

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 (net of any insurance proceeds) and the payment of income taxes (net of any refunds received).

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.

	Three Months Ended		
	September 30,		
	2015	2014	2013
Net income	\$ 6,609	\$ 13,940	\$ 7,073
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	9,354	8,228	6,024
Amortization of intangible assets	3,213	3,823	9
Non-cash stock based compensation	1,009	981	255
Loss on disposal of assets, net	248	6	49
Miscellaneous income, net	(28)	(11)	-
Interest expense	18,645	18,619	12,656
Income tax expense	4,118	8,608	4,491
Amortization of program broadcast rights	3,677	3,309	2,829
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	6	6	7
Network compensation revenue recognized	-	(122)	(156)
Payments for program broadcast rights	(3,417)	(3,502)	(2,849)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	9,233	4,544	4,215
Broadcast Cash Flow	52,667	58,429	34,603
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	(9,233)	(4,544)	(4,215)
Broadcast Cash Flow Less Cash Corporate Expenses	43,434	53,885	30,388
Pension expense	-	1,518	2,156
Contributions to pension plans	(2,483)	(1,996)	(1,082)
Interest expense	(18,645)	(18,619)	(12,656)
Amortization of deferred financing costs	799	764	412
Amortization of original issue (premium) discount on 7 1/2% senior notes due 2020	(215)	(215)	69
Purchase of property and equipment	(6,854)	(9,996)	(5,953)
Income taxes paid, net of refunds	(427)	(32)	(15)
Free Cash Flow	\$ 15,609	\$ 25,309	\$ 13,319

	Nine Months Ended		
	September 30,		
	2015	2014	2013
Net income	\$ 24,314	\$ 16,808	\$ 13,087
Adjustments to reconcile from net income to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	26,906	21,598	17,762
Amortization of intangible assets	8,715	5,291	40
Non-cash stock based compensation	3,011	4,032	1,719
Loss (gain) on disposal of assets, net	562	385	(56)
Miscellaneous income, net	(102)	(14)	-
Interest expense	55,762	49,718	37,790
Loss from early extinguishment of debt	-	4,897	-
Income tax expense	16,186	10,343	9,715
Amortization of program broadcast rights	10,837	9,227	8,492
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	19	18	21
Network compensation revenue recognized	-	(343)	(470)
Payments for program broadcast rights	(10,558)	(11,194)	(8,549)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	20,983	18,812	11,868
Broadcast Cash Flow	\$ 156,635	\$ 129,578	\$ 91,419
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	(20,983)	(18,812)	(11,868)
Broadcast Cash Flow Less Cash Corporate Expenses	\$ 135,652	\$ 110,766	\$ 79,551
Pension expense	4,190	4,611	6,464
Contributions to pension plans	(3,916)	(4,713)	(3,686)
Interest expense	(55,762)	(49,718)	(37,790)
Amortization of deferred financing costs	2,396	2,158	1,235
Amortization of original issue (premium) discount on 7 1/2% senior notes due 2020	(647)	(647)	206
Purchase of property and equipment	(15,250)	(20,452)	(18,441)
Income taxes paid, net of refunds	(1,675)	(361)	(518)
Free Cash Flow	\$ 64,988	\$ 41,644	\$ 27,021