



Gray Reports Operating Results for the Quarter and Year Ended December 31, 1999

February 3, 2000

ATLANTA, Feb. 3 /PRNewswire/ -- Gray Communications Systems, Inc. (NYSE: GCS GCS.B) today announced that Media Cash Flow increased 19%, to \$16.8 million for the quarter ended December 31, 1999 from \$14.1 million for the quarter ended December 31, 1998. Revenues for the quarter also increased 19% to \$44.0 million from \$37.0 million. On a pro forma basis, Media Cash Flow decreased 6%, to \$16.8 million for the quarter ended December 31, 1999 from \$17.9 million for the quarter ended December 31, 1998. On a pro forma basis, revenue decreased 2%, to \$44.0 million for the quarter ended December 31, 1999 from \$44.9 million for the quarter ended December 31, 1998.

Gray's Media Cash Flow increased 9% to \$50.9 million for the year ended December 31, 1999 from \$46.6 million for the prior year. Revenue increased 12%, to \$144.0 million for the year ended December 31, 1999 from \$128.9 million for the prior year. On a pro forma basis, revenues increased slightly to \$162.0 million for the year ended December 31, 1999 from \$161.5 million for the prior year. On a pro forma basis, Media Cash Flow decreased 4%, to \$58.8 million for the year ended December 31, 1999 from \$61.0 million for the prior year.

On a pro forma basis for the year ended December 31, 1999, Gray's publishing division reported an increase in Media Cash Flow of 46% while Gray's broadcasting and paging divisions reported a decrease in Media Cash Flow of 9% and 12%, respectively.

The increases in Media Cash Flow and revenue, for the quarter and year ended December 31, 1999 reflect Gray's acquisitions of television stations KWTX, KBTX and KXII on October 1, 1999, The Goshen News on March 1, 1999 and improved results from the Company's previously existing publishing operations. These increases were offset, in part, by a decrease in broadcast political advertising revenue for the quarter and year ended December 31, 1999 of \$3.1 million and \$7.3 million, respectively.

The change in pro forma Media Cash Flow and pro forma revenue for the quarter and year ended December 31, 1999 was primarily attributable to a decrease in pro forma broadcast political advertising revenue in 1999 compared to 1998 partially offset by improved results from Gray's publishing division. Pro forma political advertising revenue for the quarter and the year ended December 31, 1999 as compared to the prior year decreased \$3.6 million and \$8.3 million, respectively.

Gray reported a net loss of \$2.0 million for the fourth quarter of 1999 compared to net income of \$221,000 for the fourth quarter of 1998. Gray reported a pro forma net loss of \$2.0 million for the fourth quarter of 1999 compared to a pro forma net loss of \$552,000 for the fourth quarter of 1998. The net losses reflect decreased broadcast political advertising revenue between the respective fiscal periods and increased charges for depreciation, amortization and interest resulting from the company's acquisitions.

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

	1999	Three Months Ended December 31,			Pro Forma*	
		Historical 1998	% Change	1999	1998	% Change
OPERATING REVENUES						
Broadcasting	\$31,155	\$26,459	18 %	\$31,155	\$33,045	(6) %
Publishing	10,564	8,035	31 %	10,564	9,319	13 %
Paging	2,283	2,508	(9) %	2,283	2,508	(9) %
TOTAL OPERATING REVENUES	44,002	37,002	19 %	44,002	44,872	(2) %
EXPENSES						
Broadcasting	18,142	14,740	23 %	18,142	17,840	2 %
Publishing	7,812	6,733	16 %	7,812	7,706	1 %
Paging	1,746	1,536	14 %	1,746	1,536	14 %
Corporate and administrative	891	935	(5) %	891	935	(5) %
Depreciation and amortization	7,635	5,229	46 %	7,635	7,201	6 %
TOTAL EXPENSES	36,226	29,173	24 %	36,226	35,218	3 %
	7,776	7,829	(1) %	7,776	9,654	(19) %

