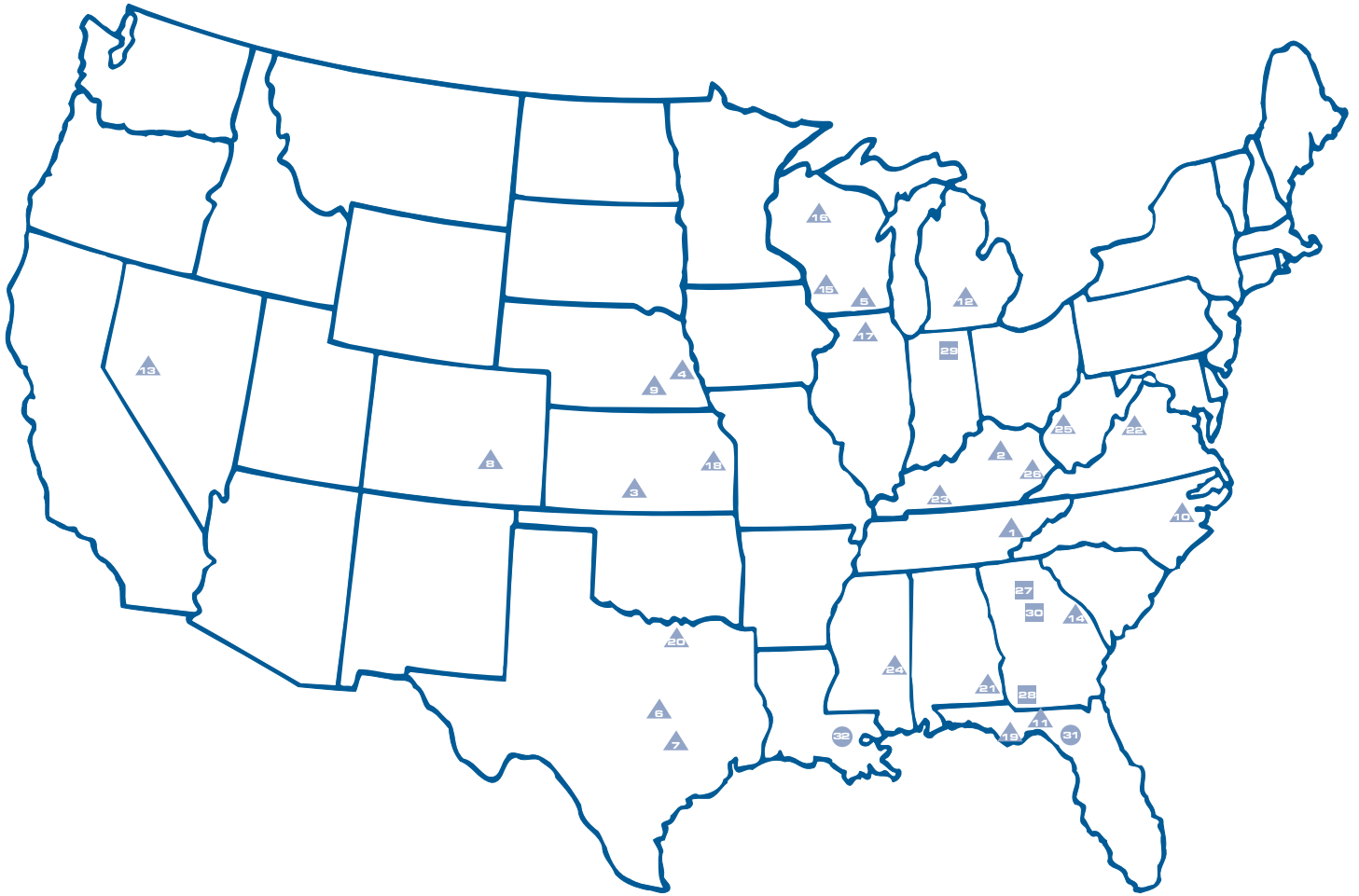


GRAY
TELEVISION, INC.

