



## Gray Reports Increase in Media Cash Flow for Quarter Ended June 30, 1999

July 28, 1999

ATLANTA, July 28 /PRNewswire/ -- Gray Communications Systems, Inc. (NYSE: GCS GCS.B) today announced that Media Cash Flow increased 2%, to \$12.4 million for the quarter ended June 30, 1999 from \$12.2 million for the quarter ended June 30, 1998. Revenues for the quarter increased 9% to \$35.0 million from \$32.1 million. On a pro forma basis, Media Cash Flow decreased 11%, to \$12.4 million for the quarter ended June 30, 1999 from \$13.9 million for the quarter ended June 30, 1998. On a pro forma basis, revenues decreased 1%, to \$35.0 million for the quarter ended June 30, 1999 from \$35.6 million for the quarter ended June 30, 1998. The pro forma decrease in revenues and Media Cash Flow is primarily attributable to a \$1.9 million decrease in political advertising revenue in 1999 compared to 1998.

Gray's Media Cash Flow increased 8%, to \$23.1 million for the six months ended June 30, 1999 from \$21.4 million for the six months ended June 30, 1998. Revenues for the six months increased 11% to \$66.4 million from \$60.0 million. On a pro forma basis, Media Cash Flow decreased 5%, to \$23.2 million for the six months ended June 30, 1999 from \$24.4 million for the six months ended June 30, 1998. The decrease reflects, in part, a \$2.2 million decrease in political advertising revenue in 1999 compared to 1998 partially offset by improved results from Gray's publishing division. On a pro forma basis, revenues increased to \$67.1 million for the six months ended June 30, 1999 from \$66.9 million for the six months ended June 30, 1998.

On a pro forma basis for the six months ended June 30, 1999, Gray's publishing division reported an increase in Media Cash Flow of 31%, while Gray's broadcasting division and paging divisions reported decreases in Media Cash Flow of 11% and 2%, respectively. The primary reason for the increase in publishing Media Cash Flow, on a pro forma basis, was due to improved operating results from Gray's existing publishing operations. The primary reason for the decrease in broadcasting Media Cash Flow, on a pro forma basis, was due to a \$2.2 million decrease in political advertising revenue in 1999 as compared to that of 1998. The primary reason for the decrease in paging Media Cash Flow was due to increased expenses associated with the expansion of the geographic coverage area and market penetration of Gray's paging operations.

Gray reported a net loss of \$1.3 million for the second quarter of 1999 compared to net income of \$479,000 for the second quarter of 1998. Gray reported a pro forma net loss of \$1.3 million for the second quarter of 1999 compared to a pro forma net loss of \$402,000 for the second quarter of 1998.

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

|  | Three Months Ended June 30, |               |                |                |               |              |
|--|-----------------------------|---------------|----------------|----------------|---------------|--------------|
|  | Historical                  |               |                | Pro Forma*     |               |              |
|  | 1999                        | 1998          | % Change       | 1999           | 1998          | % Change     |
| <b>OPERATING REVENUES</b>                |                             |               |                |                |               |              |
| Broadcasting                             | \$23,138                    | \$22,690      | 2 %            | \$23,138       | \$24,944      | (7) %        |
| Publishing                               | 9,536                       | 7,380         | 29 %           | 9,536          | 8,617         | 11 %         |
| Paging                                   | 2,355                       | 1,991         | 18 %           | 2,355          | 1,991         | 18 %         |
| <b>TOTAL OPERATING REVENUES</b>          | <b>35,029</b>               | <b>32,061</b> | <b>9 %</b>     | <b>35,029</b>  | <b>35,552</b> | <b>(1) %</b> |
| <b>EXPENSES</b>                          |                             |               |                |                |               |              |
| Broadcasting                             | 13,684                      | 12,662        | 8 %            | 13,684         | 13,518        | 1 %          |
| Publishing                               | 7,355                       | 5,983         | 23 %           | 7,355          | 6,880         | 7 %          |
| Paging                                   | 1,724                       | 1,327         | 30 %           | 1,724          | 1,327         | 30 %         |
| Corporate and administrative             | 941                         | 657           | 43 %           | 941            | 657           | 43 %         |
| Depreciation and amortization            | 5,664                       | 4,221         | 34 %           | 5,664          | 5,520         | 3 %          |
| <b>TOTAL EXPENSES</b>                    | <b>29,368</b>               | <b>24,850</b> | <b>18 %</b>    | <b>29,368</b>  | <b>27,902</b> | <b>5 %</b>   |
| Miscellaneous income (expense)           | 34                          | (73)          | NA             | 34             | (53)          | NA           |
| Interest expense                         | 5,695                       | 7,138         | (20) %         | 5,695          | 7,597         | (25) %       |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b> | <b>(1,310)</b>              | <b>1,098</b>  | <b>(219) %</b> | <b>(1,310)</b> | <b>(236)</b>  | <b>455 %</b> |
| Income tax expense                       |                             |               |                |                |               |              |

