

# 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):

	<b>Three Months Ended September 30,</b>		
	<b>2012</b>	<b>2011</b>	<b>% Change</b>
Net income	\$ 15,873	\$ 1,984	
Adjustments to reconcile from net income to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	5,725	6,530	
Amortization of intangible assets	19	29	
Non-cash stock based compensation	170	34	
Loss (gain) on disposals of assets, net	28	(1,030)	
Interest expense	15,155	15,165	
Income tax expense	10,035	1,073	
Amortization of program broadcast rights	2,773	3,274	
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	6	6	
Network compensation revenue recognized	(157)	(173)	
Network compensation per network affiliation agreement	-	(60)	
Payments for program broadcast rights	(2,790)	(3,714)	
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>46,837</b>	<b>23,118</b>	103 %
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	3,840	4,055	
<b>Broadcast Cash Flow</b>	<b>\$ 50,677</b>	<b>\$ 27,173</b>	86 %

	<b>Nine Months Ended September 30,</b>		
	<b>2012</b>	<b>2011</b>	<b>% Change</b>
Net income	\$ 30,238	\$ 1,460	
Adjustments to reconcile from net income to			
Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	17,332	20,166	
Amortization of intangible assets	56	97	
Non-cash stock based compensation	324	102	
Gain on disposals of assets, net	(454)	(1,874)	
Miscellaneous income, net	(2)	(3)	
Interest expense	45,444	46,508	
Income tax expense	19,250	791	
Amortization of program broadcast rights	8,250	10,688	
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	18	22	
Network compensation revenue recognized	(470)	(524)	
Network compensation per network affiliation agreement	(60)	(180)	
Payments for program broadcast rights	(8,386)	(12,452)	
<b>Broadcast Cash Flow Less Cash Corporate Expenses</b>	<b>111,540</b>	<b>64,801</b>	72 %
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock-based compensation	10,421	10,427	
<b>Broadcast Cash Flow</b>	<b>\$ 121,961</b>	<b>\$ 75,228</b>	62 %