



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. Auction proceeds receivable from the FCC Spectrum Auction of \$90.8 million were recorded on our balance sheet as of June 30, 2017 related to the disposal of two of our licenses in the FCC Spectrum Auction. These proceeds were received on August 7, 2017. The Total Leverage Ratio, Net of all Cash and Net of Auction Proceeds Receivable from FCC Spectrum Auction, reflects what our leverage ratio would have been if the proceeds from the FCC Spectrum Auction had been received on or prior to June 30, 2017.

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, in thousands – Quarter:

	Three Months Ended June 30,		
	2017	2016	2015
Net income	\$ 70,561	\$ 17,662	\$ 12,110
Adjustments to reconcile from net income to			
Broadcast Cash Flow:			
Depreciation	12,841	11,617	8,754
Amortization of intangible assets	6,657	4,242	2,731
Non-cash stock-based compensation	1,434	1,272	1,009
(Gain) loss on disposals of assets, net	(77,326)	1,228	332
Miscellaneous income, net	(1)	(141)	(67)
Interest expense	23,791	24,269	18,587
Loss from early extinguishment of debt	311	-	-
Income tax expense	47,893	11,897	8,128
Amortization of program broadcast rights	5,013	4,813	3,553
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	8	7	7
Payments for program broadcast rights	(5,274)	(5,153)	(3,553)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	7,331	7,554	5,653
Broadcast Cash Flow	93,239	79,267	57,244
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(7,331)	(7,554)	(5,653)
Broadcast Cash Flow Less Cash Corporate Expenses	85,908	71,713	51,591
Pension expense	(162)	40	1,789
Contributions to pension plans	-	(1,113)	(1,433)
Interest expense	(23,791)	(24,269)	(18,587)
Amortization of deferred financing costs	1,158	1,196	798
Amortization of net original issue premium on senior notes	(152)	(216)	(216)
Purchases of property and equipment	(6,438)	(7,544)	(5,547)
Income taxes paid, net of refunds	(640)	(13,879)	(1,007)
Free Cash Flow	\$ 55,883	\$ 25,928	\$ 27,388

Reconciliation on As-Reported Basis, in thousands – Year to Date:

	Six Months Ended June 30,		
	2017	2016	2015
Net income	\$ 81,066	\$ 26,652	\$ 17,705
Adjustments to reconcile from net income to Broadcast Cash Flow:			
Depreciation	25,470	22,743	17,552
Amortization of intangible assets	12,224	8,130	5,502
Non-cash stock based compensation	2,772	2,556	2,002
(Gain) loss on disposals of assets, net	(76,799)	(420)	314
Miscellaneous income, net	(8)	(710)	(74)
Interest expense	46,982	45,544	37,117
Loss from early extinguishment of debt	2,851	-	-
Income tax expense	55,222	18,312	12,068
Amortization of program broadcast rights	10,235	9,209	7,160
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	15	14	13
Payments for program broadcast rights	(10,393)	(9,130)	(7,141)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	14,066	22,264	11,750
Broadcast Cash Flow	163,703	145,164	103,968
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(14,066)	(22,264)	(11,750)
Broadcast Cash Flow Less Cash Corporate Expenses	149,637	122,900	92,218
Pension expense	(247)	80	4,190
Contributions to pension plans	(624)	(1,633)	(1,433)
Interest expense	(46,982)	(45,544)	(37,117)
Amortization of deferred financing costs	2,309	2,267	1,597
Amortization of net original issue premium on senior notes	(305)	(432)	(432)
Purchases of property and equipment	(10,415)	(13,475)	(8,396)
Income taxes paid, net of refunds	(896)	(14,019)	(1,248)
Free Cash Flow	\$ 92,477	\$ 50,144	\$ 49,379

Reconciliation on Combined Historical Basis, in thousands – Quarter:

	Three Months Ended		
	June 30,		
	2017	2016	2015
Net income	\$ 70,236	\$ 24,844	\$ 21,716
Adjustments to reconcile from net income to			
Broadcast Cash Flow:			
Depreciation	12,981	12,980	12,739
Amortization of intangible assets	6,658	4,361	4,482
Non-cash stock-based compensation	1,434	1,272	1,009
(Gain) loss on disposals of assets, net	(77,374)	1,232	491
Miscellaneous income, net	(4)	(155)	1,407
Interest expense	23,791	25,588	24,103
Loss from early extinguishment of debt	311	-	-
Income tax expense	47,894	11,384	7,211
Amortization of program broadcast rights	5,090	5,363	5,272
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	8	8	7
Payments for program broadcast rights	(5,351)	(5,703)	(5,272)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	7,331	7,556	5,653
Other	967	2,518	7,873
Broadcast Cash Flow	93,972	91,248	86,691
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(7,331)	(7,556)	(5,653)
Broadcast Cash Flow Less Cash Corporate Expenses	86,641	83,692	81,038
Pension expense	(162)	40	1,789
Contributions to pension plans	-	(1,113)	(1,433)
Other	541	510	-
Operating Cash Flow as Defined in Senior Credit Agreement	87,020	83,129	81,394
Interest expense	(23,791)	(25,588)	(24,103)
Amortization of deferred financing costs	1,158	1,196	798
Amortization of net original issue premium on senior notes	(152)	(216)	(216)
Purchases of property and equipment	(6,438)	(7,544)	(5,750)
Income taxes paid, net of refunds	(640)	(13,879)	(1,250)
Free Cash Flow	\$ 57,157	\$ 37,098	\$ 50,873