|                     |           |        |        |           |         |        |
|---------------------|-----------|--------|--------|-----------|---------|--------|
| (benefit)           | (229)     | 260    | (188)% | (229)     | (193)   | 19 %   |
| NET INCOME          |           |        |        |           |         |        |
| (LOSS)              | (1,081)   | 838    | (229)% | (1,081)   | (43)    | 2414 % |
| Preferred dividends | 252       | 359    | (30)%  | 252       | 359     | (30)%  |
| NET INCOME (LOSS)   |           |        |        |           |         |        |
| AVAILABLE TO        |           |        |        |           |         |        |
| COMMON              |           |        |        |           |         |        |
| STOCKHOLDERS        | \$(1,333) | \$ 479 | (378)% | \$(1,333) | \$(402) | 232 %  |

Media Cash Flow\*\*:

|              |          |          |      |          |          |       |
|--------------|----------|----------|------|----------|----------|-------|
| Broadcasting | \$9,584  | \$10,118 | (5)% | \$9,584  | \$11,510 | (17)% |
| Publishing   | 2,211    | 1,416    | 56 % | 2,211    | 1,756    | 26 %  |
| Paging       | 637      | 670      | (5)% | 637      | 670      | (5)%  |
| Consolidated | \$12,432 | \$12,204 | 2 %  | \$12,432 | \$13,936 | (11)% |

Media Cash Flow\*\* margins:

|              |      |      |  |      |      |  |
|--------------|------|------|--|------|------|--|
| Broadcasting | 41 % | 45 % |  | 41 % | 46 % |  |
| Publishing   | 23 % | 19 % |  | 23 % | 20 % |  |
| Paging       | 27 % | 34 % |  | 27 % | 34 % |  |
| Consolidated | 35 % | 38 % |  | 35 % | 39 % |  |

Income (loss) per share  
available to common  
stockholders:

|         |          |        |  |          |          |  |
|---------|----------|--------|--|----------|----------|--|
| Basic   | \$(0.11) | \$0.04 |  | \$(0.11) | \$(0.03) |  |
| Diluted | \$(0.11) | \$0.04 |  | \$(0.11) | \$(0.03) |  |

Weighted average  
shares outstanding:

|         |        |        |      |        |        |     |
|---------|--------|--------|------|--------|--------|-----|
| Basic   | 11,966 | 11,917 | 0 %  | 11,966 | 11,917 | 0 % |
| Diluted | 11,966 | 12,516 | (4)% | 11,966 | 11,917 | 0 % |

