

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 operating income plus corporate expense, depreciation and amortization (including amortization of program broadcast rights), loss on disposal of assets, and expense of common stock contributed to our 401(k) plan, less gain on disposal of assets, payments for program broadcast obligations and less network compensation revenue and network payments. The Company has provided a reconciliation of Broadcast Cash Flow to net income.

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 debt, interest coverage, and fixed charge coverage ratios as defined in the Company’s senior credit facility and/or subordinated note indenture. Broadcast Cash Flow Less Cash Corporate Expenses is defined as Broadcast Cash Flow (as defined immediately above) less corporate expenses excluding depreciation, amortization, and non-cash stock based compensation.

Reconciliations:

Reconciliation of net income to the non-GAAP terms (dollars in thousands):

	Three Months Ended		
	September 30,		
	2011	2010	% Change
Net income	\$ 1,984	\$ 5,508	
Adjustments to reconcile to Broadcast Cash Flow Less			
Cash Corporate Expenses:			
Depreciation	6,530	7,495	
Amortization of intangible assets	29	120	
Amortization of non-cash stock based compensation	34	57	
Gain on disposals of assets, net	(1,030)	(85)	
Miscellaneous expense, net	-	15	
Interest expense	15,165	16,671	
Income tax expense	1,073	2,456	
Amortization of program broadcast rights	3,274	3,733	
Common stock contributed to 401(k) plan			
excluding corporate 401(k) plan contributions	6	8	
Network compensation revenue recognized	(173)	(172)	
Network compensation per network affiliation agreement	(60)	(60)	
Payments for program broadcast rights	(3,714)	(3,862)	
Broadcast Cash Flow Less Cash Corporate Expenses	23,118	31,884	(27)%
Corporate and administrative expenses excluding			
amortization of non-cash stock-based compensation	4,055	3,312	
Broadcast Cash Flow	\$ 27,173	\$ 35,196	(23)%

	Nine Months Ended		
	September 30,		
	2011	2010	% Change
Net loss	\$ 1,460	\$ 1,299	
Adjustments to reconcile to Broadcast Cash Flow Less			
Cash Corporate Expenses:			
Depreciation	20,166	23,401	
Amortization of intangible assets	97	362	
Amortization of non-cash stock based compensation	102	274	
Gain on disposals of assets, net	(1,874)	(609)	
Miscellaneous income, net	(3)	(43)	
Interest expense	46,508	53,713	
Loss on early extinguishment of debt	-	349	
Income tax expense (benefit)	791	(592)	
Amortization of program broadcast rights	10,688	11,438	
Common stock contributed to 401(k) plan			
excluding corporate 401(k) plan contributions	22	23	
Network compensation revenue recognized	(524)	(389)	
Network compensation per network affiliation agreement	(180)	(136)	
Payments for program broadcast rights	(12,452)	(11,590)	
Broadcast Cash Flow Less Cash Corporate Expenses	64,801	77,500	(16)%
Corporate and administrative expenses excluding			
amortization of non-cash stock-based compensation	10,427	9,854	
Broadcast Cash Flow	\$ 75,228	\$ 87,354	(14)%