



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 gain or 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 gain or 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 our 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 or loss 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 or loss 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 our Senior Credit Agreement less all cash divided by our average Operating Cash Flow as defined in our Senior Credit Agreement for the preceding eight quarters. This average is calculated by dividing the sum of our Operating Cash Flow as defined in our 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:

	Three Months Ended		
	December 31,		
	2017	2016	2015
Net income	\$ 165,570	\$ 35,834	\$ 14,987
Depreciation	13,418	11,686	9,806
Amortization of intangible assets	6,388	4,231	3,267
Non-cash stock based compensation	4,001	1,274	1,009
Loss (gain) on disposal of assets, net	939	395	(482)
Miscellaneous income, net	(126)	(36)	(1)
Interest expense	24,070	23,766	18,649
Income tax (benefit) expense	(134,425)	24,309	10,262
Amortization of program broadcast rights	5,589	4,975	4,123
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	-	8	7
Payments for program broadcast rights	(5,486)	(4,927)	(4,018)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	5,926	7,954	10,240
Broadcast Cash Flow	85,864	109,469	67,849
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	(5,926)	(7,954)	(10,240)
Broadcast Cash Flow Less Cash Corporate Expenses	79,938	101,515	57,609
Pension (income) expense	(124)	45	17
Contributions to pension plans	(2,500)	(10)	(1,505)
Interest expense	(24,070)	(23,766)	(18,649)
Amortization of deferred financing costs	1,158	1,220	798
Net amortization of original issue (premium) discount on senior notes	(152)	(153)	(216)
Purchase of property and equipment	(13,090)	(10,366)	(8,972)
Income taxes received (paid), net of refunds	(777)	1	(86)
Free Cash Flow	\$ 40,383	\$ 68,486	\$ 28,996

Reconciliation on As-Reported Basis, in thousands:

	Year Ended		
	December 31,		
	2017	2016	2015
Net income	\$ 261,952	\$ 62,273	\$ 39,301
Depreciation	51,973	45,923	36,712
Amortization of intangible assets	25,072	16,596	11,982
Non-cash stock based compensation	8,304	5,101	4,020
(Gain) loss on disposal of assets, net	(74,200)	329	80
Miscellaneous income, net	(162)	(775)	(103)
Interest expense	95,259	97,236	74,411
Loss from early extinguishment of debt	2,851	31,987	-
Income tax (benefit) expense	(68,674)	43,418	26,448
Amortization of program broadcast rights	21,033	19,001	14,960
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	16	29	26
Payments for program broadcast rights	(21,055)	(18,786)	(14,576)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	27,134	36,469	31,223
Broadcast Cash Flow	329,503	338,801	224,484
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	(27,134)	(36,469)	(31,223)
Broadcast Cash Flow Less Cash Corporate Expenses	302,369	302,332	193,261
Pension (income) expense	(495)	165	4,207
Contributions to pension plans	(3,124)	(3,048)	(5,421)
Interest expense	(95,259)	(97,236)	(74,411)
Amortization of deferred financing costs	4,624	4,884	3,194
Net amortization of original issue (premium) discount on senior notes	(610)	(779)	(863)
Purchase of property and equipment	(34,516)	(43,604)	(24,222)
Income taxes paid, net of refunds	(1,984)	(14,588)	(1,761)
Free Cash Flow	\$ 171,005	\$ 148,126	\$ 93,984

Reconciliation on Combined Historical Basis, in thousands:

	Three Months Ended		
	December 31,		
	2017	2016	2015
Net income	\$ 165,570	\$ 53,440	\$ 21,288
Depreciation	13,418	12,793	13,352
Amortization of intangible assets	6,388	4,341	5,150
Non-cash stock-based compensation	4,001	1,274	1,009
Loss on disposal of assets, net	939	416	678
Miscellaneous (income) loss, net	(126)	(77)	1,365
Interest expense	24,070	25,588	24,287
Income tax (benefit) expense	(134,425)	23,641	8,744
Amortization of program broadcast rights	5,589	5,351	5,875
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	-	8	7
Payments for program broadcast rights	(5,486)	(5,303)	(5,770)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	5,926	7,954	10,240
Other	(33)	542	5,276
Broadcast Cash Flow	85,831	129,968	91,501
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(5,926)	(7,954)	(10,240)
Broadcast Cash Flow Less Cash Corporate Expenses	79,905	122,014	81,261
Pension (income) expense	(124)	45	17
Contributions to pension plans	(2,500)	(10)	(1,505)
Other	103	709	2,021
Operating Cash Flow as Defined in Senior Credit Facility	77,384	122,758	81,794
Interest expense	(24,070)	(25,588)	(24,287)
Amortization of deferred financing costs	1,158	1,220	798
Net amortization of original issue (premium) discount on senior notes	(152)	(153)	(216)
Purchase of property and equipment	(13,090)	(10,366)	(6,750)
Income taxes received (paid), net of refunds	(777)	1	(1,250)
Free Cash Flow	\$ 40,453	\$ 87,872	\$ 50,089

Reconciliation on Combined Historical Basis, in thousands:

	Year Ended		
	December 31,		
	2017	2016	2015
Net income	\$ 260,133	\$ 105,523	\$ 65,202
Depreciation	52,710	51,829	52,056
Amortization of intangible assets	25,098	17,904	19,261
Non-cash stock-based compensation	8,304	5,101	4,020
(Gain) loss on disposal of assets, net	(74,250)	595	1,736
Miscellaneous (income) expense, net	(171)	119	5,729
Interest expense	95,999	102,354	96,597
Loss from early extinguishment of debt	2,851	31,987	-
Income tax (benefit) expense	(68,960)	42,225	22,391
Amortization of program broadcast rights	21,296	21,349	21,799
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	16	29	26
Payments for program broadcast rights	(21,318)	(21,134)	(21,415)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	27,134	36,469	31,223
Other	3,032	6,527	27,338
Broadcast Cash Flow	331,874	400,877	325,963
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(27,134)	(36,469)	(31,223)
Broadcast Cash Flow Less Cash Corporate Expenses	304,740	364,408	294,740
Pension (income) expense	(495)	165	4,207
Contributions to pension plans	(3,124)	(3,048)	(5,421)
Other	1,136	8,442	6,488
Operating Cash Flow as Defined in Senior Credit Facility	302,257	369,967	300,014
Interest expense	(95,999)	(102,354)	(96,597)
Amortization of deferred financing costs	4,624	4,884	3,194
Net amortization of original issue (premium) discount on senior notes	(610)	(779)	(863)
Purchase of property and equipment	(34,516)	(43,604)	(27,000)
Income taxes paid, net of refunds	(1,984)	(14,588)	(5,000)
Free Cash Flow	\$ 173,772	\$ 213,526	\$ 173,748

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

	Eight Quarters Ended December 31, 2017
Combined Historical Basis Operating Cash Flow as defined in the Senior Credit Agreement:	
Net income	\$ 365,656
Depreciation	104,539
Amortization of intangible assets	43,002
Non-cash stock-based compensation	13,405
Gain on disposal of assets, net	(73,655)
Miscellaneous income, net	(52)
Interest expense	198,353
Loss from early extinguishment of debt	34,838
Income tax benefit	(26,735)
Amortization of program broadcast rights	42,645
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	45
Payments for program broadcast rights	(42,452)
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	63,603
Other	9,559
Broadcast Cash Flow	732,751
Corporate and administrative expenses before depreciation, amortization of intangible assets and non-cash stock-based compensation	(63,603)
Broadcast Cash Flow Less Cash Corporate Expenses	669,148
Pension income	(330)
Contributions to pension plans	(6,172)
Other	9,578
Operating Cash Flow as defined in Senior Credit Agreement	\$ 672,224
Operating Cash Flow as defined in Senior Credit Agreement, divided by two	\$ 336,112
	December 31, 2017
Adjusted Total Indebtedness:	
Long term debt, including current portion	\$ 1,837,427
Capital leases and other debt	739
Total deferred financing costs, net	27,993
Premium on subordinated debt, net	(5,187)
Cash	(462,399)
Adjusted Total Indebtedness, Net of All Cash	\$ 1,398,573
Total Leverage Ratio, Net of All Cash	4.16