Miscellaneous						
income (expense)	(224)	107	(309)%	(224)	(4)	NA
	7,552	7,936	(5)%	7,552	9,650	(22)%
Interest expense	10,130	6,863	48 %	10,130	9,748	4 %
INCOME (LOSS)						
BEFORE INCOME						
TAXES	(2,578)	1,073	(340)%	(2,578)	(98)	2531 %
Income tax						
expense (benefit)	(871)	598	(246)%	(871)	200	(536)%
NET INCOME						
(LOSS)	(1,707)	475	(459)%	(1,707)	(298)	473 %
Preferred dividends	252	254	(1)%	252	254	(1)%
NET INCOME						
(LOSS) AVAILABLE						
TO COMMON						
STOCKHOLDERS	\$(1,959)	\$221	(986)%	\$(1,959)	\$(552)	255 %
Media Cash Flow**:						
Broadcasting	\$13,491	\$11,811	14 %	\$13,491	\$15,244	(11)%
Publishing	2,786	1,326	110 %	2,786	1,637	70 %
Paging	543	978	(44)%	543	978	(44)%
Consolidated	\$16,820	\$14,115	19 %	\$16,820	\$17,859	(6)%
Media Cash Flow** margins:						
Broadcasting	43 %	45 %		43 %	46 %	
Publishing	26 %	17 %		26 %	18 %	
Paging	24 %	39 %		24 %	39 %	
Consolidated	38 %	38 %		38 %	40 %	
Income (loss) per share						
available to common						
stockholders:						
Basic	\$(0.13)	\$0.02		\$(0.13)	\$(0.04)	
Diluted	\$(0.13)	\$0.02		\$(0.13)	\$(0.04)	
Weighted average						
shares outstanding:						
Basic	15,423	11,962	29 %	15,423	15,398	0 %
Diluted	15,423	12,323	25 %	15,423	15,398	0 %

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

	Twelve Months Ended December 31,***					
	Historical			Pro Forma*		
	1999	1998	% Change	1999	1998	% Change
OPERATING REVENUES						
Broadcasting	\$97,015	\$91,007	7 %	\$114,418	\$118,881	(4)%
Publishing	37,808	29,330	29 %	38,490	34,110	13 %
Paging	9,130	8,553	7 %	9,130	8,553	7 %
TOTAL OPERATING						
REVENUES	143,953	128,890	12 %	162,038	161,544	0 %

EXPENSES						
Broadcasting	58,661	52,967	11 %	68,184	67,593	1 %
Publishing	28,782	24,197	19 %	29,368	27,855	5 %
Paging	6,551	5,618	17 %	6,551	5,618	17 %
Corporate and administrative	3,448	3,063	13 %	3,448	3,063	13 %
Depreciation and amortization	24,451	18,117	35 %	30,050	28,834	4 %
TOTAL EXPENSES	121,893	103,962	17 %	137,601	132,963	3 %
	22,060	24,928	(12)%	24,437	28,581	(14)%
Gain on exchange of television station	---	72,646	NA	---	---	NA
Valuation adjustment of goodwill and other assets	---	(2,074)	NA	---	(2,074)	NA
Miscellaneous income (expense)	336	(242)	NA	350	46	661 %
	22,396	95,258	(76)%	24,787	26,553	(7)%
Interest expense	31,021	25,454	22 %	38,861	40,737	(5)%
INCOME (LOSS) BEFORE INCOME TAXES						
	(8,625)	69,804	(112)%	(14,074)	(14,184)	(1)%
Income tax expense (benefit)	(2,310)	28,144	(108)%	(4,163)	(4,044)	3 %
NET INCOME (LOSS)	(6,315)	41,660	(115)%	(9,911)	(10,140)	(2)%
Preferred dividends	1,010	1,318	(23)%	1,010	1,318	(23)%
NET INCOME (LOSS) AVAILABLE TO COMMON STOCKHOLDERS						
	\$(7,325)	\$40,342	(118)%	\$(10,921)	\$(11,458)	(5)%
Media Cash Flow**:						
Broadcasting	\$39,207	\$38,446	2 %	\$46,967	\$51,662	(9)%
Publishing	9,130	5,214	75 %	9,225	6,336	46 %
Paging	2,607	2,964	(12)%	2,607	2,964	(12)%
Consolidated	\$50,944	\$46,624	9 %	\$58,799	\$60,962	(4)%
Media Cash Flow** margins:						
Broadcasting	40 %	42 %		41 %	43 %	
Publishing	24 %	18 %		24 %	19 %	
Paging	29 %	35 %		29 %	35 %	
Consolidated	35 %	36 %		36 %	38 %	
Income (loss) per share available to common stockholders:						
Basic	\$(0.57)	\$3.38		\$(0.71)	\$(0.75)	
Diluted	\$(0.57)	\$3.25		\$(0.71)	\$(0.75)	
Weighted average						

shares outstanding:

Basic	12,838	11,923	8 %	15,415	15,359	0 %
Diluted	12,838	12,404	3 %	15,415	15,359	0 %

The following tables exclude political revenue from Gray's historical and pro forma financial information. These tables present certain financial results of Gray without the impact of cyclical political revenue. Excluding the impact of the political revenue, Gray's revenue and Media Cash Flow** increased over the prior year on a historical and pro forma basis.

