



Gray Communications Systems Reports Increase in Media Cash Flow for Quarter Ended March 31, 1999

April 27, 1999

ATLANTA, April 27 /PRNewswire/ -- Gray Communications Systems, Inc. (NYSE: GCS GCS.B) today announced that Media Cash Flow increased 16%, to \$10.7 million for the quarter ended March 31, 1999 from \$9.2 million for the quarter ended March 31, 1998. Revenues for the quarter increased 12% to \$31.4 million from \$28.0 million. On a pro forma basis, Media Cash Flow increased 3%, to \$10.8 million for the quarter ended March 31, 1999 from \$10.5 million for the quarter ended March 31, 1998. On a pro forma basis, revenues increased 2%, to \$32.1 million for the quarter ended March 31, 1999 from \$31.4 million for the quarter ended March 31, 1998.

On a pro forma basis, Gray's publishing and paging divisions reported increases in Media Cash Flow of 37% and 2%, respectively, while Gray's broadcasting division reported a decrease in Media Cash Flow of 3%. 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. Excluding the operating results of The Goshen News (acquired on March 1, 1999), Media Cash Flow from Gray's existing publishing operations increased 37%, to \$1.5 million for the quarter ended March 31, 1999 from \$1.1 million for the quarter ended March 31, 1998. The primary reasons for the decrease in broadcasting Media Cash Flow, on a pro forma basis, was due to decreased political and Olympic advertising revenue in 1999 as compared to that of 1998.

Gray reported a net loss of \$1.6 million for the first quarter of 1999 compared to a net loss of \$1.5 million for the first quarter of 1998. Gray reported a pro forma net loss of \$1.5 million for the first quarter of 1999 compared to a pro forma net loss of \$2.1 million for the first quarter of 1998.

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

	Three Months Ended March 31,					
	1999	Historical 1998	% Change	1999	Pro Forma* 1998	% Change
OPERATING REVENUES						
Broadcasting	\$21,168	\$19,511	8 %	\$21,168	\$21,815	(3) %
Publishing	8,022	6,537	23 %	8,704	7,601	15 %
Paging	2,202	1,934	14 %	2,202	1,934	14 %
TOTAL OPERATING REVENUES	31,392	27,982	12 %	32,074	31,350	2 %
EXPENSES						
Broadcasting	12,989	12,118	7 %	12,989	13,322	(2) %
Publishing	6,355	5,458	16 %	6,941	6,318	10 %
Paging	1,514	1,256	21 %	1,514	1,256	21 %
Corporate and administrative	747	660	13 %	747	660	13 %
Depreciation and amortization	5,454	3,622	51 %	5,553	4,934	13 %
TOTAL EXPENSES	27,059	23,114	17 %	27,744	26,490	5 %
Miscellaneous income (expense)	4,333	4,868	(11) %	4,330	4,860	(11) %
Miscellaneous income (expense)	422	(241)	NA	422	(241)	NA
	4,755	4,627	3 %	4,752	4,619	3 %
Interest expense	6,770	5,927	14 %	6,991	7,833	(11) %
LOSS BEFORE INCOME TAXES	(2,015)	(1,300)	55 %	(2,239)	(3,214)	(30) %
Income tax expense (benefit)	(455)	183	NA	(762)	(1,093)	(30) %
NET LOSS	(1,560)	(1,483)	5 %	(1,477)	(2,121)	(30) %
Preferred dividends	253	359	(30) %	253	359	(30) %
NET LOSS AVAILABLE						

TO COMMON						
STOCKHOLDERS	\$(1,813)	\$(1,842)	(2)%	\$(1,730)	\$(2,480)	(30)%

Media Cash Flow**:

Broadcasting	\$8,297	\$7,428	12 %	\$8,297	\$8,527	(3)%
Publishing	1,690	1,097	54 %	1,785	1,301	37 %
Paging	699	687	2 %	699	687	2 %
Consolidated	\$10,686	\$9,212	16 %	\$10,781	\$10,515	3 %

Media Cash Flow** margins:

Broadcasting	39 %	38 %		39 %	39 %
Publishing	21 %	17 %		21 %	17 %
Paging	32 %	36 %		32 %	36 %
Consolidated	34 %	33 %		34 %	34 %

Loss per share available
to common stockholders:

Basic	\$(0.15)	\$(0.16)		\$(0.14)	\$(0.21)
Diluted	\$(0.15)	\$(0.16)		\$(0.14)	\$(0.21)

Weighted average shares outstanding:

Basic	11,955	11,881	1 %	11,955	11,881	1 %
Diluted	11,955	11,881	1 %	11,955	11,881	1 %

* 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.