NEWS RELEASE

Gray Reports Operating Results for the Three Months Ended March 31, 2001

Atlanta, Georgia – May 14, 2001 . . . Gray Communications Systems, Inc. (NYSE: GCS and GCS.B) today announced its results for the three months ended March 31, 2001 and provided guidance for the quarter ending June 30, 2001 and full year ending December 31, 2001.

Summary Highlights ($ in thousands except per share amounts): **See further details on page 6.**

	As of and for the period ended March 31,		
	2001	**2000**	**Change**
Summary Selected Operating Data:			
Total Operating Revenues	$ 36,929	$ 38,888	(5)%
Political Revenues	$ 31	$ 524	
Total Media Cash Flow[1]	$ 11,475	$ 12,804	(10)%
Media Cash Flow[1] Margin	31%	33%	
Media Cash Flow Per Share[4]	$ 0.74	$ 0.83	
Net Loss Available to Common Stockholders	$ (5,182)	$ (4,101)	
Net Loss per Share-Basic and Diluted	$ (0.33)	$ (0.27)	
Weighted Average Shares Outstanding-Basic and Diluted	15,571	15,456	
Summary Selected Balance Sheet Data:			
Cash on Hand	$ 1,105	$ 1,826	
Total Debt	$367,846	$376,628	
Debt to Trailing 12 Month Operating Cash Flow[3]	5.99	6.88	

Comments on Results of First Quarter 2001 Compared to First Quarter 2000:

The operating results for the three months ended March 31, 2001 when compared to the quarter ended March 31, 2000 reflect a general slowdown in the placement of advertising in both broadcasting and publishing. The decline was broad based among major customers and across major advertising categories. Total revenues decreased 5%, or $2.0 million, to $36.9 million from $38.9 million. Media Cash Flow[1] declined 10%, or $1.3 million, to $11.5 million from $12.8 million reflecting the decline in operating revenue. Cost reduction initiatives first implemented during the second quarter of 2000 and continuing to date allowed total operating costs and expenses before depreciation and amortization to decline 2%, or $0.5 million, to $26.6 million from $27.1 million.

Broadcast revenues declined 6%, or $1.6 million, to $25.0 million from $26.7 million. The decline reflected a generally soft advertising market at each of Gray's television stations. The Company believes that its share of the television advertising expenditures earned in each of its markets remained relatively consistent between the two quarters. Local and national sales revenues declined 2% and 4%, respectively. In addition, in the first quarter of 2001, the Company had revenues from political advertising of only $31,000 compared to $524,000 during the first quarter of 2000. Also, network compensation declined approximately $291,000 for the three months ended March 31, 2001 compared to the three months ended March 31, 2000, primarily reflecting the terms of the new CBS affiliation agreements for the Company's three stations in Texas. These renewed affiliation agreements were effective January 1, 2001 and will expire December 31, 2005. Operating expenses, excluding depreciation and amortization, for the Broadcast segment declined 4%, or $608,000, to $16.3 million from $16.9 million. The reduced expenses primarily reflect on-going cost reduction initiatives the Company commenced in the second quarter of 2000. The Company has reduced its Broadcasting workforce by approximately 8%, or 89 positions (76 full-time and 13 part-time employees), since January 1, 2000. As of March 31, 2001, the Company employed approximately 854 full-time and 140 part-time employees in its Broadcast operations.

Publishing revenues declined 2%, or $181,000, to $9.7 million from $9.9 million for the three months ended March 31, 2001 compared to the three months ended March 31, 2000. Modest revenue declines were recorded at all of the Company's newspapers except *The Gwinnett Daily Post*, located in eastern suburban Atlanta. Revenues for that paper increased approximately 6%. The overall decline reflected a relatively soft advertising market in each paper's local service area. Aggregate classified and circulation revenues decreased 5% and 3%, respectively, while retail advertising increased 2%. The increase in retail advertising reflects the continuing growth of *The Gwinnett Daily Post* which recorded a 10% increase and the *Rockdale Citizen* which recorded a 7% increase over the first quarter 2000 results. Operating expenses for Publishing increased 3%, or $237,000, to $7.9 million from $7.7 million for the three months ended March 31, 2001 compared to March 31, 2000. The increase was primarily attributable to increased newsprint costs approximating $225,000. Aggregate non-newsprint operating costs were generally consistent with the first quarter of 2000 reflecting on-going cost reduction initiatives the Company commenced in the second quarter of 2000. The Company has reduced its Publishing workforce by approximately 9%, or 46 positions (27 full-time and 19 part-time employees), since January 1, 2000. As of March 31, 2001, the Company employed approximately 340 full-time and 109 part-time employees in its Publishing operations.

