

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 on As-Reported Basis – Quarter

Reconciliation of net income to the non-GAAP terms, in thousands

	Three Months Ended		
	September 30,		
	2016	2015	2014
	\$	\$	\$
Net (loss) income	(213)	6,609	13,940
Adjustments to reconcile from net (loss) income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	11,494	9,354	8,228
Amortization of intangible assets	4,235	3,213	3,823
Non-cash stock based compensation	1,271	1,009	981
Loss on disposal of assets, net	354	248	6
Miscellaneous income, net	(30)	(28)	(11)
Interest expense	27,926	18,645	18,619
Loss from early extinguishment of debt	31,987	-	-
Income tax expense	797	4,118	8,608
Amortization of program broadcast rights	4,817	3,677	3,309
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	7	6	6
Network compensation revenue recognized	-	-	(122)
Payments for program broadcast rights	(4,729)	(3,417)	(3,502)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	6,254	9,233	4,544
Broadcast Cash Flow	84,170	52,667	58,429
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	(6,254)	(9,233)	(4,544)
Broadcast Cash Flow Less Cash Corporate Expenses	77,916	43,434	53,885
Pension expense	40	-	1,518
Contributions to pension plans	(1,405)	(2,483)	(1,996)
Interest expense	(27,926)	(18,645)	(18,619)
Amortization of deferred financing costs	1,397	799	764
Amortization of original issue premium on senior notes	(194)	(215)	(215)
Purchase of property and equipment	(19,763)	(6,854)	(9,996)
Income taxes paid, net of refunds	(570)	(427)	(32)
Free Cash Flow	\$ 29,495	\$ 15,609	\$ 25,309

Reconciliation on As-Reported Basis – Year to Date

Reconciliation of net income to the non-GAAP terms, in thousands

	Nine Months Ended		
	September 30,		
	2016	2015	2014
Net income	\$ 26,439	\$ 24,314	\$ 16,808
Adjustments to reconcile from net income to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	34,237	26,906	21,598
Amortization of intangible assets	12,365	8,715	5,291
Non-cash stock based compensation	3,827	3,011	4,032
Loss (gain) on disposal of assets, net	(66)	562	385
Miscellaneous income, net	(739)	(102)	(14)
Interest expense	73,470	55,762	49,718
Loss from early extinguishment of debt	31,987	-	4,897
Income tax expense	19,109	16,186	10,343
Amortization of program broadcast rights	14,026	10,837	9,227
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	21	19	18
Network compensation revenue recognized	-	-	(343)
Payments for program broadcast rights	(13,859)	(10,558)	(11,194)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	28,515	20,983	18,812
Broadcast Cash Flow	\$ 229,332	\$ 156,635	\$ 129,578
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	(28,515)	(20,983)	(18,812)
Broadcast Cash Flow Less Cash Corporate Expenses	\$ 200,817	\$ 135,652	\$ 110,766
Pension expense	120	4,190	4,611
Contributions to pension plans	(3,038)	(3,916)	(4,713)
Interest expense	(73,470)	(55,762)	(49,718)
Amortization of deferred financing costs	3,664	2,396	2,158
Amortization of original issue premium on senior notes	(626)	(647)	(647)
Purchase of property and equipment	(33,238)	(15,250)	(20,452)
Income taxes paid, net of refunds	(14,589)	(1,675)	(361)
Free Cash Flow	\$ 79,640	\$ 64,988	\$ 41,644