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

|                                   | Six Months Ended June 30, |                    |          |          |                    |          |
|-----------------------------------|---------------------------|--------------------|----------|----------|--------------------|----------|
|                                   | 1999                      | Historical<br>1998 | % Change | 1999     | Pro Forma*<br>1998 | % Change |
| OPERATING REVENUES                |                           |                    |          |          |                    |          |
| Broadcasting                      | \$44,306                  | \$42,201           | 5 %      | \$44,306 | \$46,759           | (5)%     |
| Publishing                        | 17,558                    | 13,917             | 26 %     | 18,240   | 16,218             | 12 %     |
| Paging                            | 4,557                     | 3,925              | 16 %     | 4,557    | 3,925              | 16 %     |
| TOTAL OPERATING<br>REVENUES       | 66,421                    | 60,043             | 11 %     | 67,103   | 66,902             | 0 %      |
| EXPENSES                          |                           |                    |          |          |                    |          |
| Broadcasting                      | 26,673                    | 24,780             | 8 %      | 26,673   | 26,840             | (1)%     |
| Publishing                        | 13,710                    | 11,441             | 20 %     | 14,296   | 13,202             | 8 %      |
| Paging                            | 3,238                     | 2,583              | 25 %     | 3,238    | 2,583              | 25 %     |
| Corporate and<br>administrative   | 1,687                     | 1,317              | 28 %     | 1,687    | 1,317              | 28 %     |
| Depreciation and<br>amortization  | 11,119                    | 7,843              | 42 %     | 11,284   | 10,519             | 7 %      |
| TOTAL EXPENSES                    | 56,427                    | 47,964             | 18 %     | 57,178   | 54,461             | 5 %      |
| Miscellaneous<br>income (expense) | 9,994                     | 12,079             | (17)%    | 9,925    | 12,441             | (20)%    |
| Interest expense                  | 456                       | (314)              | NA       | 470      | (276)              | NA       |
| LOSS BEFORE<br>INCOME TAXES       | 10,450                    | 11,765             | (11)%    | 10,395   | 12,165             | (15)%    |
| Income tax<br>expense (benefit)   | 13,775                    | 11,967             | 15 %     | 13,996   | 15,666             | (11)%    |
|                                   | (3,325)                   | (202)              | 1546 %   | (3,601)  | (3,501)            | 3 %      |
|                                   | (684)                     | 443                | (254)%   | (778)    | (678)              | 15 %     |

|   |           |           |       |           |           |       |
|---|-----------|-----------|-------|-----------|-----------|-------|
| NET LOSS                                  | (2,641)   | (645)     | 309 % | (2,823)   | (2,823)   | 0 %   |
| Preferred dividends                       | 505       | 718       | (30)% | 505       | 718       | (30)% |
| NET LOSS AVAILABLE TO COMMON STOCKHOLDERS |           |           |       |           |           |       |
|   | \$(3,146) | \$(1,363) | 131 % | \$(3,328) | \$(3,541) | (6)%  |

Media Cash Flow\*\*:

|              |          |          |      |          |          |       |
|--------------|----------|----------|------|----------|----------|-------|
| Broadcasting | \$17,881 | \$17,546 | 2 %  | \$17,881 | \$20,037 | (11)% |
| Publishing   | 3,901    | 2,513    | 55 % | 3,997    | 3,053    | 31 %  |
| Paging       | 1,336    | 1,357    | (2)% | 1,336    | 1,357    | (2)%  |
| Consolidated | \$23,118 | \$21,416 | 8 %  | \$23,214 | \$24,447 | (5)%  |

Media Cash Flow\*\* margins:

|              |      |      |      |      |
|--------------|------|------|------|------|
| Broadcasting | 40 % | 42 % | 40 % | 43 % |
| Publishing   | 22 % | 18 % | 22 % | 19 % |
| Paging       | 29 % | 35 % | 29 % | 35 % |
| Consolidated | 35 % | 36 % | 35 % | 37 % |

Loss per share available to common stockholders:

|         |          |          |          |          |
|---------|----------|----------|----------|----------|
| Basic   | \$(0.26) | \$(0.11) | \$(0.28) | \$(0.30) |
| Diluted | \$(0.26) | \$(0.11) | \$(0.28) | \$(0.30) |

Weighted average shares outstanding:

|         |        |        |     |        |        |     |
|---------|--------|--------|-----|--------|--------|-----|
| Basic   | 11,961 | 11,899 | 1 % | 11,961 | 11,899 | 1 % |
| Diluted | 11,961 | 11,899 | 1 % | 11,961 | 11,899 | 1 % |

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)

|  | Three Months Ended June 30,                  |          |          |  |          |          |
|--|--|----------|----------|--|----------|----------|
|  | Historical<br>(Excluding Political Revenues) |          |          | Pro Forma*<br>(Excluding Political Revenues) |          |          |
|  | 1999   | 1998     | % Change | 1999   | 1998     | % Change |
| OPERATING REVENUES - excluding political revenue       |  |          |          |  |          |          |
| Broadcasting - excluding political revenue             | \$22,998                                     | \$20,694 | 11 %     | \$22,998                                     | \$22,911 | 0 %      |
| Publishing   | 9,536  | 7,380    | 29 %     | 9,536  | 8,617    | 11 %     |
| Paging   | 2,355  | 1,991    | 18 %     | 2,355  | 1,991    | 18 %     |
| TOTAL OPERATING REVENUES - excluding political revenue | \$34,889                                     | \$30,065 | 16 %     | \$34,889                                     | \$33,519 | 4 %      |