2002 Annual Report



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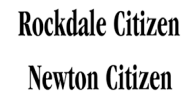
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Television Broadcasting

DMA Rank (a)	Market	Station	Analog Channel	—Affiliation—		FCC License Renewal Date	Station Rank in DMA (b)	Station News Rank in DMA (c)	Commercial Stations in DMA (d)	In Market Share of Households Viewing (b)	Television Households (a) in thousands
				Network	Expiration						
1	63 Knoxville, TN	WVLT	8	CBS	12/31/04	8/1/05	2	3	5	25%	490
2	65 Lexington, KY	WKYT	27	CBS	12/31/04	8/1/05	1	1	5	38%	454
3	66 Wichita—Hutchinson, KS (Colby, KS) (Garden City, KS)	KAKE KLBV (e) KUPK (e)	10 4 13	ABC	1/1/06	6/1/06	3	2	6	23%	445
4	78 Omaha, NE	WOWT	6	NBC	1/1/12	6/1/06	1	1	5	29%	387
5	86 Madison, WI	WMTV	15	NBC	1/1/12	12/1/05	2	2	4	25%	349
6	93 Waco-Temple-Bryan, TX (Bryan, TX)	KWTV KBTX (g)	10 3	CBS	12/31/05	8/1/06	1	1	6	41%	304
8	94 Colorado Springs, CO	KKTV	11	CBS	6/30/05	4/1/06	1	1	5	33%	303
9	102 Lincoln—Hastings Kearney, NE (Grand Island, NE)	KOLN KGIN (h)	10 11	CBS	12/31/05	6/1/06	1	1	5	52%	267
10	103 Greenville—New Bern— Washington, NC	WITN	7	NBC	12/31/11	12/1/04	2	1	4	32%	266
11	107 Tallahassee, FL— Thomasville, GA	WCTV	6	CBS	12/31/04	4/1/05	1	1	5	56%	256
12	111 Lansing, MI	WILX	10	NBC	1/1/12	10/1/05	1	1	4	37%	248
13	114 Reno, NV	KOLO	8	ABC	1/2/05	10/1/06	1	1	5	31%	242
14	115 Augusta, GA	WRDW	12	CBS	3/31/05	4/1/05	1	1	4	37%	241
15	123 La Crosse— Eau Claire, WI	WEAU	13	NBC	12/31/11	12/1/05	1	1	4	37%	218
16	134 Wausau— Rhineland, WI	WSAW	7	CBS	6/30/05	12/1/05	1	2	4	37%	176
17	135 Rockford, IL	WIFR	23	CBS	6/30/05	12/1/05	2	2	4	28%	176
18	138 Topeka, KS	WIBW	13	CBS	6/30/05	6/1/06	1	1	4	44%	168
19	159 Panama City, FL	WJHG	7	NBC	12/31/11	2/1/05	1	1	3	51%	131
20	160 Sherman, TX—Ada, OK	KXII	12	CBS	12/31/05	8/1/06	1	1	2	69%	121
21	171 Dothan, AL	WTVY	4	CBS	6/30/05	4/1/05	1	1	3	70%	98
22	178 Harrisonburg, VA	WHSV	3	ABC	11/1/04	10/1/04	1	1	1	97%	86
23	180 Bowling Green, KY	WBKO	13	ABC	11/1/04	8/1/05	1	1	2	85%	82
24	185 Meridian, MS	WTOK	11	ABC	11/1/04	6/1/05	1	1	3	67%	71
25	188 Parkersburg, WV	WTAP	15	NBC	1/1/12	10/1/04	1	1	1	92%	64
26	Note(f) Hazard, KY	WYMT	57	CBS	12/31/04	8/1/05	1	1		32%	169

5,812(i)

(a) Based on data published by Nielsen.

(b) Based on Nielsen data for November 2002 rating period, Sunday to Saturday, 6 a.m. to 2 a.m.