Reconciliation on Combined Historical Basis – Quarter

Reconciliation of net income to the non-GAAP terms, in thousands

	Nine Months Ended		
	September 30,		
	2016	2015	2014
Net income	\$ 26,439	\$ 24,314	\$ 16,808
Adjustments to reconcile from net income to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	34,237	26,906	21,598
Amortization of intangible assets	12,365	8,715	5,291
Non-cash stock based compensation	3,827	3,011	4,032
Loss (gain) on disposal of assets, net	(66)	562	385
Miscellaneous income, net	(739)	(102)	(14)
Interest expense	73,470	55,762	49,718
Loss from early extinguishment of debt	31,987	-	4,897
Income tax expense	19,109	16,186	10,343
Amortization of program broadcast rights	14,026	10,837	9,227
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	21	19	18
Network compensation revenue recognized	-	-	(343)
Payments for program broadcast rights	(13,859)	(10,558)	(11,194)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	28,515	20,983	18,812
Broadcast Cash Flow	\$ 229,332	\$ 156,635	\$ 129,578
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	(28,515)	(20,983)	(18,812)
Broadcast Cash Flow Less Cash Corporate Expenses	\$ 200,817	\$ 135,652	\$ 110,766
Pension expense	120	4,190	4,611
Contributions to pension plans	(3,038)	(3,916)	(4,713)
Interest expense	(73,470)	(55,762)	(49,718)
Amortization of deferred financing costs	3,664	2,396	2,158
Amortization of original issue premium on senior notes	(626)	(647)	(647)
Purchase of property and equipment	(33,238)	(15,250)	(20,452)
Income taxes paid, net of refunds	(14,589)	(1,675)	(361)
Free Cash Flow	\$ 79,640	\$ 64,988	\$ 41,644

Reconciliation on Combined Historical Basis – Year to Date

Reconciliation of net income to the non-GAAP terms, in thousands

	Three Months Ended		
	September 30,		
	2016	2015	2014
Net (loss) income	\$ (97)	\$ 10,607	\$ 21,702
Adjustments to reconcile from (loss) net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	11,493	12,022	11,862
Amortization of intangible assets	4,235	5,022	5,540
Non-cash stock-based compensation	1,271	1,009	981
Loss on disposal of assets, net	354	655	783
Miscellaneous expense (income), net	(29)	204	3,193
Interest expense	27,727	23,483	25,393
Loss from early extinguishment of debt	31,987	-	-
Income tax expense	868	598	7,372
Amortization of program broadcast rights	4,817	3,677	3,345
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	7	6	6
Net work compensation revenue recognized	-	-	(122)
Payments for program broadcast rights	(4,729)	(3,417)	(3,517)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	6,254	9,233	4,544
Other	12	4,734	4,370
Broadcast Cash Flow	84,170	67,833	85,452
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	(6,254)	(9,233)	(4,544)
Broadcast Cash Flow Less Cash Corporate Expenses	77,916	58,600	80,908
Pension expense	40	-	1,519
Contributions to pension plans	(1,405)	(2,483)	(1,996)
Other	389	4,467	505
Operating Cash Flow as defined in Senior Credit Agreement	76,940	60,584	80,936
Interest expense	(27,727)	(23,483)	(25,393)
Amortization of deferred financing costs	1,397	799	764
Amortization of net original issue premium on senior notes	(194)	(215)	(215)
Purchase of property and equipment	(19,763)	(13,750)	(8,750)
Income taxes paid, net of refunds	(570)	(1,250)	(1,250)
Free Cash Flow	\$ 30,083	\$ 22,685	\$ 46,092

Reconciliation of Total Leverage Ratio, Net of All Cash

Reconciliation of net income to the non-GAAP terms, in thousands

Combined Historical Basis Operating Cash Flow as defined in the Senior Credit Agreement:	Eight Quarters Ended September 30, 2016
Net income	\$ 126,624
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:	
Depreciation	91,220
Amortization of intangible assets	36,846
Non-cash stock-based compensation	8,828
(Gain) loss on disposals of assets, net	1,032
Miscellaneous income, net	(4,225)
Interest expense	193,560
Loss from early extinguishment of debt	32,176
Income tax expense	62,621
Amortization of program broadcast rights	32,655
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	54
Network compensation revenue recognized	(113)
Payments for program broadcast rights	(32,349)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	66,598
Other	29,450
Broadcast Cash Flow	644,977
Corporate and administrative expenses before depreciation, amortization depreciation, amortization of intangible assets and non-cash stock-based compensation	(66,598)
Broadcast Cash Flow Less Cash Corporate Expenses	578,379
Pension expense	5,842
Contributions to pension plans	(10,516)
Other	14,697
Operating Cash Flow as defined in Senior Credit Agreement	\$ 588,402
Operating Cash Flow as defined in Senior Credit Agreement, divided by two	\$ 294,201
	September 30, 2016
Adjusted Total Indebtedness:	
Long term debt	\$ 1,755,725
Capital leases and other debt	621
Total deferred financing costs, net	31,662
Premium on subordinated debt, net	(5,949)
Cash	(230,398)
Adjusted Total Indebtedness, Net of All Cash	\$ 1,551,661
Total Leverage Ratio, Net of All Cash	5.27