

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		
	December 31,		
	2011	2010	% Change
Net income	\$ 7,575	\$ 21,864	
Adjustments to reconcile to Broadcast Cash Flow Less			
Cash Corporate Expenses:			
Depreciation	6,017	7,229	
Amortization of intangible assets	28	117	
Amortization of non-cash stock based compensation	34	58	
Gain on disposals of assets, net	(1,020)	(1,300)	
Miscellaneous income, net	-	(1)	
Interest expense	15,269	16,332	
Income tax expense	3,748	14,039	
Amortization of program broadcast rights	2,796	3,972	
Common stock contributed to 401(k) plan excluding corporate 401(k) plan contributions	7	7	
Network compensation revenue recognized	(174)	(173)	
Network compensation per network affiliation agreement	(60)	(60)	
Payments for program broadcast rights	(3,463)	(3,883)	
Broadcast Cash Flow Less Cash Corporate Expenses	30,757	58,201	(47)%
Corporate and administrative expenses excluding amortization of non-cash stock-based compensation	3,610	3,359	
Broadcast Cash Flow	\$ 34,367	\$ 61,560	(44)%

	Year Ended December 31,		% Change
	2011	2010	
Net income	\$ 9,035	\$ 23,163	
Adjustments to reconcile to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	26,183	30,630	
Amortization of intangible assets	125	479	
Amortization of non-cash stock based compensation	136	332	
Gain on disposals of assets, net	(2,894)	(1,909)	
Miscellaneous income, net	(3)	(44)	
Interest expense	61,777	70,045	
Loss on early extinguishment of debt	-	349	
Income tax expense	4,539	13,447	
Amortization of program broadcast rights	13,484	15,410	
Common stock contributed to 401(k) plan excluding corporate 401(k) plan contributions	29	30	
Network compensation revenue recognized	(698)	(562)	
Network compensation per network affiliation agreement	(240)	(196)	
Payments for program broadcast rights	(15,915)	(15,473)	
Broadcast Cash Flow Less Cash Corporate Expenses	95,558	135,701	(30)%
Corporate and administrative expenses excluding amortization of non-cash stock-based compensation	14,037	13,213	
Broadcast Cash Flow	\$ 109,595	\$ 148,914	(26)%