

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 September 30,		
	2013	2012	% Change
Net income	\$ 7,073	\$ 15,873	
Adjustments to reconcile from net income to Broadcast Cash Flow Less Cash Corporate Expenses:			
Depreciation	6,024	5,725	
Amortization of intangible assets	9	19	
Non-cash stock based compensation	255	170	
Loss on disposals of assets, net	49	28	
Interest expense	12,656	15,155	
Income tax expense	4,491	10,035	
Amortization of program broadcast rights	2,829	2,773	
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	7	6	
Network compensation revenue recognized	(156)	(157)	
Payments for program broadcast rights	(2,849)	(2,790)	
Broadcast Cash Flow Less Cash Corporate Expenses	30,388	46,837	(35)%
Corporate and administrative expenses excluding depreciation, amortization of intangible assets and non-cash stock based compensation	4,215	3,840	
Broadcast Cash Flow	\$ 34,603	\$ 50,677	(32)%