(c) Based on our review of the Nielsen data for the November 2002 rating period during various news hours.

(d) We have included only stations that BIA has reported at one share or more in three of the four most recent rating periods.

(e) KLBV and KUPK are satellite stations of KAKE under FCC rules.

(f) Special 16 county trading area defined by Nielsen and is part of the Lexington, KY DMA.

(g) KBTX is a satellite station of KWTV under FCC rules.

(h) KGIN is a satellite station of KOLN under FCC rules.

(i) Approximately 5% of all U.S. television households.

Newspaper Publishing

Publication	Market	Estimated Market		
		Population	Households	Circulation
27 Gwinnett Daily Post	Gwinnett County, GA	650,000	217,000	65,000
28 The Albany Herald	Albany, GA	325,000	119,000	28,000 Daily / 31,000 Sunday
29 The Goshen News	Goshen, IN	117,000	40,000	17,000
30 Rockdale Citizen/ Newton Citizen	Rockdale and Newton County, GA	132,000	45,000	15,000

Wireless Messaging and Satellite Uplink

Operation	Market	Service
31 GrayLink	AL, FL and GA	Wireless Messaging
32 Gulfink Communications	United States	Mobile Satellite Uplink

Financial Highlights

Gray Television, Inc. grew dramatically in 2002 with the acquisition of 16 television stations serving 14 television markets.

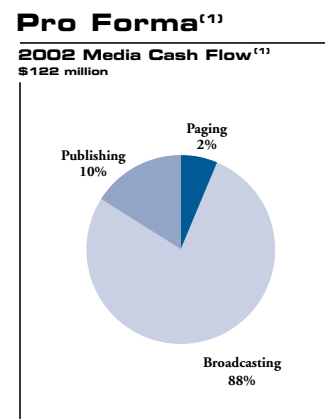
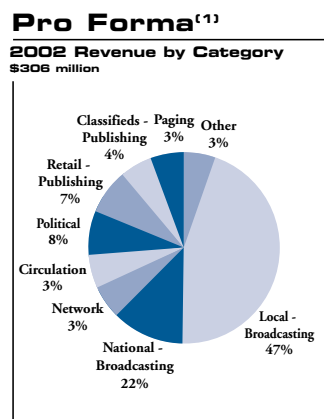
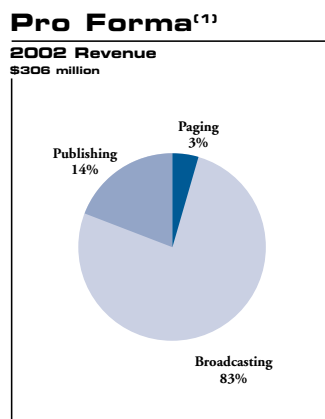
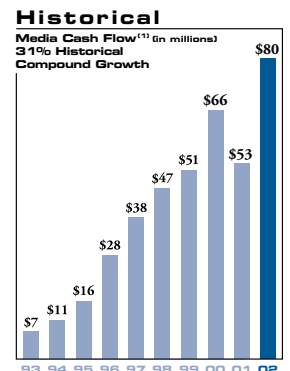
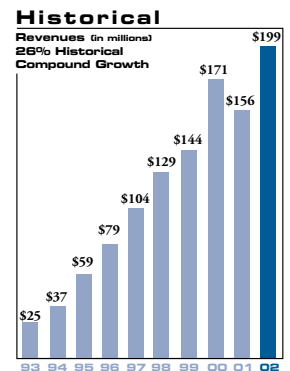
Even with our dramatic growth in 2002, we have remained faithful to our heritage of being a local news leader; a heritage that dates to 1891 and the founding of the *Albany Herald* in Albany, Georgia.

Consistent with our heritage and a strategic vision that has been implemented since 1993, Gray focuses on three key areas to provide continuing growth:

- Extending exceptional news services to local communities
- Improving operations through innovative marketing initiatives and focused cost control
- Acquiring, on a selective basis, well-managed properties in mid-sized markets that offer excellent future growth potential.

