



Gray Reports Operating Results for the Three Months and Year Ended December 31, 2005

March 16, 2006

ATLANTA, March 16 /PRNewswire-FirstCall/ -- Gray Television, Inc. ("Gray" or the "Company") (NYSE: GTN) today announced results from operations for the three months ("fourth quarter") and year ended December 31, 2005 as compared to the three months and year ended December 31, 2004.

Significant items to note for the three months ended December 31, 2005:

| Three Months Ended December 31, 2005 | Change from Same Period of Prior Year | |
|-----------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|-------------------|
| Net local broadcast advertising revenue, excluding political advertising revenue, of \$48.6 million | Increased 15% or \$6.4 million | |
| Net political advertising revenue of \$1.4 million | Decreased \$19.4 million reflecting the "off-year" of the political election cycle | |
| | As of | |
| | December 31, 2005 | December 31, 2004 |
| Cash on Hand | \$9.3 million | \$50.6 million |
| Total Debt(1) | \$792.5 million | \$655.9 million |

Comments on Results of Operations for the Three Months Ended December 31, 2005:

Revenues.

- Local broadcasting advertising revenues, excluding political advertising revenues, increased 15% to \$48.6 million from \$42.2 million.
 - Since September 30, 2004, the Company has launched UPN second channels in three of its existing television markets, acquired television stations KKCO, Grand Junction, CO on January 31, 2005, WSWG, Albany GA on November 10, 2005 and WSAZ, Charleston - Huntington, WV on November 30, 2005 and sold the Company's satellite uplink operations on December 31, 2004.
 - These transactions described above account for approximately one-third, or \$2.1 million of the Company's overall increase in local broadcasting advertising revenues, excluding political advertising revenues.
 - For the stations and second channels continuously operated since September 30, 2004 local broadcasting advertising revenues, excluding political advertising revenues increased 10% or \$4.2 million due to increased demand for commercial time by local advertisers.
- National broadcasting advertising revenues increased 9% to \$19.6 million from \$17.9 million.
 - The transactions discussed above account for approximately \$0.8 million of this increase.
 - National advertising for the stations and second channels continuously operated since September 30, 2004 increased approximately 5% or \$0.8 million due to increased demand for commercial time by national advertisers.
- Political advertising revenues decreased to \$1.4 million from \$20.8

million reflecting the cyclical influence of the 2004 Presidential election.

- Network compensation revenue decreased to \$1.1 million from \$2.6 million due to lower revenue from renewed network affiliation agreements. However, under the terms of the affiliation agreements, Gray received cash payments of approximately \$0.9 million in excess of revenue recognized in accordance with generally accepted accounting principles for the three months ended December 31, 2005. In the same period of the prior year, the network compensation revenue and the related cash payments received were approximately equal in their respective amounts.
- Total broadcasting revenues decreased 16% to \$73.0 million.

Operating expenses. Operating expenses decreased 0.5% to \$55.5 million from \$55.8 million in the same period of the prior year.

- Broadcasting expenses, before depreciation, amortization and loss on disposal of assets decreased 4% to \$43.6 million from \$45.5 million.
 - For the stations and second channels continuously operated since September 30, 2004 broadcast expenses decreased approximately 7%, or \$3.4 million. This decrease in existing broadcast expenses was due primarily to reduced payroll expenses, including station incentive bonus expense, reduced commissions to national sales representatives reflecting the lower political revenue discussed above and reduced legal and consulting services.
 - The three new UPN second channels and the newly acquired stations (KKCO, WSWG and WSAZ) incurred approximately \$2.0 million in operating expenses for the fourth quarter of 2005.
- Corporate and administrative expenses, before depreciation, amortization and loss on disposal of assets decreased 32% to \$2.9 million in the three months ended December 31, 2005 as compared to \$4.2 million for the same period in 2004. Legal and other professional service fees decreased approximately \$487,000 over the fourth quarter of 2004. In addition, payroll and benefits costs decreased in the fourth quarter of 2005 by approximately \$179,000.

Comments on Results of Operations for the Year Ended December 31, 2005:

Revenues.

