



Gray Television, Inc.

Certain Non-GAAP Measures Disclosures

From time to time, Gray supplements its financial results prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) by disclosing the non-GAAP financial measures Broadcast Cash Flow, Broadcast Cash Flow Less Cash Corporate Expenses, Operating Cash Flow as defined in Gray’s 2017 Senior Credit Facility (“Operating Cash Flow”), Free Cash Flow and Total Leverage Ratio, Net of All Cash. These non-GAAP amounts are used by us to approximate the amount used to calculate key financial performance covenants contained in our debt agreements and are used with our GAAP data to evaluate our results and liquidity. These non-GAAP amounts may be provided on an As-Reported Basis as well as a Combined Historical Basis.

We define Broadcast Cash Flow as net income plus loss from early extinguishment of debt, corporate and administrative expenses, broadcast non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations and network compensation revenue.

We define Broadcast Cash Flow Less Cash Corporate Expenses as net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, and non-cash 401(k) expense, less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations and network compensation revenue.

We define Operating Cash Flow as Combined Historical Basis net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense and pension expenses less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations, network compensation revenue and cash contributions to pension plans.

We define Free Cash Flow as net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization (including amortization of intangible assets and program broadcast rights), any loss on disposal of assets, any miscellaneous expense, amortization of deferred financing costs, any income tax expense, non-cash 401(k) expense and pension expense, less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast obligations, network compensation revenue, contributions to pension plans, amortization of original issue discount on our debt, capital expenditures (net of any insurance proceeds) and the payment of income taxes (net of any refunds received).

Our Total Leverage Ratio, Net of All Cash is calculated as our Operating Cash Flow for the preceding eight quarters, divided by two, which is then divided by our long term debt, excluding net premiums and net deferred financing costs, but including any other debt, net of all cash.

These non-GAAP terms are not defined in GAAP and our definitions may differ from, and therefore not be comparable to, similarly titled measures used by other companies, thereby limiting their usefulness. Such terms are used by management in addition to and in conjunction with results presented in accordance with GAAP and should be considered as supplements to, and not as substitutes for, net income and cash flows reported in accordance with GAAP.

Reconciliation on As-Reported Basis, in thousands:

	Three Months Ended		
	March 31,		
	2017	2016	2015
Net income	\$ 10,505	\$ 8,990	\$ 5,595
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	12,629	11,126	8,798
Amortization of intangible assets	5,567	3,888	2,771
Non-cash stock-based compensation	1,338	1,284	993
Loss (gain) on disposals of assets, net	527	(1,648)	(18)
Miscellaneous income, net	(7)	(569)	(7)
Interest expense	23,191	21,275	18,530
Loss from early extinguishment of debt	2,540	-	-
Income tax expense	7,329	6,415	3,940
Amortization of program broadcast rights	5,222	4,396	3,607
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	7	6	6
Payments for program broadcast rights	(5,119)	(3,977)	(3,588)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	6,735	14,708	6,097
Broadcast Cash Flow	70,464	65,894	46,724
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(6,735)	(14,708)	(6,097)
Broadcast Cash Flow Less Cash Corporate Expenses	\$ 63,729	\$ 51,186	\$ 40,627
Pension expense	(85)	40	2,401
Contributions to pension plans	(624)	(520)	-
Interest expense	(23,191)	(21,275)	(18,530)
Amortization of deferred financing costs	1,151	1,071	799
Amortization of net original issue premium on 5.875% senior notes due 2026	(153)	(216)	(216)
Purchase of property and equipment	(3,977)	(5,931)	(2,849)
Income taxes paid, net of refunds	(256)	(140)	(241)
Free Cash Flow	\$ 36,594	\$ 24,215	\$ 21,991

Reconciliation on Combined Historical Basis, in thousands:

	Three Months Ended		
	March 31,		
	2017	2016	2015
Net income	\$ 9,204	\$ 11,729	\$ 8,800
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	12,732	12,625	12,329
Amortization of intangible assets	5,583	4,849	4,651
Non-cash stock-based compensation	1,338	1,284	993
Loss (gain) on disposals of assets, net	527	(1,448)	35
Miscellaneous income, net	(7)	394	1,516
Interest expense	23,191	24,849	23,306
Loss from early extinguishment of debt	2,540	-	-
Income tax expense	7,329	5,775	3,444
Amortization of program broadcast rights	5,276	5,254	5,206
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	7	6	6
Payments for program broadcast rights	(5,173)	(4,835)	(5,187)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	6,735	14,708	6,097
Other	1,568	3,197	7,031
Broadcast Cash Flow	\$ 70,850	\$ 78,387	\$ 68,227
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(6,735)	(14,708)	(6,097)
Broadcast Cash Flow Less Cash Corporate Expenses	\$ 64,115	\$ 63,679	\$ 62,130
Pension expense	(85)	40	2,401
Contributions to pension plans	(624)	(520)	-
Other	556	6,735	-
Operating Cash Flow as defined in 2017 Senior Credit Facility	\$ 63,962	\$ 69,934	\$ 64,531
Interest expense	(23,191)	(24,849)	(23,306)
Amortization of deferred financing costs	1,151	1,071	799
Amortization of net original issue premium on 5.875% senior notes due 2026	(153)	(216)	(216)
Purchase of property and equipment	(3,977)	(5,931)	(6,750)
Income taxes paid, net of refunds	(256)	(140)	(1,250)
Free Cash Flow	\$ 37,536	\$ 39,869	\$ 33,808

Reconciliation of Total Leverage Ratio, Net of All Cash, in thousands except for ratio:

	Eight Quarters Ended March 31, 2017
Combined Historical Basis Operating Cash Flow as defined in the 2017 Senior Credit Facility:	
Net income	\$ 149,083
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:	
Depreciation	99,509
Amortization of intangible assets	38,020
Non-cash stock-based compensation	9,466
Loss on disposal of assets, net	2,862
Miscellaneous income, net	4,410
Interest expense	192,919
Loss from early extinguishment of debt	34,527
Income tax expense	70,750
Amortization of program broadcast rights	42,218
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	56
Payments for program broadcast rights	(41,535)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	68,330
Other	21,450
Broadcast Cash Flow	692,065
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	(68,330)
Broadcast Cash Flow Less Cash Corporate Expenses	623,735
Pension expense	1,886
Contributions to pension plans	(9,093)
Other	15,486
Operating Cash Flow as defined in 2017 Senior Credit Facility	\$ 632,014
Operating Cash Flow as defined in 2017 Senior Credit Facility, divided by two	\$ 316,007
	March 31, 2017
Adjusted Total Indebtedness:	
Long term debt	\$ 1,754,280
Capital leases and other debt	643
Total deferred financing costs, net	31,410
Premium on subordinated debt, net	(5,644)
Cash	(23,541)
Adjusted Total Indebtedness, Net of All Cash	\$ 1,757,148
Total Leverage Ratio, Net of All Cash	5.56