broadcasting | \$ 120,640 | \$ 97,015 | 24 % | \$ 120,640 | \$ 114,418 | 5 % |
| Publishing | 41,499 | 37,808 | 10 % | 41,499 | 38,489 | 8 % |
| Paging | 9,074 | 9,130 | (1)% | 9,074 | 9,130 | (1)% |
| TOTAL OPERATING REVENUES | 171,213 | 143,953 | 19 % | 171,213 | 162,037 | 6 % |
| EXPENSES | | | | | | |
| Broadcasting | 67,770 | 58,661 | 16 % | 67,770 | 68,558 | (1)% |
| Publishing | 31,408 | 28,782 | 9 % | 31,408 | 29,368 | 7 % |
| Paging | 6,136 | 6,551 | (6)% | 6,136 | 6,551 | (6)% |
| Corporate and administrative | 3,594 | 3,448 | 4 % | 3,594 | 3,448 | 4 % |
| Depreciation and amortization | 31,207 | 24,451 | 28 % | 31,207 | 30,482 | 2 % |
| TOTAL EXPENSES | 140,115 | 121,893 | 15 % | 140,115 | 138,407 | 1 % |
| Miscellaneous income, net | 31,098 | 22,060 | 41 % | 31,098 | 23,630 | 32 % |
| | 780 | 336 | 132 % | 780 | 350 | 123 % |
| Interest expense | 31,878 | 22,396 | 42 % | 31,878 | 23,980 | 33 % |
| | 39,957 | 31,021 | 29 % | 39,957 | 38,861 | 3 % |
| LOSS BEFORE INCOME TAXES | (8,079) | (8,625) | (6)% | (8,079) | (14,881) | (46)% |
| Income tax benefit | (1,867) | (2,310) | (19)% | (1,867) | (4,437) | (58)% |
| NET LOSS | (6,212) | (6,315) | (2)% | (6,212) | (10,444) | (41)% |
| Preferred dividends | 1,012 | 1,010 | 0 % | 1,012 | 1,010 | 0 % |
| NET LOSS AVAILABLE TO COMMON STOCKHOLDERS | \$ (7,224) | \$ (7,325) | (1)% | \$ (7,224) | \$ (11,454) | (37)% |
| Media Cash Flow**: | | | | | | |
| Broadcasting | \$ 53,053 | \$ 39,207 | 35 % | \$ 53,053 | \$ 46,591 | 14 % |
| Publishing | 10,227 | 9,130 | 12 % | 10,227 | 9,226 | 11 % |
| Paging | 2,967 | 2,607 | 14 % | 2,967 | 2,607 | 14 % |
| Consolidated | \$ 66,247 | \$ 50,944 | 30 % | \$ 66,247 | \$ 58,424 | 13 % |
| Media Cash Flow** margins: | | | | | | |
| Broadcasting | 44 % | 40 % | | 44 % | 41 % | |
| Publishing | 25 % | 24 % | | 25 % | 24 % | |
| Paging | 33 % | 29 % | | 33 % | 29 % | |
| Consolidated | 39 % | 35 % | | 39 % | 36 % | |
| Loss per share available to common stockholders: | | | | | | |
| Basic and diluted | \$ (0.47) | \$ (0.57) | | \$ (0.47) | \$ (0.74) | |
| Weighted average shares outstanding: | | | | | | |
| Basic and diluted | 15,497 | 12,838 | 21 % | 15,497 | 15,415 | 1 % |

The following tables exclude political revenue from Gray's historical and pro forma financial information. These tables present certain financial results of Gray without the impact of cyclical political revenue.

Gray Communications Systems, Inc.
Financial Highlights Excluding Political Revenue
(in thousands)

| | Three Months Ended December 31, | | |
|--|---|------------------|----------|
| | Historical (Excluding Political Revenues) | | |
| | 2000 | 1999 | % Change |
| OPERATING REVENUES - excluding political revenue | | | |
| Broadcasting - excluding political revenue | \$ 28,787 | \$ 30,757 | (6)% |
| Publishing | 10,981 | 10,564 | 4 % |
| Paging | 2,233 | 2,283 | (2)% |
| TOTAL OPERATING REVENUES - excluding political revenue | <u>\$ 42,001</u> | <u>\$ 43,604</u> | (4)% |