Paging revenues declined 7%, or $151,000, to $2.1 million from $2.3 million for the three months ended March 31, 2001 compared to the three months ended March 31, 2000. The decline reflected, in part, increasing competition for subscribers from alternate service providers including cellular phone providers. Continuing cost control efforts reduced operating costs by 5%.

During the three months ended March 31, 2001 the Company made $4.3 million of capital expenditures, of which approximately $3.7 million was accrued at March 31, 2001 and is payable in January 2002. Approximately $3.9 million of the capital expenditures in 2001 are related to the Company's on-going efforts to install digital television broadcast systems at its television stations.

Accounting for Hedging Activities:

On January 1, 2001, the Company adopted SFAS No. 133, "Accounting for Derivative Instruments and for Hedging Activities," as amended ("SFAS 133"). SFAS 133 provides a comprehensive standard for the recognition and measurement of derivatives and hedging activities. SFAS 133 requires all derivatives to be recorded on the balance sheet at fair value and establishes "special accounting" for the different types of hedges. Changes in the fair value of derivatives that do not meet the hedged criteria are included in earnings in the same period of the change.

In 1999, the Company entered into an interest rate swap agreement that is designated as a hedge against fluctuations in interest expense resulting from a portion of its variable rate debt. Due to the terms of the interest rate swap agreement, it does not qualify for hedge accounting under SFAS 133. As a result of the adoption of SFAS 133 and the general decrease in market interest rates during the quarter ended March 31, 2001, the Company recognized a non-cash derivative valuation expense of $785,442 during the current quarter.

Outlook:

With the adoption of Regulation FD by the Securities and Exchange Commission, the Company is providing this guidance to widely disseminate the Company's outlook for the second quarter and full year 2001. The guidance being provided is based on the economic and market conditions as of May 14, 2001. The Company can give no assurances as to how changes in those conditions may affect the current expectations. The Company assumes no obligation to update the guidance or expectations contained in this "Outlook" section. All matters discussed in this "Outlook" section are forward-looking and, as such, persons relying on this information should refer to the "Cautionary Statements for Purposes of the 'Safe Harbor' Provisions of the Private Securities Litigation Reform Act of 1995" section below.

Current Guidance on Second Quarter 2001

The Company currently anticipates that the general slowdown in the placement of broadcast and newspaper advertising will continue during the second quarter of 2001. However, based on preliminary sales information, the Company believes the relative performance of its Broadcast and Publishing businesses will improve slightly during the second quarter of 2001 compared to results for the first quarter of 2001. The Company cautions that revenue generation, especially in light of current general economic conditions, is subject to many factors beyond the control of the Company. The Company's primary revenue source is derived from broadcast advertising contracts which are generally placed with limited advance notice, are short-term and generally run for no more than a few weeks. Accordingly, the Company's ability to forecast future revenue is limited and actual results may vary substantially from current expectations.

Total revenue for the three months ending June 30, 2001 is currently expected to be approximately 3% to 5% below second quarter 2000 results. Broadcast revenue in the second quarter of 2001 is currently expected to be approximately 5% to 7% below results for the same quarter of 2000. This expected decline reflects, among other things, the reduced level of network compensation for the three television stations in Texas. In addition, during the second quarter of 2000 the Company earned $770,000 of revenue from political advertising. The Company does not anticipate earning any meaningful amount of revenue from political advertising during the second quarter of 2001. Publishing revenue is currently expected to be relatively stronger in the second quarter of 2001 and may be approximately consistent with or slightly above second quarter 2000 results. Such overall result is primarily premised on achieving currently anticipated revenue growth at the Company's two suburban Atlanta daily newspapers.

For the three months ending June 30, 2001, operating expenses, excluding depreciation and amortization, are currently expected to be relatively consistent with the results of the second quarter of 2000.

