<u>Effects of Acquisitions and Divestitures on Our Results of Operations and Non-GAAP Terms</u>

From October 31, 2013, through June 30, 2019, we completed 25 acquisition transactions and 5 divestiture transactions. As more fully described in our Form 10-Q to be filed with the Securities and Exchange Commission today and in our prior disclosures, these transactions added television stations in 64 new television markets to our operations. We refer to the 2019 Acquisitions collectively with all other television stations acquired on or subsequent to January 1, 2017 as the "Acquisitions."

Due to the significant effect that the Acquisitions have had on our results of operations, and in order to provide more meaningful period over period comparisons, we present herein certain financial information on a Combined Historical Basis (or "CHB"). Unless otherwise defined, Combined Historical Basis reflects financial results that have been compiled by adding Gray's historical revenue, operating expenses and corporate and administrative expenses to the historical revenue, operating expenses and corporate and administrative expenses of the Acquisitions and subtracting the historical revenues and operating expenses of divested stations, and gives effect to the financing transactions for Acquisitions as if they had been acquired or divested, respectively, on January 1, 2017, the beginning of the earliest period that CHB information is presented.

Combined Historical Basis financial information does not include any adjustments for other events attributable to the Acquisitions. Certain of the Combined Historical Basis financial information has been derived from, and adjusted based on unaudited, unreviewed financial information prepared by other entities, which Gray cannot independently verify. We cannot assure you that such financial information would not be materially different if such information were audited or reviewed and no assurances can be provided as to the accuracy of such information, or that our actual results would not differ materially from the Combined Historical Basis financial information if the Acquisitions had been completed at the stated date. In addition, the presentation of Combined Historical Basis may not comply with accounting principles generally accepted in the United States of America ("GAAP") or the requirements for proforma financial information under Regulation S-X under the Securities Act. Gray is providing the third quarter of 2019 guidance estimates on a Combined Historical Basis, which incorporate certain non–GAAP financial measures that are dependent on financial results that are not yet determinable with certainty. Therefore, we are unable to present a quantitative reconciliation of the estimated non-GAAP financial measures to their most directly comparable GAAP financial measures because such information is not available and management cannot reliably estimate all of the necessary components of such GAAP measures without unreasonable effort or expense. In addition, we believe such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

From time to time, Gray supplements its financial results prepared in accordance with GAAP by disclosing the non-GAAP financial measures Broadcast Cash Flow, Broadcast Cash Flow Less Cash Corporate Expenses, Free Cash Flow, Operating Cash Flow as defined in the Senior Credit Agreement, Adjusted EBITDA and Total Leverage Ratio, Net of All Cash. These non-GAAP amounts are used by us to approximate amounts 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.

We define Broadcast Cash Flow as net income plus loss from early extinguishment of debt, corporate and administrative expenses, 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 and non-cash 401(k) expense, less any gain on disposal of assets, any miscellaneous income, any income tax benefits and payments for program broadcast rights.

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 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 and any payments for program broadcast rights.

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 and non-cash 401(k) expense, less any gain on disposal of assets, any miscellaneous income, any income tax benefits, payments for program broadcast rights, contributions to pension plans, amortization of original issue premium on our debt, purchases of property and equipment (net of reimbursements) and the payment of income taxes (net of any refunds received).

We define Operating Cash Flow as defined in our Senior Credit Agreement 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, interest expense, any income tax expense, non-cash 401(k) expense and trade expense less any gain on disposal of assets, any income tax benefits, payments for program broadcast rights, trade income, and contributions to pension plans. Operating Cash Flow as defined in our Senior Credit Agreement gives effect to the revenue and broadcast expenses of the Acquisitions as if they had been acquired or divested, respectively, on January 1, 2017. It also gives effect to certain operating synergies expected from the Acquisitions and related financings and adds back professional fees incurred in completing the Acquisitions. Certain of the financial information related to the Acquisitions has been derived from, and adjusted based on, unaudited, un-reviewed financial information prepared by other entities, which Gray cannot independently verify. We cannot assure you that such financial information would not be materially different if such information were audited or reviewed and no assurances can be provided as to the accuracy of such information, or that our actual results would not differ materially from this financial information if the Acquisitions had been completed at the stated date. In addition, the presentation of Operating Cash Flow as defined in the Senior Credit Agreement and the adjustments to such information, including expected synergies resulting from such transactions, may not comply with GAAP or the requirements for pro forma financial information under Regulation S-X under the Securities Act.

We define Adjusted EBITDA as net income plus loss from early extinguishment of debt, non-cash stock based compensation, depreciation and amortization of intangible assets, any loss on disposal of assets, any miscellaneous expense, interest expense, any income tax expense, non-cash 401(k) expense, Transaction Related Expenses less any gain on disposal of assets, any miscellaneous income, any income tax benefits.

