

# 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 net income (loss) plus corporate and administrative expense, depreciation and amortization (including amortization of intangible assets and program broadcast rights), loss on disposal of assets, miscellaneous expense, interest expense, income tax expense, loss from early extinguishment of debt and, less gain on disposal of assets, payments for program broadcast obligations, network compensation revenue, network payments and miscellaneous 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 our leverage ratio as defined in the Company’s senior credit facility. Broadcast Cash Flow Less Cash Corporate Expenses is defined as Broadcast Cash Flow (as defined immediately above) less corporate and administrative expenses excluding depreciation, amortization, and non-cash stock based compensation.

**Reconciliation:**

Reconciliations of net income to the non-GAAP terms:

|   | <b>Three Months Ended<br/>December 31,</b> |                  |
|---|--|------------------|
|   | <b>2013</b>                                | <b>2012</b>      |
| Net income  | \$ 5,201                                   | \$ (2,109)       |
| Adjustments to reconcile from net income to<br>Broadcast Cash Flow Less Cash Corporate<br>Expenses:   |  |                  |
| Depreciation  | 6,334                                      | 5,801            |
| Amortization of intangible assets   | 296  | 19               |
| Non-cash stock based compensation   | 255  | 554              |
| Loss on disposals of assets, net  | 821  | 423              |
| Miscellaneous expense, net  | -  | -                |
| Interest expense  | 14,655                                     | 13,999           |
| Loss on early extinguishment of debt  | -  | 46,683           |
| Income tax expense  | 3,432                                      | (62)             |
| Amortization of program broadcast rights  | 2,875                                      | 2,831            |
| Common stock contributed to 401(k) plan<br>excluding corporate 401(k)<br>contributions  | 7  | 8                |
| Network compensation revenue<br>recognized  | (145)                                      | (157)            |
| Payments for program broadcast rights   | (2,884)                                    | (3,453)          |
| <b>Broadcast Cash Flow Less Cash Corporate<br/>Expenses</b>   | <b>30,847</b>                              | <b>64,537</b>    |
| Corporate and administrative expenses<br>excluding<br>depreciation, amortization of intangible<br>assets and<br>non-cash stock based compensation | 5,968                                      | 4,628            |
| <b>Broadcast Cash Flow</b>  | <b>\$ 36,815</b>                           | <b>\$ 69,165</b> |