



Gray Reports Net Income For Quarter And Year Ended December 31, 1998

February 2, 1999

ATLANTA, Feb. 2 /PRNewswire/ -- Gray Communications Systems, Inc. (NYSE: GCS GCS.B) today announced that Media Cash Flow increased 32%, to \$14.1 million for the quarter ended December 31, 1998 from \$10.7 million for the quarter ended December 31, 1997. Revenues for the quarter increased 26% to \$37.0 million from \$29.3 million. On a pro forma basis, Media Cash Flow increased 19%, to \$14.1 million for the quarter ended December 31, 1998 from \$11.8 million for the quarter ended December 31, 1997. On a pro forma basis, revenues increased 17%, to \$37.0 million for the quarter ended December 31, 1998 from \$31.7 million for the quarter ended December 31, 1997.

Gray's Media Cash Flow increased 22%, to \$46.6 million for the year ended December 31, 1998 from \$38.1 million for the year ended December 31, 1997. Revenues for the year increased 24% to \$128.9 million from \$103.5 million. On a pro forma basis, Media Cash Flow increased 9%, to \$49.0 million for the year ended December 31, 1998 from \$44.9 million for the year ended December 31, 1997. On a pro forma basis, revenues increased 13%, to \$133.7 million for the year ended December 31, 1998 from \$118.0 million for the year ended December 31, 1997.

Gray reported net income of \$475,000 for the fourth quarter of 1998 compared to a net loss of \$401,000 for the fourth quarter of 1997. Gray reported net income of \$41.7 million for the year ended December 31, 1998 compared to a net loss of \$1.4 million for the year ended December 31, 1997.

Gray disposed of WALB-TV, its NBC affiliate serving Albany, Georgia on July 31, 1998 fulfilling a Federal Communications Commission divestiture order. Gray recognized a pre-tax gain of approximately \$70.6 million and estimated deferred income taxes of approximately \$27.5 million in connection with the disposition. This gain is reflected as income in Gray's historical financial statements for the year ended December 31, 1998.

Gray Communications Systems, Inc.
Financial Highlights
(in thousands, except per share data)

Three Months Ended December 31,

	Historical			Pro Forma*		
	1998	1997	% Change	1998	1997	% Change
OPERATING REVENUES						
Broadcasting	\$ 26,459	\$ 20,562	29%	\$ 26,459	\$22,976	15%
Publishing	8,035	6,951	16%	8,035	6,951	16%
Paging	2,508	1,791	40%	2,508	1,791	40%
TOTAL OPERATING REVENUES	37,002	29,304	26%	37,002	31,718	17%
EXPENSES						
Broadcasting	14,740	11,798	25%	14,735	13,095	13%
Publishing	6,733	5,913	14%	6,733	5,913	14%
Paging	1,536	1,248	23%	1,536	1,248	23%
Corporate and administrative	935	437	114%	935	437	114%
Depreciation and amortization	5,229	3,909	34%	5,229	5,052	4%
TOTAL EXPENSES	29,173	23,305	25%	29,168	25,745	13%
Miscellaneous income (expense)	107	(5)	NA	107	(119)	NA
Interest expense	7,936	5,994	32%	7,941	5,854	36%
INCOME (LOSS) BEFORE INCOME TAXES	1,073	(82)	NA	1,078	(1,647)	NA
Income tax expense (benefit)	598	319	87%	365	(560)	NA
NET INCOME (LOSS)	475	(401)	NA	713	(1,087)	NA
Preferred dividends	254	359	(29)%	254	359	(29)%

NET INCOME (LOSS)
 AVAILABLE TO
 COMMON STOCKHOLDERS \$ 221 \$ (760) NA \$ 459 \$ (1,446) NA

Media Cash Flow**:

Broadcasting segment	\$ 11,811	\$ 9,108	30%	\$ 11,805	\$ 10,231	15%
Publishing segment	1,326	1,056	26%	1,326	1,056	26%
Paging segment	978	547	79%	978	547	79%
Consolidated	\$ 14,115	\$ 10,711	32%	\$ 14,109	\$ 11,834	19%

Media Cash Flow** margins:

Broadcasting segment	45%	44%	45%	45%
Publishing segment	17%	15%	17%	15%
Paging segment	39%	31%	39%	31%
Consolidated	38%	37%	38%	37%

Earnings (loss) per share
 available to common
 stockholders:

Basic	\$ 0.02	\$ (0.06)	\$ 0.04	\$ (0.12)
Diluted	\$ 0.02	\$ (0.06)	\$ 0.04	\$ (0.12)

Weighted average
 shares outstanding:

