



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 the Senior Credit Agreement, 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 defined in the Senior Credit Agreement 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 the total outstanding principal of our long-term debt and certain other obligations as defined in the Senior Credit Agreement less all cash divided by our average Operating Cash Flow as defined in the Senior Credit Agreement for the preceding eight quarters. This average is calculated by dividing the sum of our Operating Cash Flow as defined in the Senior Credit Agreement for the preceding eight quarters by two.

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 – Quarter

	Three Months Ended		
	September 30,		
	2017	2016	2015
Net income (loss)	\$ 15,316	\$ (213)	\$ 6,609
Adjustments to reconcile from net income (loss) to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	13,085	11,494	9,354
Amortization of intangible assets	6,460	4,235	3,213
Non-cash stock based compensation	1,531	1,271	1,009
Loss on disposal of assets, net	1,660	354	248
Miscellaneous income, net	(28)	(30)	(28)
Interest expense	24,207	27,926	18,645
Loss from early extinguishment of debt	-	31,987	-
Income tax expense	10,529	797	4,118
Amortization of program broadcast rights	5,209	4,817	3,677
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	1	7	6
Payments for program broadcast rights	(5,176)	(4,729)	(3,417)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	7,142	6,254	9,233
Broadcast Cash Flow	79,936	84,170	52,667
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	(7,142)	(6,254)	(9,233)
Broadcast Cash Flow Less Cash Corporate Expenses	72,794	77,916	43,434
Pension (income) expense	(124)	40	-
Contributions to pension plans	-	(1,405)	(2,483)
Interest expense	(24,207)	(27,926)	(18,645)
Amortization of deferred financing costs	1,157	1,397	799
Amortization of original issue premium on senior notes	(153)	(194)	(215)
Purchase of property and equipment	(11,011)	(19,763)	(6,854)
Income taxes paid, net of refunds	(311)	(570)	(427)
Free Cash Flow	\$ 38,145	\$ 29,495	\$ 15,609

Reconciliation on As-Reported Basis, in thousands – Year to Date

	Nine Months Ended		
	September 30,		
	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net income	\$ 96,382	\$ 26,439	\$ 24,314
Adjustments to reconcile from net income to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	38,555	34,237	26,906
Amortization of intangible assets	18,684	12,365	8,715
Non-cash stock based compensation	4,303	3,827	3,011
(Gain) loss on disposal of assets, net	(75,139)	(66)	562
Miscellaneous income, net	(36)	(739)	(102)
Interest expense	71,189	73,470	55,762
Loss from early extinguishment of debt	2,851	31,987	-
Income tax expense	65,751	19,109	16,186
Amortization of program broadcast rights	15,444	14,026	10,837
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	16	21	19
Payments for program broadcast rights	(15,569)	(13,859)	(10,558)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	21,208	28,515	20,983
Broadcast Cash Flow	243,639	229,332	156,635
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock based compensation	(21,208)	(28,515)	(20,983)
Broadcast Cash Flow Less Cash Corporate Expenses	222,431	200,817	135,652
Pension (income) expense	(371)	120	4,190
Contributions to pension plans	(624)	(3,038)	(3,916)
Interest expense	(71,189)	(73,470)	(55,762)
Amortization of deferred financing costs	3,466	3,664	2,396
Amortization of original issue premium on senior notes	(458)	(626)	(647)
Purchase of property and equipment	(21,426)	(33,238)	(15,250)
Income taxes paid, net of refunds	(1,207)	(14,589)	(1,675)
Free Cash Flow	\$ 130,622	\$ 79,640	\$ 64,988

