

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.

	Three Months Ended		Year Ended	
	December 31,		December 31,	
	2014	2013	2014	2013
Net income	\$ 31,253	\$ 5,201	\$ 48,061	\$ 18,288
Adjustments to reconcile from net income to				
Broadcast Cash Flow Less Cash Corporate Expenses:				
Depreciation	8,650	6,334	30,248	24,096
Amortization of intangible assets	3,006	296	8,297	336
Non-cash stock based compensation	980	255	5,012	1,974
Loss on disposals of assets, net	238	821	623	765
Miscellaneous income, net	(9)	-	(23)	-
Interest expense	19,195	14,655	68,913	52,445
Loss from early extinguishment of debt	189	-	5,086	-
Income tax expense	21,393	3,432	31,736	13,147
Amortization of program broadcast rights	3,644	2,875	12,871	11,367
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	7	7	25	28
Network compensation revenue recognized	(113)	(145)	(456)	(615)
Payments for program broadcast rights	(3,893)	(2,884)	(15,087)	(11,433)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	6,859	5,968	25,671	17,836
Broadcast Cash Flow	91,399	36,815	220,977	128,234
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	(6,859)	(5,968)	(25,671)	(17,836)
Broadcast Cash Flow Less Cash Corporate Expenses	84,540	30,847	195,306	110,398
Pension expense	1,515	2,162	6,126	8,626
Contributions to pension plans	(2,057)	(1,062)	(6,770)	(4,748)
Interest expense	(19,195)	(14,655)	(68,913)	(52,445)
Amortization of deferred financing costs	812	668	2,970	1,903
Amortization of original issue (premium) or discount on Notes	(216)	197	(863)	(9)
Purchase of property and equipment	(11,763)	(5,612)	(32,215)	(24,053)
Income taxes paid, net of refunds	(40)	(1)	(401)	(519)
Free Cash Flow	\$ 53,596	\$ 12,544	\$ 95,240	\$ 39,153