Gray has an outstanding portfolio of market leading television stations with 22 of 29 stations number 1 in their market as of the November 2002 rating period. Our newspapers also continue to be news leaders in their respective markets.

Gray's market-leading operations provide it with an excellent continuing opportunity to grow, maximize operating performance and to increase property values.



	Pro Forma ⁽¹⁾		
	Year Ended December 31,		
	2002	2001	% Change
	(in thousands, except percentages)		
Net Revenue:			
Broadcasting	\$ 253,824	\$ 224,599	13 %
Publishing	43,657	41,189	6 %
Paging	8,269	8,725	(5) %
Total Net Revenue	\$ <u>305,750</u>	\$ <u>274,513</u>	11 %
Media Cash Flow⁽¹⁾:			
Broadcasting	\$ 106,921	\$ 87,737	22 %
Publishing	12,241	9,423	30 %
Paging	2,504	2,883	(13) %
Total Media Cash Flow ⁽¹⁾	\$ <u>121,666</u>	\$ <u>100,043</u>	22 %
Media Cash Flow Margins⁽¹⁾:			
Broadcasting	42 %	39 %	
Publishing	28 %	23 %	
Paging	30 %	33 %	
Total Media Cash Flow Margins ⁽¹⁾	40 %	36 %	

⁽¹⁾ See "Annual Report Notes" immediately following the enclosed Form 10-K for definitions of "Pro Forma" and "Media Cash Flow."

We are pleased to report that 2002 was an exceptional year for Gray both in terms of operating results and acquisitions.

The Company was successful in more than doubling the size of its television operations by acquiring in two separate transactions a total of 16 television stations serving 14 different television markets. In October of 2002 Gray acquired from Stations Holding, Inc., previously known as “Benedek Broadcasting,” 15 network affiliated stations serving 13 television markets for a base purchase price of \$502.5 million. In December 2002 the Company was able to acquire KOLO-TV, the ABC affiliate in Reno, Nevada, for a base purchase price of \$41.5 million. The Company is very pleased with the quality of the stations acquired and the relative cost of these acquisitions.

The Company now owns and operates a total of 29 television stations serving 25 different television markets in 18 states. This station group reaches approximately 5.3% of the total U.S. TV households and includes 15 CBS affiliates, seven NBC affiliates and seven ABC affiliates. Gray is now the largest operator of network affiliated television stations in television markets ranked 50 and above. In addition, we believe Gray is the largest independent owner of CBS affiliated television stations in the country.

More important than dramatically increasing the size of the Company, we are pleased to report that Gray has an industry leading portfolio of high quality television stations. Gray has 22 stations ranked #1 in their respective local market for delivering news audiences and 22 stations that are also ranked #1 in overall viewing audience delivery based on the November 2002 ratings information provided by the A.C. Nielsen Company. We do not know of any other major television station owner that has, on a proportional basis, as many market leading television stations as Gray.

The Company was able to finance the 2002 acquisitions using a prudent mix of additional debt and Gray common stock. This follow-on equity offering of 34.5 million shares of Gray common stock has allowed the Company to achieve two of its long-term goals by dramatically increasing the depth of its shareholder base and significantly increasing the liquidity of the Company’s common stock.

The success of the 2002 follow-on equity offering also allowed the Company to have a favorable debt, net of cash on hand, to operating cash flow ratio of 5.73 times as of December 31, 2002. Because of the general strength of Gray’s market leading television stations, the Company is well positioned to reduce its December 31, 2002 debt balance of \$658 million over the foreseeable future.

The Company's market leading television stations gained a disproportionate share of local viewers allowing the stations to also gain a relatively large share of the local television advertising revenues. Those revenues, coupled with a disciplined approach to managing the Company's operating expenses, allows Gray to produce solid operating results year after year and 2002 was no exception.