Reconciliation on Combined Historical Basis, in thousands – Quarter

	Three Months Ended		
	September 30,		
	2017	2016	2015
Net income	\$ 15,316	\$ 13,951	\$ 12,317
Adjustments to reconcile from net income to Broadcast Cash			
Flow Less Cash Corporate Expenses:			
Depreciation	13,085	12,821	12,975
Amortization of intangible assets	6,460	4,344	4,979
Non-cash stock-based compensation	1,531	1,271	1,009
Loss on disposal of assets, net	1,660	395	532
Miscellaneous income, net	(28)	(36)	1,443
Interest expense	24,207	25,589	24,161
Loss from early extinguishment of debt	-	31,987	-
Income tax expense	10,529	1,712	3,279
Amortization of program broadcast rights	5,209	5,253	5,304
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	1	7	6
Payments for program broadcast rights	(5,176)	(5,165)	(5,044)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	7,142	6,251	9,233
Other	(118)	(665)	6,355
Broadcast Cash Flow	79,818	97,715	76,549
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	(7,142)	(6,251)	(9,233)
Broadcast Cash Flow Less Cash Corporate Expenses	72,676	91,464	67,316
Pension (income) expense	(124)	40	-
Contributions to pension plans	-	(1,405)	(2,483)
Other	(64)	488	4,467
Operating Cash Flow as defined in the Senior Credit Agreement	72,488	90,587	69,300
Interest expense	(24,207)	(25,589)	(24,161)
Amortization of deferred financing costs	1,157	1,397	799
Amortization of net original issue premium on senior notes	(153)	(194)	(215)
Purchase of property and equipment	(11,011)	(19,763)	(7,750)
Income taxes paid, net of refunds	(311)	(570)	(1,250)
Free Cash Flow	\$ 37,963	\$ 45,868	\$ 36,723

Reconciliation on Combined Historical Basis, in thousands – Year to Date

	Nine Months Ended		
	September 30,		
	2017	2016	2015
Net income	\$ 94,563	\$ 52,083	\$ 43,914
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	39,292	39,036	38,704
Amortization of intangible assets	18,710	13,563	14,111
Non-cash stock-based compensation	4,303	3,827	3,011
Loss on disposal of assets, net	(75,189)	179	1,058
Miscellaneous (income) expense, net	(45)	196	4,364
Interest expense	71,929	76,766	72,310
Loss from early extinguishment of debt	2,851	31,987	-
Income tax expense	65,465	18,584	13,647
Amortization of program broadcast rights	15,707	15,998	15,924
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	16	21	19
Payments for program broadcast rights	(15,832)	(15,831)	(15,645)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	21,208	28,515	20,983
Other	3,065	5,985	22,062
Broadcast Cash Flow	246,043	270,909	234,462
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	(21,208)	(28,515)	(20,983)
Broadcast Cash Flow Less Cash Corporate Expenses	224,835	242,394	213,479
Pension (income) expense	(371)	120	4,190
Contributions to pension plans	(624)	(3,038)	(3,916)
Other	1,033	7,733	4,467
Operating Cash Flow as defined in the Senior Credit Agreement	224,873	247,209	218,220
Interest expense	(71,929)	(76,766)	(72,310)
Amortization of deferred financing costs	3,466	3,664	2,396
Amortization of net original issue premium on senior notes	(458)	(626)	(647)
Purchase of property and equipment	(21,426)	(33,238)	(20,250)
Income taxes paid, net of refunds	(1,207)	(14,589)	(3,750)
Free Cash Flow	\$ 133,319	\$ 125,654	\$ 123,659

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

Combined Historical Basis Operating Cash Flow as defined in the Senior Credit Agreement:	Eight Quarters Ended September 30, 2017
Net income	\$ 221,374
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:	
Depreciation	104,473
Amortization of intangible assets	41,764
Non-cash stock-based compensation	10,413
(Gain) loss on disposals of assets, net	(73,916)
Miscellaneous income, net	1,439
Interest expense	198,570
Loss from early extinguishment of debt	34,838
Income tax expense	116,434
Amortization of program broadcast rights	42,931
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	52
Payments for program broadcast rights	(42,736)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	67,917
Other	14,868
Broadcast Cash Flow	738,421
Corporate and administrative expenses before depreciation, amortization depreciation, amortization of intangible assets and non-cash stock-based compensation	(67,917)
Broadcast Cash Flow Less Cash Corporate Expenses	670,504
Pension expense	(189)
Contributions to pension plans	(5,177)
Other	11,496
Operating Cash Flow as defined in the Senior Credit Agreement	\$ 676,634
Operating Cash Flow as defined in the Senior Credit Agreement, divided by two	\$ 338,317
	September 30, 2017
Adjusted Total Indebtedness:	
Long term debt, including current portion	\$ 1,838,027
Capital leases and other debt	607
Total deferred financing costs, net	29,151
Premium on subordinated debt, net	(5,339)
Cash	(172,854)
Adjusted Total Indebtedness, Net of All Cash	\$ 1,689,592
Total Leverage Ratio, Net of All Cash	4.99