

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, Operating Cash Flow as defined in Gray’s Senior Credit Agreement (“Operating Cash Flow”), Free Cash Flow and Total Leverage Ratio, Net of All Cash. These non-GAAP amounts are used by us to approximate the amount used to calculate key financial performance covenants contained in our debt agreements and are used with our GAAP data to evaluate our results and liquidity. These non-GAAP amounts may be provided on an As-Reported Basis as well as a Combined Historical Basis.

We define Broadcast Cash Flow as net income plus loss from early extinguishment of debt, corporate and administrative expenses, 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.

We define Broadcast Cash Flow Less Cash Corporate Expenses 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, and 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.

We define Operating Cash Flow as Combined Historical Basis 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 and pension expenses less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations, network compensation revenue and cash contributions to pension plans.

We define Free Cash Flow 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, amortization of deferred financing costs, any income tax expense, non-cash 401(k) expense and 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, 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).

Our Total Leverage Ratio, Net of All Cash is calculated as our Operating Cash Flow for the preceding eight quarters, divided by two, which is then divided by our long term debt, excluding net premiums and net deferred financing costs, but including any other debt, net of all cash.

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		
	December 31,		
	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net income	\$ 35,834	\$ 14,987	\$ 31,253
Adjustments to reconcile from net income to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	11,686	9,806	8,650
Amortization of intangible assets	4,231	3,267	3,006
Non-cash stock based compensation	1,274	1,009	980
Loss (gain) on disposal of assets, net	395	(482)	238
Miscellaneous income, net	(36)	(1)	(9)
Interest expense	23,766	18,649	19,195
Loss from early extinguishment of debt	-	-	189
Income tax expense	24,309	10,262	21,393
Amortization of program broadcast rights	4,975	4,123	3,644
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	8	7	7
Network compensation revenue recognized	-	-	(113)
Payments for program broadcast rights	(4,927)	(4,018)	(3,893)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	7,954	10,240	6,859
Broadcast Cash Flow	109,469	67,849	91,399
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	(7,954)	(10,240)	(6,859)
Broadcast Cash Flow Less Cash Corporate Expenses	101,515	57,609	84,540
Pension expense	45	17	1,515
Contributions to pension plans	(10)	(1,505)	(2,057)
Interest expense	(23,766)	(18,649)	(19,195)
Amortization of deferred financing costs	1,220	798	812
Net amortization of original issue (premium) discount on senior notes	(153)	(216)	(216)
Purchase of property and equipment	(10,366)	(8,972)	(11,763)
Income taxes received (paid), net of refunds	1	(86)	(40)
Free Cash Flow	\$ 68,486	\$ 28,996	\$ 53,596

Reconciliation on As-Reported Basis – Year to Date

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

	Year Ended		
	December 31,		
	2016	2015	2014
Net income	\$ 62,273	\$ 39,301	\$ 48,061
Adjustments to reconcile from net income to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	45,923	36,712	30,248
Amortization of intangible assets	16,596	11,982	8,297
Non-cash stock based compensation	5,101	4,020	5,012
Loss on disposal of assets, net	329	80	623
Miscellaneous income, net	(775)	(103)	(23)
Interest expense	97,236	74,411	68,913
Loss from early extinguishment of debt	31,987	-	5,086
Income tax expense	43,418	26,448	31,736
Amortization of program broadcast rights	19,001	14,960	12,871
Common stock contributed to 401(k) plan			
excluding corporate 401(k) contributions	29	26	25
Network compensation revenue recognized	-	-	(456)
Payments for program broadcast rights	(18,786)	(14,576)	(15,087)
Corporate and administrative expenses excluding			
depreciation, amortization of intangible assets and			
non-cash stock based compensation	36,469	31,223	25,671
Broadcast Cash Flow	338,801	224,484	220,977
Corporate and administrative expenses excluding			
depreciation, amortization of intangible assets and			
non-cash stock based compensation	(36,469)	(31,223)	(25,671)
Broadcast Cash Flow Less Cash Corporate Expenses	302,332	193,261	195,306
Pension expense	165	4,207	6,126
Contributions to pension plans	(3,048)	(5,421)	(6,770)
Interest expense	(97,236)	(74,411)	(68,913)
Amortization of deferred financing costs	4,884	3,194	2,970
Net amortization of original issue (premium) discount			
on senior notes	(779)	(863)	(863)
Purchase of property and equipment	(43,604)	(24,222)	(32,215)
Income taxes paid, net of refunds	(14,588)	(1,761)	(401)
Free Cash Flow	\$148,126	\$ 93,984	\$ 95,240