Reconciliation on Combined Historical Basis, in thousands – Year to Date:

	Six Months Ended		
	June 30,		
	2017	2016	2015
Net income	\$ 79,247	\$ 38,132	\$ 31,597
Adjustments to reconcile from net income to			
Broadcast Cash Flow:			
Depreciation	26,207	26,215	25,729
Amortization of intangible assets	12,250	9,219	9,132
Non-cash stock-based compensation	2,772	2,556	2,002
(Gain) loss on disposals of assets, net	(76,849)	(216)	526
Miscellaneous income, net	(17)	232	2,921
Interest expense	47,722	51,177	48,149
Loss from early extinguishment of debt	2,851	-	-
Income tax expense	54,936	16,872	10,368
Amortization of program broadcast rights	10,498	10,745	10,620
Common stock contributed to 401(k) plan			
excluding corporate 401(k) contributions	15	14	13
Payments for program broadcast rights	(10,656)	(10,666)	(10,601)
Corporate and administrative expenses excluding			
depreciation, amortization of intangible assets and			
non-cash stock-based compensation	14,066	22,264	11,750
Other	3,183	6,650	15,707
Broadcast Cash Flow	166,225	173,194	157,913
Corporate and administrative expenses excluding			
depreciation, amortization of intangible assets and			
non-cash stock-based compensation	(14,066)	(22,264)	(11,750)
Broadcast Cash Flow Less Cash Corporate Expenses	152,159	150,930	146,163
Pension expense	(247)	80	4,190
Contributions to pension plans	(624)	(1,633)	(1,433)
Other	1,097	7,245	-
Operating Cash Flow as defined in Senior Credit Agreement	152,385	156,622	148,920
Interest expense	(47,722)	(51,177)	(48,149)
Amortization of deferred financing costs	2,309	2,267	1,597
Amortization of net original issue premium on			
senior notes	(305)	(432)	(432)
Purchases of property and equipment	(10,415)	(13,475)	(12,500)
Income taxes paid, net of refunds	(896)	(14,019)	(2,500)
Free Cash Flow	\$ 95,356	\$ 79,786	\$ 86,936

Reconciliation of Total Leverage Ratio, Net of All Cash, in thousands except for ratio:

Combined Historical Basis Operating Cash Flow as defined in the Senior Credit Agreement:	Eight Quarters Ended June 30, 2017
Net income	\$ 218,375
Adjustments to reconcile from net income to Broadcast Cash Flow:	
Depreciation	104,363
Amortization of intangible assets	40,283
Non-cash stock-based compensation	9,891
Gain on disposals of assets, net	(75,044)
Miscellaneous income, net	2,910
Interest expense	198,524
Loss from early extinguishment of debt	34,838
Income tax expense	109,184
Amortization of program broadcast rights	43,026
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	57
Payments for program broadcast rights	(42,604)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	70,008
Other	21,341
Broadcast Cash Flow	735,152
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(70,008)
Broadcast Cash Flow Less Cash Corporate Expenses	665,144
Pension expense	(65)
Contributions to pension plans	(7,660)
Other	16,027
Operating Cash Flow as defined in Senior Credit Agreement	\$ 673,446
Operating Cash Flow as defined in Senior Credit Agreement, divided by two	\$ 336,723
	June 30, 2017
Adjusted Total Indebtedness:	
Long term debt, including current portion	\$ 1,838,614
Capital leases and other debt	624
Total deferred financing costs, net	30,320
Premium on subordinated debt, net	(5,492)
Cash	(42,360)
Adjusted Total Indebtedness, Net of All Cash	\$ 1,821,706
Total Leverage Ratio, Net of All Cash	5.41
Auction proceeds receivable from FCC Spectrum Auction	90,824
Adjusted Total Indebtedness, Net of All Cash and net of auction proceeds receivable from FCC Spectrum Auction	\$ 1,730,882
Total Leverage Ratio, Net of All Cash and Net of Auction Proceeds Receivable from FCC Spectrum Auction	5.14