- Local broadcasting advertising revenues, excluding political advertising revenues, increased 9% to \$174.6 million from \$160.6 million.
 - Since January 1, 2004 the Company has launched UPN second channels in six of its existing television markets, built television station WCAV in Charlottesville, VA which commenced broadcast operations in August, 2004, acquired television stations KKCO, Grand Junction, CO on January 31, 2005, WSWG, Albany GA on November 10, 2005 and WSAZ, Charleston - Huntington, WV on November 30, 2005 and sold the Company's satellite uplink operations on December 31, 2004.
 - These transactions described above account for approximately one-third, or \$5.0 million of the Company's overall increase in local broadcasting advertising revenues, excluding political advertising revenues.
 - For the stations continuously operated since January 1, 2004 local broadcasting advertising revenues, excluding political advertising revenues increased 6% or \$9.0 million due to increased demand for commercial time by local advertisers.
- National broadcasting advertising revenues of \$70.8 million were consistent between the years ended December 31, 2005 and 2004.
 - The transactions discussed above account for approximately \$1.6 million of the total national broadcasting advertising.

- National advertising for the stations and second channels continuously operated since January 1, 2004 decreased approximately 2% or \$1.6 million due to decreased demand for commercial time by national advertisers.
- Political advertising revenues decreased to \$2.9 million from \$41.7 million reflecting the cyclical influence of the 2004 Presidential election.
- In addition, in the 2004 period Gray recorded approximately \$3.0 million of broadcast revenue associated with the broadcast of the 2004 Summer Olympics. There was no such similar Olympic broadcast in the current year.
- Network compensation revenue decreased to \$5.1 million from \$10.0 million due to lower revenue from renewed network affiliation agreements. However, under the terms of the affiliation agreements, Gray received cash payments of approximately \$2.8 million in excess of revenue recognized in accordance with generally accepted accounting principles for the year ended December 31, 2005. In the same period of the prior year, the network compensation revenue and the related cash payments received were approximately equal in their respective amounts.
- Total broadcasting revenues decreased 11% over the same period of the prior year to \$261.6 million.

Operating expenses. Operating expenses increased 4% to \$200.7 million from \$192.9 million in the same period of the prior year.

- Broadcasting expenses, before depreciation, amortization and loss on disposal of assets increased 2% to \$161.9 million from \$158.3 million.
 - For the stations continuously operated since January 1, 2004 broadcast expenses decreased approximately 1%, or \$1.8 million. This decrease in existing broadcast expenses was due primarily to reduced payroll expenses, including station incentive bonus expense, reduced commissions to national sales representatives reflecting the lower political revenue discussed above and reduced legal and consulting services.
 - The six new UPN second channels, WCAV and the newly acquired stations (KKCO, WSWG and WSAZ) incurred approximately \$8.5 million in operating expenses for the year ended December 31, 2005.
- Corporate and administrative expenses, before depreciation, amortization and loss on disposal of assets decreased 1% to \$11.5 million from \$11.7 million in the year ended December 31, 2005 as compared to the same period in 2004.

Balance Sheet:

Gray's cash balance was \$9.3 million at December 31, 2005 compared to \$50.6 million at December 31, 2004. The decrease in cash reflects \$50.5 million of net cash generated by Gray's operations during the year of 2005 compared to \$102.7 million for the prior year. The 2005 net cash generated from operations was offset by the return of \$21.9 million of capital to Gray's common and preferred shareholders through the payment of \$14.9 million of dividends and the purchase of \$7.0 million of its common stock. Gray also used a total of \$17.0 million in the purchase of KKCO-TV and WSWG-TV and \$23.5 million to retire a portion of Gray's 9.25% Senior Subordinated Notes. Total debt outstanding at December 31, 2005 and 2004 was \$792.5 million and \$655.9 million(1), respectively.

In connection with the spinoff of the publishing and wireless businesses, Gray adjusted the conversion price of the series C preferred stock from \$14.39 per share to \$13.07 per share. The modification of the conversion price resulted in a non-cash deemed dividend to the preferred shareholders of approximately \$2.4 million as of December 30, 2005.

