

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, net, interest expense, income tax expense and, less gain on disposal of assets, payments for program broadcast obligations and network compensation revenue and network payments.

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:

	Three Months Ended June 30,		
	2014	2013	% Change
Net income	\$ 1,591	\$ 5,144	
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	6,986	5,938	
Amortization of intangible assets	1,179	12	
Non-cash stock based compensation	980	1,328	
Loss (gain) on disposals of assets, net	48	(77)	
Miscellaneous (income) expense, net	(3)	1	
Interest expense	15,825	12,594	
Loss from early extinguishment of debt	4,897	-	
Income tax expense	876	3,573	
Amortization of program broadcast rights	3,005	2,826	
Common stock contributed to 401(k) plan			
excluding corporate 401(k) contributions	6	7	
Network compensation revenue recognized	(113)	(157)	
Payments for program broadcast rights	(3,869)	(2,847)	
Broadcast Cash Flow Less Cash Corporate Expenses	31,408	28,342	11 %
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	9,122	3,965	
Broadcast Cash Flow	\$ 40,530	\$ 32,307	25 %