

## 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 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>March 31,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(in thousands)</b>	
Net income	\$ 2,075	\$ 5,502
Adjustments to reconcile to Media Cash Flow:		
Corporate and administrative expenses	2,646	2,373
Depreciation	5,814	5,801
Amortization of intangible assets	209	283
Amortization of restricted stock awards	98	94
Loss on disposals of assets, net	34	4
Miscellaneous (income) expense, net	(295)	(143)
Interest expense	11,113	10,461
Income tax expense	1,345	3,554
Amortization of program broadcast rights	2,815	2,756
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	578	530
Network compensation revenue recognized	(1,643)	0
Network compensation per network affiliation agreement	2,102	0
Payments for program broadcast rights	(2,815)	(2,697)
Media Cash Flow	<u>\$ 24,076</u>	<u>\$ 28,518</u>

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

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2005</b>	<b>2004</b>
	<b>(in thousands)</b>	
Net income	\$ 2,075	\$ 5,502
Adjustments to reconcile to Media Cash Flow:		
Depreciation	5,814	5,801
Amortization of intangible assets	209	283
Amortization of restricted stock award	98	94
(Gain) loss on disposals of assets, net	34	4
Miscellaneous (income) expense, net	(295)	(143)
Interest expense	11,113	10,461
Income tax expense	1,345	3,554
Amortization of program broadcast rights	2,815	2,756
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	578	530
Network compensation revenue recognized	(1,643)	0
Network compensation per network affiliation agreement	2,102	0
Payments for program broadcast rights	(2,815)	(2,697)
Adjusted Media Cash Flow	<u>\$ 21,430</u>	<u>\$ 26,145</u>

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

	<b>Three Months Ended March 31, 2005</b>			
	<b>Broadcasting</b>	<b>Publishing</b>	<b>Paging</b>	<b>Total</b>
	<b>(in thousands)</b>			
Operating income (loss)	\$ 11,821	\$ 2,286	\$ 131	\$ 14,238
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	2,156	425	65	2,646
Amortization of program broadcast rights	2,815	0	0	2,815
Depreciation	5,395	250	169	5,814
Amortization of intangibles	209	0	0	209
Amortization of restricted stock award	80	16	2	98
Common Stock contributed to 401(k) Plan	504	64	10	578
(Gain) loss on disposals of assets, net	(46)	1	79	34
Network compensation per network affiliation agreement	2,102	0	0	2,102
Less:				
Payments for program broadcast rights	(2,815)	0	0	(2,815)
Network compensation revenue recognized	(1,643)	0	0	(1,643)
Media Cash Flow by Segment	<u>\$ 20,578</u>	<u>\$ 3,042</u>	<u>\$ 456</u>	<u>\$ 24,076</u>

	<b>Three Months Ended March 31, 2004</b>			
	<b>Broadcasting</b>	<b>Publishing</b>	<b>Paging</b>	<b>Total</b>
	<b>(in thousands)</b>			
Operating income	\$ 16,902	\$ 2,235	\$ 237	\$ 19,374
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	1,966	348	59	2,373
Amortization of program broadcast rights	2,756	0	0	2,756
Depreciation	5,323	273	205	5,801
Amortization of intangibles	233	50	0	283
Amortization of restricted stock award	78	14	2	94
Common Stock contributed to 401(k) Plan	452	67	11	530
(Gain) loss on disposals of assets, net	10	(6)	0	4
Less:				
Payments for program broadcast rights	(2,697)	0	0	(2,697)
Media Cash Flow by Segment	<u>\$ 25,023</u>	<u>\$ 2,981</u>	<u>\$ 514</u>	<u>\$ 28,518</u>