

Gray Television, Inc.

Certain Non-GAAP Measures Disclosures

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 industry 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.

Broadcast 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 business. 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 industry. The Company also believes the broadcast industry uses this measure to estimate the fair market value of the business by multiplying Broadcast Cash Flow by a multiple. Broadcast Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation, corporate overhead, loss on disposal of assets and payments received or due on network affiliation agreements, less payments for program broadcast obligations and network compensation recognized. Accordingly, the Company has provided a reconciliation of Broadcast Cash Flow to net income. The Company has also provided a reconciliation from Broadcast Cash Flow to operating income on a segment basis.

Adjusted Broadcast Cash Flow is a non-GAAP term the Company uses as a measure of performance. Adjusted Broadcast 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. Adjusted Broadcast Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation, loss on disposal of assets and payments received or due on network affiliation agreements, less payments for program broadcast obligations and network compensation recognized. Accordingly, the Company has provided a reconciliation of Adjusted Broadcast Cash Flow to net income.

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2005	2004	2005	2004
	(in thousands)		(in thousands)	
Net income (loss)	\$ (3,849)	\$ 14,804	\$ 3,362	\$ 44,285
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	2,867	4,242	11,505	11,662
Depreciation	7,132	5,498	24,456	21,955
Amortization of intangible assets	458	223	1,034	920
Amortization of restricted stock awards	97	189	391	512
(Gain) loss on disposals of assets, net	1,309	68	1,401	(496)
Miscellaneous (income) expense, net	150	(418)	(558)	(979)
Interest expense	13,002	10,621	46,549	41,972
Loss on early extinguishment of debt	1,773	0	6,543	0
Income tax expense	1,450	7,632	3,723	22,905
(Income) loss from discontinued operations	4,979	(1,932)	1,242	(7,768)
Amortization of program broadcast rights	2,959	2,822	11,577	11,137
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	476	998	1,912	2,177
Network compensation revenue recognized	(1,060)		(5,095)	
Network compensation per network affiliation agreement	1,935		8,031	
Payments for program broadcast rights	(2,880)	(2,891)	(11,452)	(11,055)
Broadcast Cash Flow	<u>\$ 30,798</u>	<u>\$ 41,856</u>	<u>\$104,621</u>	<u>\$137,227</u>

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

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	(in thousands)		(in thousands)	
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Network compensation revenue recognized	(1,060)	0	(5,095)	0
Network compensation per network affiliation agreement	1,935	0	8,031	0
Payments for program broadcast rights	(2,880)	(2,891)	(11,452)	(11,055)
Adjusted Broadcast Cash Flow	<u>\$ 27,931</u>	<u>\$ 37,614</u>	<u>\$ 93,116</u>	<u>\$ 125,565</u>