

## 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 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, 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 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. Adjusted Media 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 revenue recognized. Accordingly, the Company has provided a reconciliation of Adjusted Media Cash Flow to net income.

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Net income	\$ 3,393	\$ 12,197	\$ 5,468	\$ 17,700
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	4,082	2,163	6,728	4,536
Depreciation	5,888	5,870	11,702	11,672
Amortization of intangible assets	208	237	417	519
Amortization of restricted stock awards	98	94	196	189
(Gain) loss on disposals of assets, net	305	(626)	339	(622)
Miscellaneous (income) expense, net	(158)	(262)	(453)	(407)
Interest expense	11,312	10,474	22,425	20,935
Loss on early extinguishment of debt	4,770	0	4,770	
Income tax expense	2,218	7,875	3,563	11,429
Amortization of program broadcast rights	2,842	2,759	5,657	5,515
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	535	379	1,113	909
Network compensation revenue recognized	(1,407)		(3,050)	
Network compensation per network affiliation agreement	2,060		4,162	
Payments for program broadcast rights	(2,853)	(2,701)	(5,668)	(5,399)
Media Cash Flow	<u>\$ 33,293</u>	<u>\$ 38,459</u>	<u>\$ 57,369</u>	<u>\$ 66,976</u>

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

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Net income	\$ 3,393	\$ 12,197	\$ 5,468	\$ 17,700
Adjustments to reconcile to Media Cash Flow:				
Depreciation	5,888	5,870	11,702	11,672
Amortization of intangible assets	208	237	417	519
Amortization of restricted stock award	98	94	196	189
(Gain) loss on disposals of assets, net	305	(626)	339	(622)
Miscellaneous (income) expense, net	(158)	(262)	(453)	(407)
Interest expense	11,312	10,474	22,425	20,935
Loss on early extinguishment of debt	4,770	0	4,770	0
Income tax expense	2,218	7,875	3,563	11,429
Amortization of program broadcast rights	2,842	2,759	5,657	5,515
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	535	379	1,113	909
Network compensation revenue recognized	(1,407)	0	(3,050)	0
Network compensation per network affiliation agreement	2,060	0	4,162	0
Payments for program broadcast rights	(2,853)	(2,701)	(5,668)	(5,399)
Adjusted Media Cash Flow	<u>\$ 29,211</u>	<u>\$ 36,296</u>	<u>\$ 50,641</u>	<u>\$ 62,440</u>

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

	<b>Three Months Ended June 30, 2005</b>			
	<b>Broadcasting</b>	<b>Publishing</b>	<b>Paging</b>	<b>Total</b>
	<b>(in thousands)</b>			
Operating income (loss)	\$ 19,219	\$ 2,094	\$ 222	\$ 21,535
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	3,397	589	96	4,082
Amortization of program broadcast rights	2,842	0	0	2,842
Depreciation	5,448	290	150	5,888
Amortization of intangibles	208	0	0	208
Amortization of restricted stock award	82	14	2	98
Common Stock contributed to 401(k) Plan	461	64	10	535
(Gain) loss on disposals of assets, net	50	3	252	305
Network compensation per network affiliation agreement	2,060	0	0	2,060
Less:				
Network compensation revenue recognized	(1,407)	0	0	(1,407)
Payments for program broadcast rights	(2,853)	0	0	(2,853)
Media Cash Flow by Segment	<u>\$ 29,507</u>	<u>\$ 3,054</u>	<u>\$ 732</u>	<u>\$ 33,293</u>

	<b>Six Months Ended June 30, 2005</b>			
	<b>Broadcasting</b>	<b>Publishing</b>	<b>Paging</b>	<b>Total</b>
	<b>(in thousands)</b>			
Operating income	\$ 30,950	\$ 4,391	\$ 432	\$ 35,773
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	5,562	1,004	162	6,728
Amortization of program broadcast rights	5,657	0	0	5,657
Depreciation	10,843	541	318	11,702
Amortization of intangibles	417	0	0	417
Amortization of restricted stock award	162	29	5	196
Common Stock contributed to 401(k) Plan	968	127	18	1,113
(Gain) loss on disposals of assets, net	83	4	252	339
Network compensation per network affiliation agreement	4,162	0	0	4,162
Less:				
Network compensation revenue recognized	(3,050)	0	0	(3,050)
Payments for program broadcast rights	(5,668)	0	0	(5,668)
Media Cash Flow by Segment	<u>\$ 50,086</u>	<u>\$ 6,096</u>	<u>\$ 1,187</u>	<u>\$ 57,369</u>

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

	<b>Three Months Ended June 30, 2004</b>			
	<b>Broadcasting</b>	<b>Publishing</b>	<b>Paging</b>	<b>Total</b>
	<b>(in thousands)</b>			
Operating income	\$ 27,205	\$ 2,766	\$ 313	\$ 30,284
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	1,835	282	46	2,163
Amortization of program broadcast rights	2,759	0	0	2,759
Depreciation	5,429	243	198	5,870
Amortization of intangibles	232	0	5	237
Amortization of restricted stock award	77	14	3	94
Common Stock contributed to 401(k) Plan	323	49	7	379
(Gain) loss on disposals of assets, net	(599)	(23)	(4)	(626)
Less:				
Payments for program broadcast rights	(2,701)	0	0	(2,701)
Media Cash Flow by Segment	<u>\$ 34,560</u>	<u>\$ 3,331</u>	<u>\$ 568</u>	<u>\$ 38,459</u>

	<b>Six Months Ended June 30, 2004</b>			
	<b>Broadcasting</b>	<b>Publishing</b>	<b>Paging</b>	<b>Total</b>
	<b>(in thousands)</b>			
Operating income	\$ 44,092	\$ 5,015	\$ 550	\$ 49,657
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	3,815	617	104	4,536
Amortization of program broadcast rights	5,515	0	0	5,515
Depreciation	10,753	516	403	11,672
Amortization of intangibles	464	50	5	519
Amortization of restricted stock award	156	28	5	189
Common Stock contributed to 401(k) Plan	775	116	18	909
(Gain) loss on disposals of assets, net	(589)	(29)	(4)	(622)
Less:				
Payments for program broadcast rights	(5,399)	0	0	(5,399)
Media Cash Flow by Segment	<u>\$ 59,582</u>	<u>\$ 6,313</u>	<u>\$ 1,081</u>	<u>\$ 66,976</u>