Reconciliation on Combined Historical Basis – Quarter

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

	Three Months Ended		
	December 31,		
	2016	2015	2014
Net income	\$ 35,834	\$ 17,138	\$ 49,896
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	11,686	11,912	9,707
Amortization of intangible assets	4,231	4,983	4,812
Non-cash stock-based compensation	1,274	1,009	980
Loss (gain) on disposal of assets, net	395	(424)	126
Miscellaneous expense (income), net	(36)	(40)	(3,445)
Interest expense	23,766	23,364	24,290
Loss from early extinguishment of debt	-	-	189
Income tax expense	24,309	8,526	23,646
Amortization of program broadcast rights	4,975	4,123	3,669
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	8	7	7
Network compensation revenue recognized	-	-	(113)
Payments for program broadcast rights	(4,927)	(4,018)	(3,914)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	7,954	10,240	6,859
Other	28	3,672	5,366
Broadcast Cash Flow	109,497	80,492	122,075
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(7,954)	(10,240)	(6,859)
Broadcast Cash Flow Less Cash Corporate Expenses	101,543	70,252	115,216
Pension expense	45	17	1,515
Contributions to pension plans	(10)	(1,505)	(2,057)
Other	709	2,021	476
Operating Cash Flow as Defined in Senior Credit Facility	102,287	70,785	115,150
Interest expense	(23,766)	(23,364)	(24,290)
Amortization of deferred financing costs	1,220	798	812
Net amortization of original issue (premium) discount on senior notes	(153)	(215)	(217)
Purchase of property and equipment	(10,366)	(750)	(8,750)
Income taxes received (paid), net of refunds	1	(1,250)	(1,250)
Free Cash Flow	\$ 69,223	\$ 46,004	\$ 81,455

Reconciliation on Combined Historical Basis – Year to Date

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

	Year Ended		
	December 31,		
	2016	2015	2014
Net income	\$ 60,659	\$ 51,903	\$ 100,628
Adjustments to reconcile from net income to Broadcast Cash			
Flow Less Cash Corporate Expenses:			
Depreciation	46,668	46,531	43,503
Amortization of intangible assets	17,438	18,827	15,262
Non-cash stock-based compensation	5,101	4,020	5,012
Loss on disposal of assets, net	545	757	876
Miscellaneous expense (income), net	(806)	(9)	(279)
Interest expense	99,396	93,639	94,331
Loss from early extinguishment of debt	31,987	-	5,086
Income tax expense	43,304	19,980	32,495
Amortization of program broadcast rights	19,001	14,960	13,004
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	29	26	25
Network compensation revenue recognized	-	-	(456)
Payments for program broadcast rights	(18,786)	(14,576)	(15,153)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	36,470	31,223	25,671
Other	2,700	21,412	21,393
Broadcast Cash Flow	343,706	288,693	341,398
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(36,470)	(31,223)	(25,671)
Broadcast Cash Flow Less Cash Corporate Expenses	307,236	257,470	315,727
Pension expense	165	4,207	6,126
Contributions to pension plans	(3,048)	(5,421)	(6,770)
Other	8,442	6,488	6,176
Operating Cash Flow as Defined in Senior Credit Facility	312,795	262,744	321,259
Interest expense	(99,396)	(93,639)	(94,331)
Amortization of deferred financing costs	4,884	3,194	2,970
Net amortization of original issue (premium) discount on senior notes	(779)	(863)	(863)
Purchase of property and equipment	(43,604)	(27,000)	(35,000)
Income taxes paid, net of refunds	(14,588)	(5,000)	(5,000)
Free Cash Flow	\$ 159,312	\$ 139,436	\$ 189,035

Reconciliation of Total Leverage Ratio, Net of All Cash

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

	Eight Quarters Ended December 31, 2016
Combined Historical Basis Operating Cash Flow	
as defined in the Senior Credit Agreement:	
Net income	\$ 112,562
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:	
Depreciation	93,199
Amortization of intangible assets	36,265
Non-cash stock-based compensation	9,121
Loss on disposal of assets, net	1,302
Miscellaneous income, net	(815)
Interest expense	193,035
Loss from early extinguishment of debt	31,987
Income tax expense	63,284
Amortization of program broadcast rights	33,961
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	55
Payments for program broadcast rights	(33,362)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	67,693
Other	24,112
Broadcast Cash Flow	632,399
Corporate and administrative expenses before depreciation, amortization depreciation, amortization of intangible assets and non-cash stock-based compensation	(67,693)
Broadcast Cash Flow Less Cash Corporate Expenses	564,706
Pension expense	4,372
Contributions to pension plans	(8,469)
Other	14,930
Operating Cash Flow as defined in Senior Credit Agreement	\$ 575,539
Operating Cash Flow as defined in Senior Credit Agreement, divided by two	\$ 287,770
	December 31, 2016
Adjusted Total Indebtedness:	
Long term debt	\$ 1,756,747
Capital leases and other debt	680
Total deferred financing costs, net	30,488
Premium on subordinated debt, net	(5,797)
Cash	(325,189)
Adjusted Total Indebtedness, Net of All Cash	\$ 1,456,929