Gray Communications Systems, Inc.
Financial Highlights Excluding Political Revenue
(in thousands)

Historical (Excluding Political Revenues)	Three Months Ended December 31,			Pro Forma* (Excluding Political Revenues)		
	1999	1998	% Change	1999	1998	% Change
OPERATING REVENUES - excluding political revenue						
Broadcasting - excluding political revenue	\$30,757	\$23,012	34 %	\$30,757	\$29,024	6 %
Publishing	10,564	8,035	31 %	10,564	9,319	13 %
Paging	2,283	2,508	(9)%	2,283	2,508	(9)%
TOTAL OPERATING REVENUES - excluding political revenue	\$43,604	\$33,555	30 %	\$43,604	\$40,851	7 %

Media Cash Flow** - excluding political revenue						
Broadcasting - excluding political revenue	\$13,093	\$8,364	57 %	\$13,093	\$11,223	17 %
Publishing	2,786	1,326	110 %	2,786	1,637	70 %
Paging	543	978	(44)%	543	978	(44)%
Consolidated - excluding political revenue	\$16,422	\$10,668	54 %	\$16,422	\$13,838	19 %

Media Cash Flow** margins: - excluding political revenue						
Broadcasting - excluding political revenue	43 %	36 %		43 %	39 %	
Publishing	26 %	17 %		26 %	18 %	
Paging	24 %	39 %		24 %	39 %	
Consolidated - excluding political revenue	38 %	32 %		38 %	34 %	

Twelve Months Ended December 31,						
Historical (Excluding Political Revenues)			Pro Forma* (Excluding Political Revenues)			
1999	1998	% Change	1999	1998	% Change	
OPERATING REVENUES -						
excluding political revenue						
Broadcasting -						
excluding political revenue						
	\$96,393	\$83,131	16 %	\$113,785	\$109,969	3 %
Publishing	37,808	29,330	29 %	38,490	34,110	13 %
Paging	9,130	8,553	7 %	9,130	8,553	7 %
TOTAL OPERATING REVENUES -						
excluding political revenue						
	\$143,331	\$121,014	18 %	\$161,405	\$152,632	6 %

Media Cash Flow** -						
excluding political revenue						
Broadcasting -						
excluding political revenue						
	\$38,585	\$30,570	26 %	\$46,334	\$42,750	8 %
Publishing	9,130	5,214	75 %	9,225	6,336	46 %
Paging	2,607	2,964	(12)%	2,607	2,964	(12)%
Consolidated -						
excluding political revenue						
	\$50,322	\$38,748	30 %	\$58,166	\$52,050	12 %

Media Cash Flow**						
margins: -						
excluding political revenue						
Broadcasting -						
excluding political revenue						
	40 %	37 %		41 %	39 %	
Publishing	24 %	18 %		24 %	19 %	
Paging	29 %	35 %		29 %	35 %	
Consolidated -						
excluding political revenue						
	35 %	32 %		36 %	34 %	

-Gray Communications Systems, Inc. ("Gray" or the "Company") acquired KWTX Broadcasting Company operating KWTX-TV, Brazos Broadcasting Company operating KBTX-TV and the assets of KXII-TV on October 1, 1999. In addition, Gray acquired the assets of The Goshen News on March 1, 1999. The Company also acquired Busse Broadcasting Corporation and disposed of WALB-TV on July 31, 1998. The results of operations of these acquired businesses have been included in the Company's historical financial statements since their respective acquisition dates. The pro forma results of operations of these acquired businesses have been included in the Company'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 the Company's pro forma financial statements since the first day of the respective reporting period.

-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 for 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. Media Cash Flow 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.

-Certain items reported for the prior year are reclassified to conform to the 1999 format.

Gray Communications Systems, Inc. will be hosting a conference call to discuss its fourth quarter and year end operating results on Thursday, February 3, 2000. The call will begin at 2:30 PM EST, and it will be available for replay via telephone until February 17, 2000. The live dial-in number is (800) 450-0785. The call will be webcast live at www.graycommunications.com in the Investor Relations Section. The taped replay will be available at (800) 475-6701 and the access code for the taped replay is 498023. A replay of the conference call will also be available on-line at www.streetfusion.com and it will be available for replay at this web site until February 17, 2000.

Gray Communications Systems, Inc. is a communications company headquartered in Atlanta, Georgia, and operates thirteen television stations (ten CBS and three NBC affiliated stations), four daily newspapers and an advertising weekly shopper, a paging business and a satellite uplink and production business. The Company's current operations are concentrated in the South, Southwest and Midwest U. S.

SOURCE: Gray Communications Systems, Inc.