Reclassifications:

Prior year operating results of the publishing and wireless segments in the accompanying condensed consolidated financial statements have been reclassified to conform to the 2005 presentation which reflects the results of those operations in income (loss) from discontinued operations, net of income taxes.

| Selected operating data: | Three Months Ended December 31, | | | Year Ended December 31, | | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------|----------|-------------|----------------------------|-----------|-------------|
| | 2005 | 2004 | % Change | 2005 | 2004 | % Change |
| Revenues (less agency commissions) | \$72,975 | \$86,470 | (16)% | \$261,553 | \$293,273 | (11)% |
| Expenses: | | | | | | |
| Operating expenses before depreciation, amortization and (gain) loss on disposal of assets, net. | 43,607 | 45,543 | (4)% | 161,905 | 158,305 | 2 % |
| Corporate and administrative | 2,867 | 4,242 | (32)% | 11,505 | 11,662 | (1)% |
| Depreciation | 7,132 | 5,498 | 30 % | 24,456 | 21,955 | 11 % |
| Amortization of intangible assets | 458 | 223 | 105 % | 1,034 | 920 | 12 % |
| Amortization of restricted stock awards | 97 | 189 | (49)% | 391 | 512 | (24)% |
| (Gain) loss on disposal of assets, net | 1,309 | 68 | 1825 % | 1,401 | (496) | (382)% |
| Total expenses | 55,470 | 55,763 | (1)% | 200,692 | 192,858 | 4 % |
| Operating income | 17,505 | 30,707 | (43)% | 60,861 | 100,415 | (39)% |
| Other income (expense): | | | | | | |
| Miscellaneous income (expense), net | (150) | 418 | (136)% | 558 | 979 | (43)% |
| Interest expense | (13,002) | (10,621) | 22 % | (46,549) | (41,972) | 11 % |
| Loss on early extinguishment of debt | (1,773) | - 0 - | NA | (6,543) | - 0 - | NA |
| Income from continuing operations before income tax expense | | | | | | |
| Income tax expense | 2,580 | 20,504 | (87)% | 8,327 | 59,422 | (86)% |
| Income tax expense | 1,450 | 7,632 | (81)% | 3,723 | 22,905 | (84)% |
| Income (loss) from continuing operations | | | | | | |
| Income (loss) from operations of discontinued publishing and wireless operations net of income tax expense of \$810, \$1,290, \$3,253, and \$5,059, respectively | (4,979) | 1,932 | (358)% | (1,242) | 7,768 | (116)% |
| Net income (loss) | (3,849) | 14,804 | (126)% | 3,362 | 44,285 | (92)% |
| Preferred dividends | 814 | 814 | 0 % | 3,258 | 3,272 | (0)% |
| Deemed non-cash preferred stock dividend | | | | | | |
| Deemed non-cash preferred stock dividend | 2,390 | - 0 - | NA | 2,390 | - 0 - | NA |

| | | | | | | |
|---------------------------------------------------------------------------------------|------------|----------|--------|------------|----------|--------|
| Net income (loss) available to common stockholders | \$ (7,053) | \$13,990 | (150)% | \$ (2,286) | \$41,013 | (106)% |
| Diluted per share information: | | | | | | |
| Income (loss) from continuing operations available to common stockholders | \$ (0.05) | \$0.24 | | \$ (0.02) | \$0.66 | |
| Income (loss) from discontinued operations, net of tax | (0.10) | 0.04 | | (0.03) | 0.16 | |
| Net income (loss) available to common stockholders | \$ (0.15) | \$0.28 | (154)% | \$ (0.05) | \$0.82 | (106)% |
| Weighted average shares outstanding | 48,630 | 49,280 | (1)% | 48,649 | 50,170 | (3)% |
| Political revenue (less agency commission) | \$1,433 | \$20,783 | (93)% | \$2,862 | \$41,706 | (93)% |
| Revenue related to Olympic broadcast (less agency commission) | \$- | \$- | NA | \$- | \$3,061 | (100)% |

Guidance for the First Quarter of 2006

We currently anticipate that Gray's broadcasting results of operations for the three months ended March 31, 2006 will approximate the ranges presented in the tables below. The guidance below for the period ended March 31, 2006 does not include an estimated \$175,000 to \$200,000 of non-cash expense currently anticipated in connection with the Company's adoption on January 1, 2006 of Statement of Financial Accounting Standard No. 123, (revised 2005) which relates to new accounting rules for expensing awards for employee stock options and/or restricted stock.

| Selected operating data: | "As Reported" Results | | Three Months Ended March 31, | | Actual 2005 |
|-----------------------------|-------------------------------|---------------------------------------|--------------------------------|---------------------------------------|----------------|
| | 2006 Guidance Low Range | % Change From Actual 2005 | 2006 Guidance High Range | % Change From Actual 2005 | |