Our Total Leverage Ratio, Net of All Cash is determined by dividing our Adjusted Total Indebtedness, Net of All Cash by our Operating Cash Flow as defined in our Senior Credit Agreement, divided by two. Our Adjusted Total Indebtedness, Net of All Cash represents the total outstanding principal of our long-term debt, plus certain other obligations as defined in our Senior Credit Agreement, less all cash (excluding restricted cash). Our Operating Cash Flow as defined in our Senior Credit Agreement, divided by two, represents our average annual Operating Cash Flow as defined in our Senior Credit Agreement for the preceding eight quarters.

We define Transaction Related Expenses as incremental expenses incurred specific to acquisitions and divestitures, including but not limited to legal and professional fees; severance and incentive compensation; and contract termination fees. We present certain line-items from our selected operating data net of Transaction Related Expenses in order to present a more meaningful comparison between periods of our operating expenses and our results of operations.

These non-GAAP terms are not defined in GAAP and our definitions may differ from, and therefore may 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 of Non-GAAP Terms on As Reported Basis, in millions:

	Three Months Ended June 30,		
	2019	**2018**	**2017**
Net income	$ 44	$ 41	$ 71
Adjustments to reconcile from net income to Free Cash Flow:			
Depreciation	20	13	13
Amortization of intangible assets	28	5	6
Non-cash stock-based compensation	2	1	1
(Gain) loss on disposals of assets, net	(3)	(1)	(77)
Miscellaneous income, net (1)	(1)	(1)	-
Interest expense	58	25	24
Income tax expense	18	15	48
Amortization of program broadcast rights	10	5	5
Payments for program broadcast rights	(10)	(5)	(5)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	19	10	7
Broadcast Cash Flow (1)	**185**	**108**	**93**
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(19)	(10)	(7)
Broadcast Cash Flow Less Cash Corporate Expenses (1)	**166**	**98**	**86**
Contributions to pension plans	-	-	-
Interest expense	(58)	(25)	(24)
Amortization of deferred financing costs	3	1	1
Preferred dividends	(13)	-	-
Purchases of property and equipment	(26)	(13)	(6)
Reimbursements of property and equipment purchases	5	1	-
Income taxes paid, net of refunds	(8)	(3)	(1)
Free Cash Flow	**$ 69**	**$ 59**	**$ 56**

(1) Amounts in 2017 have been reclassified to give effect to the implementation of ASU 2017-07.

Reconciliation of Non-GAAP Terms on As Reported Basis, in millions:

	Six Months Ended June 30,		
	2019	**2018**	**2017**
Net income	$ 26	$ 61	$ 81
Adjustments to reconcile from net income to Free Cash Flow:			
Depreciation	40	27	26
Amortization of intangible assets	57	11	12
Non-cash stock based compensation	5	3	3
(Gain) loss on disposals of assets, net	(13)	(2)	(77)
Miscellaneous income, net (1)	(4)	(1)	-
Interest expense	116	49	47
Loss from early extinguishment of debt	-	-	3
Income tax expense	21	21	55
Amortization of program broadcast rights	20	11	10
Payments for program broadcast rights	(24)	(11)	(10)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	64	17	14
Broadcast Cash Flow (1)	**308**	**186**	**164**
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(64)	(17)	(14)
Broadcast Cash Flow Less Cash Corporate Expenses (1)	**244**	**169**	**150**
Contributions to pension plans	-	-	(1)
Interest expense	(116)	(49)	(47)
Amortization of deferred financing costs	6	2	2
Preferred dividends	(26)	-	-
Purchases of property and equipment	(44)	(20)	(10)
Reimbursements of property and equipment purchases	17	2	-
Income taxes paid, net of refunds	(8)	(12)	(1)
Free Cash Flow	**$ 73**	**$ 92**	**$ 93**

(1) Amounts in 2017 have been reclassified to give effect to the implementation of ASU 2017-07.

Reconciliation of Non-GAAP Terms on Combined Historical Basis, in millions:

	Three Months Ended June 30,		
	2019	2018	2017
Net income	$ 44	$ 60	$ 53
Adjustments to reconcile from net income to Free Cash Flow:			
Depreciation	20	22	22
Amortization of intangible assets	28	30	32
Non-cash stock-based compensation	2	5	4
(Gain) loss on disposals of assets, net	(6)	(1)	(77)
Miscellaneous income, net	-	(2)	-
Interest expense	58	58	58
Income tax expense	18	13	70
Amortization of program broadcast rights	10	10	9
Payments for program broadcast rights	(10)	(10)	(10)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	18	13	12
Broadcast Transaction Related Expenses	1	3	-
Broadcast other adjustments	1	(2)	1
Broadcast Cash Flow	**184**	**199**	**174**
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(18)	(13)	(12)
Broadcast Cash Flow Less Cash Corporate Expenses	**166**	**186**	**162**
Corporate Transaction Related Expenses	1	4	1
Synergies and other adjustments	-	20	20
Operating Cash Flow as Defined in Senior Credit Agreement	**167**	**210**	**183**
Interest expense	(58)	(58)	(58)
Amortization of deferred financing costs	3	3	3
Preferred dividends	(13)	(13)	(13)
Purchases of property and equipment	(26)	(13)	(9)
Reimbursements of property and equipment purchases	5	1	-
Income taxes paid, net of refunds	(8)	(6)	(24)
Free Cash Flow	**$ 70**	**$ 124**	**$ 82**