Current Guidance on Full Year 2001

Assuming that the general economy improves in the second half of 2001, the Company currently anticipates that the demand for broadcast and newspaper advertising will gradually improve as 2001 progresses and further believes the relative performance of its Broadcast and Publishing businesses will improve during the year as the result of such improved demand. The Company cautions that revenue generation, especially in light of current general economic conditions, is subject to many factors beyond the control of the Company. The Company's primary revenue source is derived from broadcast advertising contracts which are generally placed with limited advance notice, are short-term and generally run for no more than a few weeks. Accordingly, the Company's ability to forecast future revenue is limited and actual results may vary substantially from current expectations.

Total revenue for the year ending December 31, 2001 is currently expected to be approximately 2% to 5% below 2000 results. Broadcast revenue for 2001 is currently expected to be approximately 5% to 7% below results for 2000. This anticipated level of decline reflects among other things, the assumption that a general improvement in economic conditions will increase the demand for advertising time in the Company's television markets during the second half of this year. In addition, such expected decline reflects the reduced level of network compensation for the three television stations in Texas and the off year cycle of political advertising. During 2000 the Company earned $9.0 million of political advertising revenue while during 2001 the Company does not anticipate earning any meaningful amount of political advertising revenue. Publishing revenue is currently expected to slightly exceed 2000 results by approximately 2% to 3% with such overall growth primarily premised on achieving currently anticipated revenue growth at its two suburban Atlanta daily newspapers.

Total operating expenses, excluding depreciation and amortization, are currently expected to be relatively consistent with the results of 2000. Broadcast expenses, excluding depreciation and amortization, for 2001 may be approximately consistent with or slightly lower than the 2000 results while Publishing operating expenses for 2001 are expected to be approximately consistent with or slightly higher than the 2000 results, primarily reflecting higher newsprint prices. The generally favorable operating expense expectations reflect the Company's on-going expense reduction efforts.

The Company currently anticipates starting and/or completing several installations of digital television broadcast systems, including its Waco, Texas and Eau Claire, Wisconsin television stations, during the course of 2001. The Company currently intends to have all such required installations completed by May of 2002 but can give no assurance that such timetable will be achieved. The capital expenditures required to implement such digital television broadcast systems are currently estimated to approximate $12.5 million during 2001 and $10 million during 2002.

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

Selected operating data:	Three Months Ended March 31, 2001	2000	% Change
OPERATING REVENUES			
Broadcasting	$ 25,042	$ 26,669	(6)%
Publishing	9,740	9,921	(2)%
Paging	2,147	2,298	(7)%
TOTAL OPERATING REVENUES	36,929	38,888	(5)%
EXPENSES			
Broadcasting	16,308	16,916	(4)%
Publishing	7,902	7,665	3 %
Paging	1,436	1,504	(5)%
Corporate and administrative	944	1,028	(8)%
Depreciation and amortization	7,851	7,674	2 %
TOTAL EXPENSES	34,441	34,787	(1)%
	2,488	4,101	(39)%
Miscellaneous income, net	71	64	11 %
Derivative valuation income (expense), net	(786)	-0-	NA
	1,773	4,165	(57)%
Interest expense	9,251	9,725	(5)%
LOSS BEFORE INCOME TAXES	(7,478)	(5,560)	34 %
Income tax benefit	(2,450)	(1,712)	43 %
NET LOSS	(5,028)	(3,848)	31 %
Preferred dividends	154	253	(39)%
NET LOSS AVAILABLE TO COMMON STOCKHOLDERS	$ (5,182)	$ (4,101)	26 %
Basic and diluted per share information:			
Loss per share available to common stockholders	$ (0.33)	$ (0.27)	25 %
Weighted average shares outstanding	15,571	15,456	1 %
Political revenue	$ 31	$ 524	(94)%
Capital expenditures (for 2001, amount includes $3,626 not due until January 2002)	$ 4,326	$ 2,229	94 %
Media Cash Flow[(1)]:			
Broadcasting	$ 8,875	$ 9,710	(9)%
Publishing	1,877	2,292	(18)%
Paging	723	802	(10)%
Consolidated	$ 11,475	$ 12,804	(10)%
Media Cash Flow per weighted average share[(4)]	$ 0.74	$ 0.83	(11)%
Media Cash Flow[(1)] margins:			
Broadcasting	35 %	36 %	
Publishing	19 %	23 %	
Paging	34 %	35 %	
Consolidated	31 %	33 %	
Operating Cash Flow[(2)]	$ 10,531	$ 11,776	(11)%
Trailing 12 Month Operating Cash Flow[(3)]	$ 61,408	$ 54,703	12 %
Debt to Trailing 12 Month Operating Cash Flow[(3)]	$ 5.99	$ 6.88	

The following table excludes political advertising revenue from Gray's financial information.

