

# Gray Television, Inc.

## Certain Non-GAAP Measures Disclosures

The Company has used certain terms that are not measures recognized under generally accepted accounting principles (“GAAP”). The Company defines each of these terms below and discusses why it believes the terms may be meaningful. Other companies in the broadcast industry may use similar terms which may or may not be comparable to the terms used by Gray. These non-GAAP measures should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

**Broadcast Cash Flow** is a non-GAAP term that the Company uses as a measure of performance and as a measure of valuing the approximate fair value of the Company’s television business. As a performance measure the Company uses this term as a “benchmarking tool” to compare its results to the corresponding results of other companies in the broadcast industry. The Company also believes the broadcast industry uses this measure to estimate the fair market value of the business by multiplying Broadcast Cash Flow by a multiple. Broadcast Cash Flow is defined as net income (loss) plus corporate and administrative expense, depreciation and amortization (including amortization of intangible assets and program broadcast rights), loss on disposal of assets, miscellaneous expense, net, interest expense, income tax expense and, less gain on disposal of assets, payments for program broadcast obligations and network compensation revenue and network payments.

**Broadcast Cash Flow Less Cash Corporate Expenses** is a non-GAAP term the Company uses as a measure of performance. Broadcast Cash Flow Less Cash Corporate Expenses is used by the Company to approximate the amount used to calculate key financial performance covenants including, but not limited to, limitations on our leverage ratio as defined in the Company’s senior credit facility. Broadcast Cash Flow Less Cash Corporate Expenses is defined as Broadcast Cash Flow (as defined immediately above) less corporate and administrative expenses excluding depreciation, amortization, and non-cash stock based compensation.

**Three Months Ended  
March 31,**

	<u>2016</u>	<u>2015</u>	<u>2014</u>
Net income	\$ 8,990	\$ 5,595	\$ 1,277
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	11,126	8,798	6,384
Amortization of intangible assets	3,888	2,771	289
Non-cash stock-based compensation	1,284	993	2,071
Gain on disposals of assets, net	(1,648)	(18)	331
Miscellaneous income, net	(569)	(7)	-
Interest expense	21,275	18,530	15,274
Income tax expense	6,415	3,940	859
Amortization of program broadcast rights	4,396	3,607	2,913
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	6	6	6
Network compensation revenue recognized	-	-	(108)
Payments for program broadcast rights	(3,977)	(3,588)	(3,823)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	14,708	6,097	5,146
<b>Broadcast Cash Flow</b>	<b>65,894</b>	<b>46,724</b>	<b>30,619</b>
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(14,708)	(6,097)	(5,146)
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>\$ 51,186</b>	<b>\$ 40,627</b>	<b>\$ 25,473</b>
Pension expense	40	2,401	1,573
Contributions to pension plans	(520)	-	(962)
Interest expense	(21,275)	(18,530)	(15,274)
Amortization of deferred financing costs	1,071	799	692
Amortization of net original issue premium on 7 1/2% senior notes due 2020	(216)	(216)	(216)
Purchase of property and equipment	(5,931)	(2,849)	(3,802)
Income taxes paid, net of refunds	(140)	(241)	(31)
<b>Free Cash Flow</b>	<b>\$ 24,215</b>	<b>\$ 21,991</b>	<b>\$ 7,453</b>

	<b>Three Months Ended</b>		
	<b>March 31,</b>		
	<b>2016</b>	<b>2015</b>	<b>2014</b>
Net income	\$ 6,406	\$ 6,679	\$ 10,600
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	11,772	11,289	10,724
Amortization of intangible assets	4,707	4,482	1,910
Non-cash stock-based compensation	1,284	993	2,071
(Gain) loss on disposals of assets, net	(1,432)	35	(13)
Miscellaneous income, net	(587)	(21)	37
Interest expense	23,589	23,317	23,210
Income tax expense	6,211	3,380	58
Amortization of program broadcast rights	4,396	3,607	2,913
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	6	6	6
Network compensation revenue recognized	-	-	-
Payments for program broadcast rights	(3,977)	(3,588)	(3,823)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	14,708	6,097	5,146
Other	2,209	6,123	4,056
<b>Broadcast Cash Flow</b>	<b>\$ 69,292</b>	<b>\$ 62,399</b>	<b>\$ 56,895</b>
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(14,708)	(6,097)	(5,146)
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>\$ 54,584</b>	<b>\$ 56,302</b>	<b>\$ 51,749</b>
Pension expense	40	2,401	1,573
Contributions to pension plans	(520)	-	(962)
Other	6,735	-	-
<b>Operating Cash Flow as defined in Senior Credit Agreement</b>	<b>\$ 60,839</b>	<b>\$ 58,703</b>	<b>\$ 52,360</b>
Interest expense	(23,589)	(23,317)	(23,210)
Amortization of deferred financing costs	1,071	799	692
Amortization of net original issue premium on 7 1/2% senior notes due 2020	(216)	(216)	(216)
Purchase of property and equipment	(5,931)	(6,250)	(8,750)
Income taxes paid, net of refunds	(1,250)	(1,250)	(1,250)
<b>Free Cash Flow</b>	<b>\$ 30,924</b>	<b>\$ 28,469</b>	<b>\$ 19,626</b>