Reconciliation of Non-GAAP Terms on Combined Historical Basis, in millions:

	Six Months Ended June 30, 2019	2018	2017
Net income	$ 26	$ 80	$ 61
Adjustments to reconcile from net income to Free Cash Flow:			
Depreciation	40	44	43
Amortization of intangible assets	57	61	64
Non-cash stock-based compensation	5	7	5
(Gain) loss on disposals of assets, net	(16)	(1)	(79)
Miscellaneous income, net	(4)	(2)	-
Interest expense	116	116	116
Loss from early extinguishment of debt	-	-	3
Income tax expense	21	19	76
Amortization of program broadcast rights	20	20	20
Payments for program broadcast rights	(24)	(20)	(20)
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	64	29	24
Broadcast Transaction Related Expenses	37	3	1
Broadcast other adjustments	3	-	5
Broadcast Cash Flow	**345**	**356**	**319**
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	(64)	(29)	(24)
Broadcast Cash Flow Less Cash Corporate Expenses	**281**	**327**	**295**
Contributions to pension plans	-	-	(1)
Corporate Transaction Related Expenses	33	4	1
Synergies and other adjustments	-	40	40
Operating Cash Flow as defined in Senior Credit Agreement	**314**	**371**	**335**
Interest expense	(116)	(116)	(116)
Amortization of deferred financing costs	6	6	6
Preferred dividends	(26)	(26)	(26)
Purchases of property and equipment	(44)	(25)	(19)
Reimbursements of property and equipment purchases	17	2	-
Income taxes paid, net of refunds	(8)	(14)	(24)
Free Cash Flow	**$ 143**	**$ 198**	**$ 156**

Reconciliation of Net Income to Adjusted EBITDA and the Effect of Transaction Related Expenses and Certain Non-cash Expenses, in millions except for per share information:

	Three Months Ended June 30, 2019	Three Months Ended June 30, 2018	Six Months Ended June 30, 2019	Six Months Ended June 30, 2018
Net income	$ 44	$ 41	$ 26	$ 61
Adjustments to reconcile from net income to Adjusted EBITDA:				
Depreciation	20	13	40	27
Amortization of intangible assets	28	5	57	11
Non-cash stock-based compensation	2	1	5	3
(Gain) loss on disposals of assets, net	(3)	(1)	(13)	(2)
Miscellaneous income, net	(1)	(1)	(4)	(1)
Interest expense	58	25	116	49
Income tax expense	18	15	21	21
Total	166	98	248	169
Add: Transaction Related Expenses	2	7	70	7
Adjusted EBITDA	**$ 168**	**$ 105**	**$ 318**	**$ 176**
Net income attributable to common stockholders	$ 31	$ 41	$ -	$ 61
Add: Transaction Related Expenses and non-cash stock-based compensation	4	8	75	10
Less: Income tax expense related to Transaction Related Expenses and non-cash stock-based compensation	(1)	(2)	(19)	(3)
Net income attributable to common stockholders - excluding Transaction Related Expenses and non-cash stock-based compensation	$ 34	$ 47	$ 56	$ 68
Net income attributable to common stockholders per common share, diluted - excluding Transaction Related Expenses and non-cash stock-based compensation	$ 0.34	$ 0.53	$ 0.56	$ 0.76
Diluted weighted-average shares outstanding	101	88	100	89

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

		Eight Quarters Ended June 30, 2019
Net income	$	418
Adjustments to reconcile from net income to operating cash flow as defined in our Senior Credit Agreement:		
Depreciation		120
Amortization of intangible assets		91
Non-cash stock-based compensation		18
(Gain) loss on disposal of assets, net		(27)
Interest expense		271
Income tax (benefit) expense		(26)
Amortization of program broadcast rights		52
Common stock contributed to 401(k) plan		4
Payments for program broadcast rights		(59)
Pension expense		(1)
Contributions to pension plans		(5)
Adjustments for stations acquired or divested, financings and expected synergies during the eight quarter period		639
Transaction Related Expenses		81
Operating Cash Flow as defined in our Senior Credit Agreement	**$**	**1,576**
Operating Cash Flow as defined in our Senior Credit Agreement, divided by two	**$**	**788**

		June 30, 2019
Adjusted Total Indebtedness:		
Total outstanding principal, including current portion	$	3,963
Cash		(251)
Adjusted Total Indebtedness, Net of All Cash	**$**	**3,712**
Total Leverage Ratio, Net of All Cash		**4.71**