The Company's operating results for the year ended December 31, 2002 were up significantly over the results for the year ended December 31, 2001 after giving pro forma⁽¹⁾ effect for the acquisitions that were completed in 2002. Total pro forma⁽¹⁾ revenue for the year ended 2002 approximated \$305.8 million increasing 11% over 2001 pro forma⁽¹⁾ results. The Company's Media Cash Flow⁽¹⁾ approximated \$121.7 million increasing 22% over the 2001 pro forma⁽¹⁾ results. While the Company certainly benefited from over \$25 million of cyclical television political revenue in 2002, the Company's non-political television revenues generally demonstrated solid improvement from 2001's generally weak economic conditions. Gray's publishing segment continued a strong tradition of year over year growth with its Media Cash Flow⁽¹⁾ increasing 30% over 2001 results.

In looking ahead to 2003, Gray is committed to maximizing its operating potential to deliver the best possible operating results. The Company will focus on increasing the operating efficiency of our television stations, especially where our stations are located in adjoining market areas. The Company will also benefit from substantial reductions in duplicative corporate overhead costs acquired with the acquisitions made during 2002.

The Company's primary mission has remained unchanged for over 10 years. Gray maximizes its cash flow by striving to be the primary news and/or entertainment provider to the people living in the communities we serve. We are proud of the community service projects we provide to our local communities. Gray is also fortunate to have dedicated and professional employees who work hard to fulfill the Company's primary mission.

Gray will continue to be a leader in delivering news and entertainment to the communities we serve; which in turn will allow the Company to continue delivering strong results for its shareholders. Gray's historic focus has been on the creation of long-term value. We continue to believe executing this strategy is in the best interest of all shareholders.



J. Mack Robinson
Chairman and Chief Executive Officer



Robert S. Prather, Jr.
President and Chief Operating Officer

⁽¹⁾ See "Annual Report Notes" immediately following the enclosed Form 10-K for definitions of "Pro Forma" and "Media Cash Flow."

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Pro Forma vs. Historical Presentation

Certain information in this annual report has been presented under two different methods: historical and pro forma. The historical basis presentation gives effect to the acquisitions as of their respective acquisition dates. The pro forma presentation gives effect to the acquisitions of Stations Holding, Inc. on October 25, 2002 and KOLO-TV on December 18, 2002 as if each had occurred on January 1, 2001. Certain amounts of redundant corporate overhead were eliminated in the pro forma presentation. Depreciation and amortization expense in the pro forma presentation give effect to accounting for the respective acquisitions under the purchase method.

Non-GAAP Financial Measures

Media Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation and corporate overhead, less payments for program broadcast obligations.

Media Cash Flow Margin is defined as Media Cash Flow divided by net revenue.

A reconciliation of operating income to Operating Cash Flow and Media Cash Flow follows (in thousands):

	<u>Year Ended December 31,</u>			
	<u>Historical</u>		<u>Pro Forma</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Operating Income	\$ 55,928	\$ 17,880	\$ 90,559	\$ 49,305
Add: Amortization of program broadcast rights	6,325	5,519	12,350	12,718
Depreciation and amortization	17,728	30,824	22,152	42,329
Non-cash compensation	723	659	723	659
Less: Payments for program broadcast obligations	<u>(6,421)</u>	<u>(5,423)</u>	<u>(13,128)</u>	<u>(12,219)</u>
Operating Cash Flow	74,283	49,459	112,656	92,792
Add: Corporate Overhead	5,607	3,615	9,010	7,251
Media Cash Flow	<u>\$ 79,890</u>	<u>\$ 53,074</u>	<u>\$ 121,666</u>	<u>\$ 100,043</u>

The Company has included Media Cash Flow and Operating Cash Flow because such data is commonly used as a measure of performance for media companies and is also used by certain investors and industry financial analysts to estimate a measure for a company's market value and ability to service debt. Media Cash Flow and Operating Cash Flow are not, and should not, be used as an indicator or alternative to operating income, net income or cash flow from operations as reflected in the Company's consolidated financial statements. Media Cash Flow and Operating Cash Flow are not measures 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.