Dollars in millions

| | | | | | |
|-----------------------------------------------------------------------------------|--------|------|--------|------|--------|
| OPERATING REVENUES | | | | | |
| Revenues (less agency commissions) | \$66.5 | +14% | \$67.5 | +16% | \$58.3 |
| OPERATING EXPENSES before depreciation, amortization and other expenses: | | | | | |
| Broadcasting operating expenses | \$44.8 | +16% | \$45.0 | +16% | \$38.7 |
| Corporate expense | \$3.2 | +23% | \$3.5 | +35% | \$2.6 |
| Other Selected Data: | | | | | |
| Broadcast political revenues (less agency commissions) | \$1.4 | 367% | \$1.6 | 433% | \$0.3 |

Pro Forma Results Three Months Ended March 31,
%

| Selected operating data: | Pro Forma 2006 Guidance Low Range | Change From Pro Forma 2005 | Pro Forma 2006 Guidance High Range | Change From Pro Forma 2005 | Pro Forma for WSAZ & WNDU 2005 |
|-----------------------------|--------------------------------------------|-------------------------------------|---------------------------------------------|-------------------------------------|-----------------------------------------|
|-----------------------------|--------------------------------------------|-------------------------------------|---------------------------------------------|-------------------------------------|-----------------------------------------|

Dollars in millions

OPERATING REVENUES

| | | | | | |
|--------------------------------------------------------------------|--------|-----|--------|-----|--------|
| Broadcasting operating revenues (less agency commissions) | \$69.0 | +4% | \$70.0 | +5% | \$66.6 |
|--------------------------------------------------------------------|--------|-----|--------|-----|--------|

OPERATING EXPENSES

before depreciation,
amortization and
other expenses:

Broadcasting

| | | | | | |
|--------------------|--------|-----|--------|-----|--------|
| Operating expenses | \$46.7 | +6% | \$47.0 | +7% | \$44.1 |
|--------------------|--------|-----|--------|-----|--------|

| | | | | | |
|-------------------|-------|------|-------|------|-------|
| Corporate expense | \$3.2 | +23% | \$3.5 | +35% | \$2.6 |
|-------------------|-------|------|-------|------|-------|

Other Selected Data:

| | | | | | |
|--------------------------------------------------------------|-------|------|-------|------|-------|
| Broadcast political revenues (less agency commissions) | \$1.5 | 275% | \$1.7 | 325% | \$0.4 |
|--------------------------------------------------------------|-------|------|-------|------|-------|

Pro Forma information presents certain operating results of WSAZ and WNDU as if each station had been acquired on January 1, 2005.

Comments on Guidance for the "As Reported Basis"

The above guidance for broadcasting revenue reflects the cyclical impact of political advertising spending.

The above first quarter 2006 guidance for broadcasting revenue also includes the impact of Gray's launch of second channels in eight of its existing television markets since January 1, 2005 and the acquisition of television stations KKCO, Grand Junction, CO on January 31, 2005, WSWG, Albany GA on November 10, 2005, WSAZ, Charleston - Huntington, WV on November 30, 2005 and WNDU, South Bend, IN on March 3, 2006. Collectively these transactions account for approximately \$7.4 million of the overall increase in first quarter broadcast revenue in comparison to the first quarter of 2005.

For television stations and secondary channels continuously operated since January 1, 2005, Gray currently anticipates that its local revenue, excluding political revenue, will increase approximately 7% over the first quarter of 2005. National revenue, excluding political revenue, is currently expected to decrease approximately 4% over the first quarter of 2005 for those same stations. Also, during the first quarter of 2005 Gray currently anticipates recognizing network revenue of approximately \$0.2 million. Under the same network affiliation agreements, the related cash payments to be received by Gray are currently estimated to approximate \$0.5 million for the first quarter of 2006.

The above first quarter 2006 guidance for broadcasting operating expense before depreciation, amortization, and other expenses also includes the current period impact of Gray's launch of second channels and the acquisition of several television stations as discussed above. Collectively these transactions account for approximately \$4.7 million of the overall increase in first quarter broadcast operating expense before depreciation, amortization, and other expenses in comparison to the first quarter of 2005.

For television stations and secondary channels continuously operated since January 1, 2005, Gray currently anticipates that operating expenses before depreciation, amortization, and other expenses will increase approximately 4% from the first quarter of 2005. This expense increase reflects routine increases in payroll and benefit costs.

