

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 corporate expense, depreciation and amortization (including amortization of program broadcast rights), loss on disposal of assets, and expense of common stock contributed to our 401(k) plan, less gain on disposal of assets, payments for program broadcast obligations and less network compensation revenue and network payments. The Company has provided a reconciliation of Broadcast Cash Flow to net income.

Broadcast Cash Flow Less Cash Corporate Expenses is a non-GAAP term the Company uses as a measure of performance. Broadcast Cash Flow Less Cash Corporate Expenses 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. Broadcast Cash Flow Less Cash Corporate Expenses is defined as Broadcast Cash Flow (as defined immediately above) less corporate expenses excluding depreciation, amortization, and non-cash stock based compensation.

Reconciliations:

Reconciliation of net income to the non-GAAP terms (dollars in thousands):

	As Reported		
	Three Months Ended June 30,		
	2012	2011	% Change
Net income	\$ 10,994	\$ 2,559	
Adjustments to reconcile from net income to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	5,716	6,638	
Amortization of intangible assets	18	34	
Non-cash stock based compensation	140	34	
Gain on disposals of assets, net	(547)	(831)	
Miscellaneous (income) expense, net	-	(3)	
Interest expense	15,126	15,343	
Income tax expense	6,926	1,129	
Amortization of program broadcast rights	2,719	3,581	
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	5	8	
Network compensation revenue recognized	(156)	(173)	
Network compensation per network affiliation agreement	-	(60)	
Payments for program broadcast rights	(2,801)	(4,944)	
Broadcast Cash Flow Less Cash Corporate Expenses	38,140	23,315	64 %
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	3,489	3,368	
Broadcast Cash Flow	\$ 41,629	\$ 26,683	56 %

	As Reported		
	Six Months Ended June 30,		
	2012	2011	% Change
Net income (loss)	\$ 14,365	\$ (524)	
Adjustments to reconcile from net income (loss) to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	11,607	13,636	
Amortization of intangible assets	37	68	
Non-cash stock based compensation	154	68	
Gain on disposals of assets, net	(482)	(844)	
Miscellaneous (income) expense, net	(2)	(3)	
Interest expense	30,289	31,343	
Income tax expense (benefit)	9,215	(282)	
Amortization of program broadcast rights	5,477	7,414	
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	12	16	
Network compensation revenue recognized	(313)	(351)	
Network compensation per network affiliation agreement	(60)	(120)	
Payments for program broadcast rights	(5,596)	(8,738)	
Broadcast Cash Flow Less Cash Corporate Expenses	64,703	41,683	55 %
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	6,581	6,372	
Broadcast Cash Flow	\$ 71,284	\$ 48,055	48 %