

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 and loss on disposal of assets, less payments for program broadcast obligations. 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

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 and loss on disposal of assets, less payments for program broadcast obligations. 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

	Three Months Ended		Twelve Months Ended	
	December 31,		December 31,	
	2004	2003	2004	2003
	(in thousands)			
Net income	\$ 14,804	\$ 1,265	\$ 44,285	\$ 14,024
Adjustments to reconcile to Media Cash Flow:				
Corporate and administrative expenses	4,242	2,367	11,662	8,460
Depreciation	5,896	5,787	23,656	21,715
Amortization of intangible assets	224	391	975	5,622
Amortization of restricted stock award	189	388	512	454
(Gain) loss on disposals of assets, net	154	1,075	(451)	1,155
Miscellaneous (income) expense, net	(418)	192	(1,016)	(20)
Interest expense	10,621	10,637	41,974	43,337
Federal and state income tax expense	8,922	9,146	27,964	17,337
Amortization of program broadcast rights	2,822	2,755	11,137	11,136
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,164	947	2,548	2,372
Payments for program broadcast rights	(2,891)	(2,710)	(11,055)	(10,967)
Media Cash Flow	<u>\$ 45,729</u>	<u>\$ 32,240</u>	<u>\$152,191</u>	<u>\$114,625</u>

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Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,164	947	2,548	2,372
Payments for program broadcast rights	(2,891)	(2,710)	(11,055)	(10,967)
Adjusted Media Cash Flow	<u>\$ 41,487</u>	<u>\$ 29,873</u>	<u>\$140,529</u>	<u>\$106,165</u>

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

	Three Months Ended December 31, 2004			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income (loss)	\$ 31,359	\$ 2,689	\$ (119)	\$ 33,929
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	3,631	537	74	4,242
Amortization of program broadcast rights	2,822	0	0	2,822
Depreciation	5,483	235	178	5,896
Amortization of intangibles	223	0	1	224
Amortization of restricted stock award	162	24	3	189
Common Stock contributed to 401(k) Plan	998	148	18	1,164
(Gain) loss on disposals of assets, net	68	84	2	154
Less:				
Payments for program broadcast rights	(2,891)	0	0	(2,891)
Media Cash Flow by Segment	<u>\$ 41,855</u>	<u>\$ 3,717</u>	<u>\$ 157</u>	<u>\$ 45,729</u>

	Twelve Months Ended December 31, 2004			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 102,321	\$ 10,162	\$ 724	\$ 113,207
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	9,869	1,552	241	11,662
Amortization of program broadcast rights	11,137	0	0	11,137
Depreciation	21,895	989	772	23,656
Amortization of intangibles	920	50	5	975
Amortization of restricted stock award	433	68	11	512
Common Stock contributed to 401(k) Plan	2,177	327	44	2,548
(Gain) loss on disposals of assets, net	(470)	21	(2)	(451)
Less:				
Payments for program broadcast rights	(11,055)	0	0	(11,055)
Media Cash Flow by Segment	<u>\$ 137,227</u>	<u>\$ 13,169</u>	<u>\$ 1,795</u>	<u>\$ 152,191</u>

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

	Three Months Ended December 31, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 18,264	\$ 2,792	\$ 184	\$ 21,240
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	1,960	348	59	2,367
Amortization of program broadcast rights	2,755	0	0	2,755
Depreciation	5,278	295	214	5,787
Amortization of intangibles	284	106	1	391
Amortization of restricted stock award	320	58	10	388
Common Stock contributed to 401(k) Plan	808	120	19	947
Loss on disposals of assets, net	1,009	56	10	1,075
Less:				
Payments for program broadcast rights	(2,710)	0	0	(2,710)
Media Cash Flow by Segment	<u>\$ 27,968</u>	<u>\$ 3,775</u>	<u>\$ 497</u>	<u>\$ 32,240</u>

	Twelve Months Ended December 31, 2003			
	Broadcasting	Publishing	Paging	Total
	(in thousands)			
Operating income	\$ 64,267	\$ 9,461	\$ 950	\$ 74,678
Adjustments to reconcile to Media Cash Flow by Segment:				
Add back:				
Corporate and administrative expenses	6,961	1,271	228	8,460
Amortization of program broadcast rights	11,136	0	0	11,136
Depreciation	19,613	1,146	956	21,715
Amortization of intangibles	5,196	425	1	5,622
Amortization of restricted stock award	374	68	12	454
Common Stock contributed to 401(k) Plan	2,001	318	53	2,372
Loss on disposals of assets, net	929	214	12	1,155
Less:				
Payments for program broadcast rights	(10,967)	0	0	(10,967)
Media Cash Flow by Segment	<u>\$ 99,510</u>	<u>\$ 12,903</u>	<u>\$ 2,212</u>	<u>\$ 114,625</u>