Also included within the broadcast operating expense estimates presented above, we currently estimate that non-cash 401(k) plan expense will approximate \$550,000 for the three months ended March 31, 2006 compared with \$500,000 for the same period of 2005.

Conference Call Information

Gray Television, Inc. will host a conference call to discuss its fourth quarter operating results on March 16, 2006. The call will begin at 1:00 PM Eastern Time. The live dial-in number is 1-800-289-0529 and the confirmation code is 6184459. The call will be webcast live and available for replay at <http://www.gray.tv>. The taped replay of the conference call will be available at 1-888-203-1112, Confirmation Code: 6184459 until April 16, 2006.

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Senior V. P. and Chief Financial
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Reconciliations:

Reconciliation of Net Income to the Non-GAAP term "Adjusted Broadcast Cash Flow" (\$ in thousands):

| | Three Months Ended December 31, | | Year Ended December 31, | |
|----------------------------------------------------------------------------------|------------------------------------|----------|----------------------------|-----------|
| | 2005 | 2004 | 2005 | 2004 |
| Net income (loss) | \$ (3,849) | \$14,804 | \$3,362 | \$ 44,285 |
| Add (subtract): | | | | |
| (Income) loss from discontinued operations, net | 4,979 | (1,932) | 1,242 | (7,768) |
| Income tax expense | 1,450 | 7,632 | 3,723 | 22,905 |
| Loss on early extinguishment of debt | 1,773 | - 0 - | 6,543 | - 0 - |
| Interest expense | 13,002 | 10,621 | 46,549 | 41,972 |
| Miscellaneous (income) expense, net | 150 | (418) | (558) | (979) |
| Loss (gain) on disposal of assets, net | 1,309 | 68 | 1,401 | (496) |
| Amortization of restricted stock awards | 97 | 189 | 391 | 512 |
| Amortization of intangible assets | 458 | 223 | 1,034 | 920 |
| Depreciation | 7,132 | 5,498 | 24,456 | 21,955 |
| Amortization of program license rights | 2,959 | 2,822 | 11,577 | 11,137 |
| Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions | 476 | 998 | 1,912 | 2,177 |
| Network compensation revenue recognized | (1,060) | n/a | (5,095) | n/a |
| Network compensation per network affiliation agreement | 1,935 | n/a | 8,031 | n/a |
| Payments on program broadcast obligations | (2,880) | (2,891) | (11,452) | (11,055) |
| Adjusted Broadcast Cash Flow | \$ 27,931 | \$37,614 | \$ 93,116 | \$125,565 |

Adjusted Broadcast Cash Flow is non-GAAP term the Company uses as a measure of performance. Adjusted Broadcast Cash Flow is used by the Company to approximate the amount used to calculate key financial performance covenants including, but not limited to, limitations on debt, interest coverage, and fixed charge coverage ratios as defined in the Company's senior credit facility and/or subordinated note indenture. Adjusted Broadcast Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and (gain) loss on disposal of assets and cash payments received or receivable under network affiliation agreements less payments for program broadcast obligations, less network compensation revenue and less income (loss) from discontinued operations, net of income taxes. Accordingly, the Company has provided a reconciliation of Adjusted Broadcast Cash Flow to net income.

Notes

(1) Total debt as of December 31, 2005 and December 31, 2004 does not include \$811,000 and \$1.0 million, respectively, of unamortized debt discount on Gray's 91/4% Senior Subordinated Notes due March 2011.

The Company

Gray Television, Inc. is a television broadcast company headquartered in Atlanta, GA. Gray operates 36 television stations serving 30 markets. Each of the stations are affiliated with either CBS (17 stations), NBC (10 stations), ABC (8 stations), or Fox (1 station). In addition, Gray currently operates eleven digital multi-cast television channels which are currently affiliated with either UPN or Fox in certain of its existing markets.

Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the

Private Securities Litigation Reform Act

The following comments on Gray's current expectations of operating results for the first quarter of 2006 are "forward looking" for purposes of the Private Securities Litigation Reform Act of 1995. Actual results of operations are subject to a number of risks and may differ materially from the current expectations discussed in this press release. See Gray's Annual Report on Form 10-K for a discussion of risk factors that may affect its ability to

achieve the results contemplated by such forward looking statements.

SOURCE: Gray Television, Inc.

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