Media Cash Flow\*\* - excluding political revenue

|  |         |         |      |         |         |      |
|--|---------|---------|------|---------|---------|------|
| Broadcasting - excluding political revenue | \$9,444 | \$8,122 | 16 % | \$9,444 | \$9,477 | (0)% |
| Publishing                                 | 2,211   | 1,416   | 56 % | 2,211   | 1,756   | 26 % |
| Paging                                     | 637     | 670     | (5)% | 637     | 670     | (5)% |

|   |          |          |      |          |          |     |
|---|----------|----------|------|----------|----------|-----|
| Consolidated -<br>excluding<br>political<br>revenue | \$12,292 | \$10,208 | 20 % | \$12,292 | \$11,903 | 3 % |
|---|----------|----------|------|----------|----------|-----|

Media Cash Flow\*\*

margins: - excluding  
political revenue

|   |      |      |  |      |      |  |
|---|------|------|--|------|------|--|
| Broadcasting -<br>excluding<br>political<br>revenue | 41 % | 39 % |  | 41 % | 41 % |  |
| Publishing  | 23 % | 19 % |  | 23 % | 20 % |  |
| Paging  | 27 % | 34 % |  | 27 % | 34 % |  |
| Consolidated -<br>excluding<br>political<br>revenue | 35 % | 34 % |  | 35 % | 36 % |  |

|  |                                |      |          |                                |      |          |
|--|--------------------------------|------|----------|--------------------------------|------|----------|
|  | Six Months Ended June 30,      |      |          |                                |      |          |
|  | Historical                     |      |          | Pro Forma*                     |      |          |
|  | (Excluding Political Revenues) |      |          | (Excluding Political Revenues) |      |          |
|  | 1999                           | 1998 | % Change | 1999                           | 1998 | % Change |

OPERATING REVENUES -  
excluding political  
revenue

|  |          |          |      |          |          |      |
|--|----------|----------|------|----------|----------|------|
| Broadcasting -<br>excluding<br>political<br>revenue                | \$44,117 | \$40,016 | 10 % | \$44,117 | \$44,375 | (1)% |
| Publishing   | 17,558   | 13,917   | 26 % | 18,240   | 16,218   | 12 % |
| Paging   | 4,557    | 3,925    | 16 % | 4,557    | 3,925    | 16 % |
| TOTAL OPERATING<br>REVENUES -<br>excluding<br>political<br>revenue | \$66,232 | \$57,858 | 14 % | \$66,914 | \$64,518 | 4 %  |

Media Cash Flow\*\* -  
excluding  
political  
revenue

|   |          |          |      |          |          |      |
|---|----------|----------|------|----------|----------|------|
| Broadcasting -<br>excluding<br>political<br>revenue | \$17,692 | \$15,361 | 15 % | \$17,692 | \$17,653 | 0 %  |
| Publishing  | 3,901    | 2,513    | 55 % | 3,997    | 3,053    | 31 % |
| Paging  | 1,336    | 1,357    | (2)% | 1,336    | 1,357    | (2)% |
| Consolidated -<br>excluding<br>political<br>revenue | \$22,929 | \$19,231 | 19 % | \$23,025 | \$22,063 | 4 %  |

Media Cash Flow\*\*

margins: -  
excluding  
political  
revenue

|   |      |      |  |      |      |  |
|---|------|------|--|------|------|--|
| Broadcasting -<br>excluding<br>political<br>revenue | 40 % | 38 % |  | 40 % | 40 % |  |
|---|------|------|--|------|------|--|

|   |      |      |      |      |
|---|------|------|------|------|
| Publishing  | 22 % | 18 % | 22 % | 19 % |
| Paging  | 29 % | 35 % | 29 % | 35 % |
| Consolidated -<br>excluding<br>political<br>revenue | 35 % | 33 % | 34 % | 34 % |

- Gray Communications Systems, Inc. (the "Company") acquired the assets of The Goshen News on March 1, 1999. The Company 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 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. It 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 headquartered in Atlanta, Georgia, and operates seven CBS-affiliated television stations, three NBC-affiliated television stations, four daily newspapers, an advertising weekly shopper, a satellite uplink and production business and a communications and paging business. The Company's current operations are concentrated in the Southeast and Midwest U. S.