

# 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 net income (loss) plus corporate and administrative expense, depreciation and amortization (including amortization of intangible assets and program broadcast rights), loss on disposal of assets, miscellaneous expense, net, interest expense, income tax expense and, less gain on disposal of assets, payments for program broadcast obligations and network compensation revenue and network payments.

**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 our leverage ratio as defined in the Company’s senior credit facility. Broadcast Cash Flow Less Cash Corporate Expenses is defined as Broadcast Cash Flow (as defined immediately above) less corporate and administrative expenses excluding depreciation, amortization, and non-cash stock based compensation.

**Combined Historical Basis  
Three Months Ended**

**June 30,**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net income	\$ 12,110	\$ 38,542	\$ 7,256
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	8,754	8,388	8,012
Amortization of intangible assets	2,731	1,179	164
Non-cash stock-based compensation	1,009	980	1,328
Loss (gain) on disposals of assets, net	332	(29,055)	(68)
Miscellaneous income, net	(67)	(3)	705
Interest expense	18,587	18,808	19,024
Loss from early extinguishment of debt	-	4,897	-
Income tax expense	8,128	1,902	4,018
Amortization of program broadcast rights	3,553	3,005	2,826
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	7	6	7
Network compensation revenue recognized	-	(113)	(157)
Payments for program broadcast rights	(3,553)	(3,869)	(2,847)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	5,653	9,497	4,896
Other	-	306	(394)
<b>Broadcast Cash Flow</b>	<b>57,244</b>	<b>54,470</b>	<b>44,770</b>
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(5,653)	(9,497)	(4,896)
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>51,591</b>	<b>44,973</b>	<b>39,874</b>
Pension expense	1,789	1,521	2,154
Contributions to pension plans	(1,433)	(1,755)	(1,087)
Other	-	5,771	3,060
<b>Operating Cash Flow as defined in Senior Credit Agreement</b>	<b>51,947</b>	<b>50,510</b>	<b>44,001</b>
Interest expense	(18,587)	(18,808)	(19,024)
Amortization of deferred financing costs	798	702	412
Amortization of net original issue discount (premium) on 7 1/2% senior notes due 2020	(216)	(216)	69
Purchase of property and equipment	(5,547)	(6,654)	(6,670)
Income taxes paid, net of refunds	(1,007)	(13)	(422)
<b>Free Cash Flow</b>	<b>\$ 27,388</b>	<b>\$ 25,521</b>	<b>\$ 18,366</b>

**Combined Historical Basis  
Six Months Ended**

**June 30,**

	<b>2015</b>	<b>2014</b>	<b>2013</b>
Net income	\$ 17,705	\$ 16,382	\$ 9,035
Depreciation	17,552	16,500	15,907
Amortization of intangible assets	5,502	1,524	335
Non-cash stock-based compensation	2,002	3,051	1,464
Loss (gain) on disposals of assets, net	314	733	(75)
Miscellaneous income, net	(74)	310	1,429
Interest expense	37,117	37,582	37,524
Loss from early extinguishment of debt		4,897	-
Income tax expense	12,068	3,438	6,106
Amortization of program broadcast rights	7,160	5,918	6,591
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	13	12	14
Network compensation revenue recognized	-	(221)	(314)
Payments for program broadcast rights	(7,141)	(7,692)	(6,628)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	11,750	15,307	9,015
Other	-	(733)	(358)
<b>Broadcast Cash Flow</b>	<b>103,968</b>	<b>97,008</b>	<b>80,045</b>
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(11,750)	(15,307)	(9,015)
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>92,218</b>	<b>81,701</b>	<b>71,030</b>
Pension expense	4,190	3,328	4,308
Contributions to pension plans	(1,433)	(2,482)	(2,604)
Other	-	5,677	3,987
<b>Operating Cash Flow as defined in Senior Credit Agreement</b>	<b>94,975</b>	<b>88,224</b>	<b>76,721</b>
Interest expense	(37,117)	(37,617)	(37,524)
Amortization of deferred financing costs	1,597	1,394	823
Amortization of net original issue discount (premium) on 7 1/2% senior notes due 2020	(432)	(432)	138
Purchase of property and equipment	(8,396)	(9,475)	(14,129)
Income taxes paid, net of refunds	(1,248)	(44)	(503)
<b>Free Cash Flow</b>	<b>\$ 49,379</b>	<b>\$ 42,050</b>	<b>\$ 25,526</b>