

# 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 and Free Cash Flow. These non-GAAP amounts are used by us to approximate the amount used to calculate a key financial performance covenant contained in our debt agreements.

**Broadcast Cash Flow** is defined as net income plus corporate and administrative expenses, loss from early extinguishment of debt, 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.

**Broadcast Cash Flow Less Cash Corporate Expense** is defined 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, 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.

**Free Cash Flow** is defined 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, non-cash 401(k) expense, 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, interest expense (net of amortization of deferred financing costs and amortization of original issue discount on our debt), capital expenditures

**Three Months Ended  
December 31,**

	<b>2018</b>	<b>2017</b>	<b>2016</b>
Net income	\$ 88,267	\$ 165,570	\$ 35,834
Depreciation	13,296	13,418	11,686
Amortization of intangible assets	4,983	6,388	4,231
Non-cash stock based compensation	1,645	4,001	1,274
Loss (gain) on disposal of assets, net	(11,218)	939	395
Miscellaneous (income) expense, net (1)	(3,315)	(250)	9
Interest expense	32,443	24,070	23,766
Income tax (benefit) expense	33,249	(134,425)	24,309
Amortization of program broadcast rights	5,503	5,589	4,975
Non-cash 401(k) expense	4,285	-	8
Payments for program broadcast rights	(5,612)	(5,486)	(4,927)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash compensation (1)	9,318	5,941	7,942
<b>Broadcast Cash Flow (1)</b>	<b>172,844</b>	<b>85,755</b>	<b>109,502</b>
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash compensation (1)	(9,318)	(5,941)	(7,942)
<b>Broadcast Cash Flow Less Cash Corporate Expenses (1)</b>	<b>163,526</b>	<b>79,814</b>	<b>101,560</b>
Contributions to pension plans	-	(2,500)	(10)
Interest expense	(32,443)	(24,070)	(23,766)
Amortization of deferred financing costs	1,158	1,158	1,220
Net amortization of original issue (premium) discount on senior notes	(152)	(152)	(153)
Purchase of property and equipment	(35,081)	(13,090)	(10,366)
Reimbursements of property and equipment purchases	7,979	-	-
Income taxes received (paid), net of refunds	(7,151)	(777)	1
<b>Free Cash Flow</b>	<b>\$ 97,836</b>	<b>\$ 40,383</b>	<b>\$ 68,486</b>

**Eight Quarters Ended  
December 31, 2018**

Net income	\$	472,755
Adjustments to reconcile from net income to operating cash flow as defined in our Senior Credit Agreement:		
Depreciation		105,856
Amortization of intangible assets		45,642
Non-cash stock-based compensation		14,965
(Gain) loss on disposals of assets, net		(90,605)
Interest expense		201,887
Loss from early extinguishment of debt		2,851
Income tax expense		8,173
Amortization of program broadcast rights		42,449
Non-cash 401(k) expense		4,301
Payments for program broadcast rights		(42,844)
Pension expense		(1,538)
Contributions to pension plans		(5,624)
Adjustments for stations acquired or divested, financings and expected synergies during the eight quarter period		(1,940)
Professional fees related to acquisitions and divestitures		9,594
<b>Operating Cash Flow as defined in our Senior Credit Agreement</b>	<b>\$</b>	<b>765,922</b>
<b>Operating Cash Flow as defined in our Senior Credit Agreement, divided by two</b>	<b>\$</b>	<b>382,961</b>
		<b>December 31, 2018</b>
<b>Adjusted Total Indebtedness:</b>		
Total outstanding principal, including current portion (1)	\$	1,820,026
Capital leases and other debt		648
Cash (unrestricted) (1)		(666,980)
<b>Adjusted Total Indebtedness, Net of All Cash</b>	<b>\$</b>	<b>1,153,694</b>
<b>Total Leverage Ratio, Net of All Cash</b>		<b>3.01</b>

(1) Total outstanding principal, including current portion excluded \$750.0 million of our 2027 Notes and Cash (unrestricted) excluded \$752.0 million of restricted cash, each held by our special purpose wholly-owned subsidiary, that is an unrestricted subsidiary under the 2017 Senior Credit Facility.