Cautionary Statements for Purposes of the "Safe Harbor" Provisions of the Private Securities Litigation Reform Act:

Comments on the Company's current expectations of future operating results contained in this annual report 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 annual report. See the Company's annual report on Form 10-K included in this annual report for a further discussion of the Company's operations.

Board of Directors

William E. Mayher, III ^{(1) (2) (3) (4)}

Chairman of the Board of Gray Television, Inc.
Retired neurosurgeon

J. Mack Robinson ⁽³⁾

Chairman and Chief Executive Officer of Gray
Television, Inc. and Chairman of the
Executive Committee

Chairman of the Board of Bull Run
Corporation, a diversified holding company
and shareholder of Gray

Chairman of the Board and President of Delta
Life Insurance Company and Delta Fire and
Casualty Insurance Company

Chairman of the Board of Atlantic American
Corporation, an insurance holding company

Director *emeritus* of Wachovia Corporation

Robert S. Prather, Jr. ⁽³⁾

President and Chief Operating Officer of Gray
Television, Inc.

President, Chief Executive Officer and a
director of Bull Run Corporation, a
diversified holding company and shareholder
of Gray

Hilton H. Howell, Jr. ⁽³⁾

Vice Chairman of Gray Television, Inc.
President and Chief Executive Officer of
Atlantic American Corporation, an
insurance holding company

Executive Vice President and General Counsel
of Delta Life Insurance Company and Delta
Fire and Casualty Insurance Company

Vice President, Secretary and a director of Bull
Run Corporation, a diversified holding
company and shareholder of Gray

Richard L. Boger ⁽¹⁾

President and Chief Executive Officer of
Lex-Tek International, Inc., a computer and
internet software development company of
insurance and bank applications

Howell W. Newton ⁽¹⁾

President and Treasurer of Trio Manufacturing
Co., a textile manufacturing company
Chairman of Gray's Audit Committee

Hugh E. Norton ^{(2) (4)}

President of Norco, Inc., an insurance agency
Real estate developer in Destin, Florida
Chairman of Gray's 2002 Long Term Incentive
Plan Committee

Harriett J. Robinson

Director of Atlantic American Corporation
Director of Delta Life Insurance Company and
Delta Fire and Casualty Insurance Company

Ray M. Deaver ^{(2) (4)}

Past Chairman of the CBS Television Network
Affiliates Advisory Board
Chairman of Gray's Management Personnel
Committee

Committees of the Board

⁽¹⁾ Audit Committee

⁽²⁾ 2002 Long Term Incentive Plan Committee

⁽³⁾ Executive Committee

⁽⁴⁾ Management Personnel Committee

Television Broadcasting

WVLT-TV
6516 Papermill Drive
Knoxville, TN 37919
865.450.8888
www.volunteertv.com

KBTX-TV
4141 E 29th Street
Bryan, TX 77802
979.846.7777
www.kbtv.com

KOLO-TV
4850 Ampere Drive
Reno, NV 89502
775.858.8888
www.kolotv.com

WJHG-TV
8195 Front Beach Road
Panama City, FL 32407-4820
850.234.7777
www.wjhg.com

WTAP-TV
One Television Plaza
Parkersburg, WV 26101
304.485.4588
www.wtap.com

WKYT-TV
2851 Winchester Road
Lexington, KY 40509
859.299.0411
www.wkvt.com

KKTV-TV
3100 N Nevada Avenue
Colorado Springs, CO 80907
719.634.2844
www.kktv.com