| | | | |
|---|------------------|------------------|-------|
| Media Cash Flow** - excluding political revenue | | | |
| Broadcasting - excluding political revenue | \$ 10,341 | \$ 13,093 | (21)% |
| Publishing | 2,790 | 2,786 | 0 % |
| Paging | 483 | 543 | (11)% |
| Consolidated - excluding political revenue | <u>\$ 13,614</u> | <u>\$ 16,422</u> | (17)% |

| | | |
|--|------|------|
| Media Cash Flow** margins: - excluding political revenue | | |
| Broadcasting - excluding political revenue | 36 % | 43 % |
| Publishing | 25 % | 26 % |
| Paging | 22 % | 24 % |
| Consolidated - excluding political revenue | 32 % | 38 % |

| | Year Ended December 31, | | | | | |
|--|---|-------------------|----------|---|-------------------|----------|
| | Historical (Excluding Political Revenues) | | | Pro Forma* (Excluding Political Revenues) | | |
| | 2000 | 1999 | % Change | 2000 | 1999 | % Change |
| OPERATING REVENUES - excluding political revenue | | | | | | |
| Broadcasting - excluding political revenue | \$ 111,619 | \$ 96,392 | 16 % | \$ 111,619 | \$ 113,785 | (2)% |
| Publishing | 41,499 | 37,808 | 10 % | 41,499 | 38,489 | 8 % |
| Paging | 9,074 | 9,130 | (1)% | 9,074 | 9,130 | (1)% |
| TOTAL OPERATING REVENUES - excluding political revenue | <u>\$ 162,192</u> | <u>\$ 143,330</u> | 13 % | <u>\$ 162,192</u> | <u>\$ 161,404</u> | 0 % |

| | | | | | | |
|---|------------------|------------------|------|------------------|------------------|------|
| Media Cash Flow** - excluding political revenue | | | | | | |
| Broadcasting - excluding political revenue | \$ 44,032 | \$ 38,584 | 14 % | \$ 44,032 | \$ 45,958 | (4)% |
| Publishing | 10,227 | 9,130 | 12 % | 10,227 | 9,226 | 11 % |
| Paging | 2,967 | 2,607 | 14 % | 2,967 | 2,607 | 14 % |
| Consolidated - excluding political revenue | <u>\$ 57,226</u> | <u>\$ 50,321</u> | 14 % | <u>\$ 57,226</u> | <u>\$ 57,791</u> | (1)% |

| | | | | |
|--|------|------|------|------|
| Media Cash Flow** margins: - excluding political revenue | | | | |
| Broadcasting - excluding political revenue | 39 % | 40 % | 39 % | 40 % |
| Publishing | 25 % | 24 % | 25 % | 24 % |
| Paging | 33 % | 29 % | 33 % | 29 % |
| Consolidated - excluding political revenue | 35 % | 35 % | 35 % | 36 % |

Conference Call Information

Gray Communications Systems, Inc. will be hosting a conference call to discuss its fourth quarter operating results on Friday, February 2, 2001. The call will begin at 10:00 AM Eastern Time, and it will be available for replay via telephone until February 8, 2001. The live dial-in number is (800) 288-8960. The call will be webcast live at www.graycommunications.com in the Investor Relations Section. The taped replay will be available at (800) 475-6701 and the access code for the taped replay is 566409.

* Gray Communications Systems, Inc. (“Gray” or the “Company”) acquired the outstanding capital stock of KWTX Broadcasting Company operating KWTX-TV, Brazos Broadcasting Company operating KBTX-TV and the assets of KXII-TV on October 1, 1999. In addition, Gray acquired the assets of The Goshen News on March 1, 1999. The results of operations of these acquired businesses have been included in the Company’s historical financial statements since their respective acquisition dates. The pro forma results of operations of these acquired businesses have been included in the Company’s pro forma financial statements since the first day of the respective reporting period.

** Media Cash Flow is defined as operating income, plus depreciation, non-cash compensation, amortization (including amortization of program license rights), and corporate overhead, less payments for program license liabilities. The Company has included Media Cash Flow data because such data is commonly used as a measure of performance for media companies and is also used by investors to measure a company’s ability to service debt. Media Cash Flow is not, and should not, be used as an indicator or alternative to operating income, net income or cash flow as reflected in the Company’s consolidated financial statements. Media Cash Flow is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

Gray Communications Systems, Inc. is a communications company headquartered in Atlanta, Georgia, and operates ten CBS-affiliated television stations, three NBC-affiliated television stations, four daily newspapers, an advertising weekly shopper, a satellite uplink and production business and a paging business. Gray’s current operations are concentrated in the Southeast, Southwest and Midwest United States.