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

	Three Months Ended March 31, (Excluding Political Advertising Revenue)		
	2001	2000	% Change
Operating revenues - excluding political advertising revenue			
Broadcasting - excluding political advertising revenue	$ 25,011	$ 26,145	(4)%
Publishing	9,740	9,921	(2)%
Paging	2,147	2,298	(7)%
Total operating revenues - excluding political advertising revenue	$ 36,898	$ 38,364	(4)%
Media Cash Flow(1) - excluding political advertising revenue			
Broadcasting - excluding political advertising revenue	$ 8,844	$ 9,186	(4)%
Publishing	1,877	2,292	(18)%
Paging	723	802	(10)%
Consolidated - excluding political advertising revenue	$ 11,444	$ 12,280	(7)%
Media Cash Flow(1) margins - excluding political advertising revenue			
Broadcasting - excluding political advertising revenue	35 %	35 %	
Publishing	19 %	23 %	
Paging	34 %	35 %	
Consolidated - excluding political advertising revenue	31 %	32 %	

The following table provides selected balance sheet information as of March 31, 2001 and 2000.

Gray Communications Systems, Inc.
Selected Balance Sheet Data
(in thousands)

	March 31,		
	2001	2000	% Change
Cash	$ 1,105	$ 1,826	(39)%
Total assets	$ 621,175	$ 646,354	(4)%
Long-term debt including current portion	$ 367,846	$ 376,628	(2)%
Preferred stock	$ 8,606	$ 13,500	(36)%
Total stockholders' equity	$ 151,241	$ 164,338	(8)%
Total liabilities	$ 469,935	$ 482,017	(3)%

For information contact:
Bob Prather
Executive Vice President – Acquisitions
(404) 266-8333

Jim Ryan
Vice President and Chief Financial Officer
(404) 504-9828

Web site: www.graycommunications.com

Notes:

(1) 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.

(2) Operating Cash Flow is defined as Media Cash Flow less corporate overhead.

(3) Trailing 12 Month Operating Cash Flow is the total of Operating Cash Flow for the 12 months then ended. Such amounts for 2000 incorporate pro forma results for the applicable period of 1999 giving effect to the Company's acquisitions during 1999 as if such acquisitions were completed as of January 1, 1999.

(4) Media Cash Flow Per Share is calculated by dividing Media Cash Flow by the weighted average number of shares outstanding used to calculate basic and diluted income (loss) per share.

The Company has included Media Cash Flow, Operating Cash Flow, Trailing 12 Month Operating Cash Flow and certain related calculations 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, Operating Cash Flow, Trailing 12 Month Operating Cash Flow and certain related calculations are 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, Operating Cash Flow, Trailing 12 Month Operating Cash Flow and certain related calculations are not measures 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.

Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act:

This press release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. When used herein, the words "believes," "expects," "anticipates," "estimates" and similar words and expressions are generally intended to identify forward-looking statements. Statements that describe the Company's future strategic plans, goals or objectives are also forward-looking statements. Readers of this press release are cautioned that any forward-looking statements, including those regarding the intent, belief or current expectations of the Company or management, are not guarantees of future performance, results or events and involve risks and uncertainties, and that actual results and events may differ materially from those in the forward-looking statements as a result of various factors including, but not limited to, (i) general economic conditions in the markets in which the Company operates, (ii) competitive pressures in the markets in which the Company operates, (iii) the effect of future legislation or regulatory changes on the Company's operations, (iv) high debt levels and (v) other factors described from time to time in the Company's filings with the Securities and Exchange Commission. The forward-looking statements included in this press release are made only as of the date hereof. The Company undertakes no obligation to update such forward-looking statements to reflect subsequent events or circumstances.

Gray Communications Systems, Inc. is a communications company headquartered in Atlanta, Georgia, and operates thirteen television stations (ten CBS and three NBC affiliated stations), four daily newspapers, a wireless messaging and paging business and a satellite uplink and production business. The Company's current operations are concentrated in the South, Southwest and Midwest U. S.