

Gray Television, Inc.

Certain Non-GAAP Measures Disclosures

From time to time, Gray supplements its financial results prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) by disclosing the non-GAAP financial measures Broadcast Cash Flow, Broadcast Cash Flow Less Cash Corporate Expenses and Free Cash Flow. These non-GAAP amounts are used by us to approximate the amount used to calculate a key financial performance covenant contained in our debt agreements.

Broadcast Cash Flow is defined as net income plus corporate and administrative expenses, loss from early extinguishment of debt, broadcast non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense, less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations and network compensation revenue.

Broadcast Cash Flow Less Cash Corporate Expense is defined as net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations and network compensation revenue.

Free Cash Flow is defined as net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense, pension expense less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations, network compensation revenue, contributions to pension plans, interest expense (net of amortization of deferred financing costs and amortization of original issue discount on our debt), capital expenditures (net of any insurance proceeds) and the payment of income taxes (net of any refunds received).

These non-GAAP terms are not defined in GAAP and our definitions may differ from, and therefore not be comparable to, similarly titled measures used by other companies, thereby limiting their usefulness. Such terms are used by management in addition to and in conjunction with results presented in accordance with GAAP and should be considered as supplements to, and not as substitutes for, net income and cash flows reported in accordance with GAAP.

Reconciliation:

Reconciliations of net income to the non-GAAP terms:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2014	2013	2014	2013
Net income	\$ 13,940	\$ 7,073	\$ 16,808	\$ 13,087
Adjustments to reconcile from net income to				
Broadcast Cash Flow Less Cash Corporate Expenses:				
Depreciation	8,228	6,024	21,598	17,762
Amortization of intangible assets	3,823	9	5,291	40
Non-cash stock based compensation	981	255	4,032	1,719
Loss (gain) on disposals of assets, net	6	49	385	(56)
Miscellaneous (income) expense, net	(11)	-	(14)	-
Interest expense	18,619	12,656	49,718	37,790
Loss from early extinguishment of debt	-	-	4,897	-
Income tax expense	8,608	4,491	10,343	9,715
Amortization of program broadcast rights	3,309	2,829	9,227	8,492
Common stock contributed to 401(k) plan				
excluding corporate 401(k) contributions	6	7	18	21
Network compensation revenue recognized	(122)	(156)	(343)	(470)
Payments for program broadcast rights	(3,502)	(2,849)	(11,194)	(8,549)
Corporate and administrative expenses excluding				
depreciation, amortization of intangible assets and				
non-cash stock based compensation	4,544	4,215	18,812	11,868
Broadcast Cash Flow	58,429	34,603	129,578	91,419
Corporate and administrative expenses excluding				
depreciation, amortization of intangible assets and				
non-cash stock based compensation	(4,544)	(4,215)	(18,812)	(11,868)
Broadcast Cash Flow Less Cash Corporate Expenses	53,885	30,388	110,766	79,551
Pension expense	1,518	2,156	4,611	6,464
Contributions to pension plans	(1,996)	(1,082)	(4,713)	(3,686)
Interest expense	(18,619)	(12,656)	(49,718)	(37,790)
Amortization of deferred financing costs	764	412	2,158	1,235
Amortization of original issue (premium) or discount on				
Notes	(215)	69	(647)	206
Purchase of property and equipment	(9,996)	(5,953)	(20,452)	(18,441)
Income taxes paid, net of refunds	(32)	(15)	(361)	(518)
Free Cash Flow	\$ 25,309	\$ 13,319	\$ 41,644	\$ 27,021