Basic	11,962	11,806	1%	11,962	11,806	1%
Diluted	12,323	11,806	4%	12,323	11,806	4%

Gray Communications Systems, Inc.
 Financial Highlights
 (in thousands, except per share data)

Year Ended December 31,

	1998	Historical 1997	% Change	1998	Pro Forma* 1997	% Change
OPERATING REVENUES						
Broadcasting	\$ 91,007	\$ 72,300	26%	\$ 95,778	\$ 86,733	10%
Publishing	29,330	24,536	20%	29,330	24,536	20%
Paging	8,553	6,712	27%	8,553	6,712	27%
TOTAL OPERATING REVENUES	128,890	103,548	24%	133,661	117,981	13%
EXPENSES						
Broadcasting	52,967	41,967	26%	55,353	49,586	12%
Publishing	24,197	19,753	22%	24,197	19,753	22%
Paging	5,618	4,051	39%	5,618	4,051	39%
Corporate and administrative	3,063	2,528	21%	3,063	2,528	21%
Depreciation and amortization	18,117	14,519	25%	20,738	19,942	4%
TOTAL EXPENSES	103,962	82,818	26%	108,969	95,860	14%
Gain on exchange of television station	70,572	0	NA	0	0	NA
Miscellaneous income (expense)	(242)	(31)	681%	(242)	(54)	348%
Interest expense	25,454	21,861	16%	29,365	30,003	(2)%
INCOME (LOSS) BEFORE INCOME TAXES						
	69,804	(1,162)	NA	(4,915)	(7,936)	(38)%

Income tax expense (benefit)	28,144	240	NA	(1,671)	(2,699)	(38)%
NET INCOME (LOSS)	41,660	(1,402)	NA	(3,244)	(5,237)	(38)%
Preferred dividends	1,318	1,410	(7)%	1,318	1,410	(7)%
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS	\$ 40,342	\$ (2,812)	NA	\$ (4,562)	\$ (6,647)	(31)%

Media Cash Flow**:

Broadcasting segment	\$ 38,446	\$ 30,519	26%	\$ 40,841	\$ 37,354	9%
Publishing segment	5,214	4,856	7%	5,214	4,856	7%
Paging segment	2,964	2,686	10%	2,964	2,686	10%
Consolidated	\$ 46,624	\$ 38,061	22%	\$ 49,019	\$ 44,896	9%

Media Cash Flow** margins:

Broadcasting segment	42%	42%	43%	43%
Publishing segment	18%	20%	18%	20%
Paging segment	35%	40%	35%	40%
Consolidated	36%	37%	37%	38%

Earnings (loss) per
share available to
common stockholders:

Basic	\$ 3.38	\$ (0.24)	\$ (0.38)	\$ (0.56)
Diluted	\$ 3.25	\$ (0.24)	\$ (0.38)	\$ (0.56)

Weighted average
shares outstanding:

Basic	11,923	11,853	1%	11,923	11,853	1%
Diluted	12,404	11,853	5%	11,923	11,853	1%

* Gray acquired GulfLink Communications, Inc. (a satellite uplink and production business) on April 24, 1997 and WITN-TV, the NBC affiliate serving the Greenville-Washington-New Bern, North Carolina market, on August 1, 1997. Gray also acquired Busse Broadcasting Corporation and disposed of WALB-TV, the NBC affiliate serving Albany, Georgia on July 31, 1998. The results of operations of these acquired businesses have been included in Gray's historical financial statements since their respective acquisition dates. The pro forma results of operations of these acquired businesses have been included in Gray's pro forma financial statements since the first day of the respective reporting period. The results of operations of WALB-TV have been excluded from Gray's pro forma financial statements since the first day of the respective reporting period. The pro forma financial statements for the year ended December 31, 1998 also exclude Gray's gain (net of related tax provisions) on the disposition of WALB-TV.

** Media Cash Flow is defined as operating income, plus depreciation, non-cash compensation, amortization (including amortization of program license rights), and corporate overhead, less payments of program license liabilities. The Company has included Media Cash Flow data because such data is commonly used as a measure of performance for media companies and is also used by investors to measure a company's ability to service debt. Media Cash Flow is not, and should not, be used as an indicator or alternative to operating income, net income or cash flow as reflected in the Company's consolidated financial statements, is not a measure of financial performance under generally accepted accounting principles and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with generally accepted accounting principles.

Gray Communications Systems, Inc. is a communications company located in Atlanta, Georgia which operates three NBC-affiliated television stations, seven CBS-affiliated television stations, three daily newspapers, an advertising weekly shopper in southwest Georgia; a satellite uplink and production business based in the southeastern United States; and a communications and paging business in the Southeast.