WRDW-TV
1301 Georgia Avenue
North Augusta, SC 29841
803.278.1212
www.wrdw.com

KXII-TV
4201 Texoma Parkway
Sherman, TX 75090
903.892.8123
www.kxii.com

WYMT-TV
199 Black Gold Boulevard
Hazard, KY 41701
606.436.5757
www.wymt-tv.com

KAKE/KLBY/KUPK-TV
1500 N West Street
Wichita, KS 67203
316.943.4221
www.kake.com

KOLN/KGIN-TV
840 North 40th Street
Lincoln, NE 68503
402.467.4321
www.kolnkin.com

WEAU-TV
1907 South Hastings Way
Eau Claire, WI 54701
715.835.1313
www.weau.com

WTVY-TV
285 N Foster Street
Dothan, AL 36303
334.792.3195
www.wtvynews4.com

WOWT-TV
3501 Farnam Street
Omaha, NE 68131
402.346.6666
www.wowt.com

WITN-TV
Highway 17 South
Washington, NC 27889
252.946.3131
www.witntv.com

WSAW-TV
1114 Grand Avenue
Wausau, WI 54401
715.845.4211
www.wsaw.com

WHSV-TV
50 N Main Street
Harrisonburg, VA 22802
540.433.9191
www.wHSV.com

WMTV-TV
615 Forward Drive
Madison, WI 53711
608.274.1515
www.nbc15.com

WCTV-TV
4000 County Road 12
Tallahassee, FL 32312
850.893.6666
www.wctv6.com

WIFR-TV
2523 N Meridian Road
Rockford, IL 61101
815.987.5300
www.wifr.com

WBKO-TV
2727 Russellville Road
Bowling Green, KY 42101
270.781.1313
www.wbko.com

KWTX-TV
6700 American Plaza
Waco, TX 76712
254.776.1330
www.kwtv.com

WILX-TV
500 American Road
Lansing, MI 48911
517.393.0110
www.wilx.com

WIBW-TV
631 SW Commerce Place
Topeka, KS 66615
785.272.6397
www.wibw.com

WTOK-TV
815 23rd Avenue
Meridian, MS 39301
601.693.1441
www.wtok.com

Newspaper Publishing

GWINNETT DAILY POST
166 Buford Drive
Lawrenceville, GA 30045
770.963.9205
www.gwinnettdaily.com

THE ALBANY HERALD
126 N. Washington Street
Albany, GA 31701
229.888.9300
www.albanyherald.net

THE GOSHEN NEWS
114 South Main Street
Goshen, IN 46526
574.533.2151
www.goshennews.com

**ROCKDALE CITIZEN/
NEWTON CITIZEN**
969 South Main Street
Conyers, GA 30012
770.483.7108
www.rockdalecitizen.com
www.newtoncitizen.com

Wireless Messaging and Satellite Uplink

GRAYLINK
1306 Thomasville Road
Tallahassee, FL 32303
850.841.7100
www.graylink.com

**GULFLINK
COMMUNICATIONS**
9010 Castille Road
Baton Rouge, LA 70809
225.344.6007

Corporate Offices

GRAY TELEVISION, INC.
Executive Offices:
4370 Peachtree Road, NE
Atlanta, GA 30319
404.504.9828

Administrative Offices:
126 N. Washington Street
Albany, GA 31701
229.888.9390
www.graytvinc.com

Other Information

TRANSFER AGENT AND REGISTRAR
Mellon Investor Services LLC
Overpeck Centre
85 Challenger Road
Ridgefield Park, NJ 07660
888.835.2869
www.melloninvestor.com

INDEPENDENT ACCOUNTANTS
Pricewaterhouse Coopers LLP
10 Tenth Street, Suite 1400
Atlanta, GA 30309
678.419.3000

TRUSTEE
For 9 1/4% Senior Subordinated Notes Due 2011
Deutsche Bank Trust Company Americas
c/o DB Services New Jersey, Inc.
100 Plaza One
Jersey City, NJ 07311

GRAY

TELEVISION, INC.

Executive Offices:
4370 Peachtree Road, NE
Atlanta, Georgia 30319

Administrative Offices:
126 N. Washington Street
Albany, Georgia 31701

www.graytvinc.com
