

# 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 depreciation and amortization (including amortization of program broadcast rights), non-cash compensation, corporate overhead, loss on disposal of assets and payments received or due on network affiliation agreements, less payments for program broadcast obligations and network compensation recognized. Accordingly, the Company has provided a reconciliation of Broadcast Cash Flow to net income.

**Adjusted Broadcast Cash Flow** is a non-GAAP term the Company uses as a measure of performance. Adjusted Broadcast Cash Flow 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. Adjusted Broadcast Cash Flow is defined as operating income, plus depreciation and amortization (including amortization of program broadcast rights), non-cash compensation, loss on disposal of assets and payments received or due on network affiliation agreements, less payments for program broadcast obligations and network compensation recognized. Accordingly, the Company has provided a reconciliation of Adjusted Broadcast Cash Flow to net income.

**Notes**

(1) The pro forma presentation gives effect to the results of operations for the acquisition of television stations WSAZ, Charleston - Huntington, WV on November 30, 2005 and WNDU, South Bend, IN on March 3, 2006 as if each station had been acquired on January 1, 2005. Due to the relative size of the acquisition of KKCO, Grand Junction, CO and WSWG, Albany, GA, the results of operations for KKCO and WSWG are included as of their respective acquisition date in both the "As Reported" and "Pro Forma" results.

	<b>As Reported</b>		<b>Pro Forma<sup>(1)</sup></b>	
	<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Net income	\$ 4,320	\$ 3,393	\$ 4,320	\$ 2,755
Adjustments to reconcile to Broadcast Cash Flow:				
Corporate and administrative expenses				
excluding amortization of non-cash				
stock based compensation	2,723	2,935	2,723	2,935
Depreciation and amortization of intangible assets	9,022	5,671	9,022	7,624
Amortization of non-cash stock based compensation	193	98	193	98
Loss on disposals of assets, net	189	51	189	51
Miscellaneous (income) expense, net	(59)	(159)	(59)	(158)
Interest expense	16,656	11,312	16,656	14,854
Loss on early extinguishment of debt	-	4,770	-	4,770
Income tax expense	2,809	1,472	2,809	1,032
(Income) loss from discontinuing operations	-	(1,140)	-	(1,140)
Amortization of program broadcast rights	3,500	2,842	3,500	2,842
Common Stock contributed to 401(k) Plan				
excluding corporate 401(k) contributions	554	462	554	462
Network compensation revenue recognized	(361)	(1,407)	(361)	(1,407)
Network compensation per network affiliation				
agreement	524	2,060	524	2,060
Payments for program broadcast rights	(3,484)	(2,853)	(3,484)	(2,853)
Broadcast Cash Flow	<u>\$ 36,586</u>	<u>\$ 29,507</u>	<u>\$ 36,586</u>	<u>\$ 33,925</u>

	<b>As Reported</b>		<b>Pro Forma<sup>(1)</sup></b>	
	<b>Six Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Net income	\$ 1,766	\$ 5,468	\$ 1,356	\$ 3,533
Adjustments to reconcile to Broadcast Cash Flow:				
Corporate and administrative expenses				
excluding amortization of non-cash				
stock based compensation	6,269	5,581	6,269	5,581
Depreciation and amortization of intangible assets	17,350	11,291	18,018	15,203
Amortization of non-cash stock based compensation	391	196	391	196
Loss on disposals of assets, net	271	84	271	84
Miscellaneous (income) expense, net	(405)	(453)	(405)	(453)
Interest expense	32,123	22,425	32,548	28,884
Loss on early extinguishment of debt	110	4,770	110	4,770
Income tax expense	1,149	1,622	911	363
(Income) loss from discontinuing operations	-	(2,966)	-	(2,966)
Amortization of program broadcast rights	6,804	5,657	6,804	5,657
Common Stock contributed to 401(k) Plan				
excluding corporate 401(k) contributions	1,126	967	1,126	967
Network compensation revenue recognized	(581)	(3,050)	(581)	(3,050)
Network compensation per network affiliation				
agreement	1,048	4,162	1,048	4,162
Payments for program broadcast rights	(6,770)	(5,668)	(6,770)	(5,668)
Broadcast Cash Flow	<u>\$ 60,651</u>	<u>\$ 50,086</u>	<u>\$ 61,096</u>	<u>\$ 57,263</u>

	<b>As Reported</b>		<b>Pro Forma<sup>(1)</sup></b>	
	<b>Three Months Ended</b>		<b>Three Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Net income	\$ 4,320	\$ 3,393	\$ 4,320	\$ 2,755
Adjustments to reconcile to Adj. Broadcast Cash Flow:				
Depreciation and amortization of intangible assets	9,022	5,671	9,022	7,624
Amortization of non-cash stock based compensation	193	98	193	98
Loss on disposals of assets, net	189	51	189	51
Miscellaneous (income) expense, net	(59)	(159)	(59)	(158)
Interest expense	16,656	11,312	16,656	14,854
Loss on early extinguishment of debt	-	4,770	-	4,770
Income tax expense	2,809	1,472	2,809	1,032
(Income) loss from discontinuing operations	-	(1,140)	-	(1,140)
Amortization of program broadcast rights	3,500	2,842	3,500	2,842
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	554	462	554	462
Network compensation revenue recognized	(361)	(1,407)	(361)	(1,407)
Network compensation per network affiliation agreement	524	2,060	524	2,060
Payments for program broadcast rights	(3,484)	(2,853)	(3,484)	(2,853)
Adjusted Broadcast Cash Flow	<u>\$ 33,863</u>	<u>\$ 26,572</u>	<u>\$ 33,863</u>	<u>\$ 30,990</u>

	<b>As Reported</b>		<b>Pro Forma<sup>(1)</sup></b>	
	<b>Six Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<b>2006</b>	<b>2005</b>	<b>2006</b>	<b>2005</b>
	<b>(in thousands)</b>		<b>(in thousands)</b>	
Net income	\$ 1,766	\$ 5,468	\$ 1,356	\$ 3,533
Adjustments to reconcile to Adj. Broadcast Cash Flow:				
Depreciation and amortization of intangible assets	17,350	11,291	18,018	15,203
Amortization of non-cash stock based compensation	391	196	391	196
Loss on disposals of assets, net	271	84	271	84
Miscellaneous (income) expense, net	(405)	(453)	(405)	(453)
Interest expense	32,123	22,425	32,548	28,884
Loss on early extinguishment of debt	110	4,770	110	4,770
Income tax expense	1,149	1,622	911	363
(Income) loss from discontinuing operations	-	(2,966)	-	(2,966)
Amortization of program broadcast rights	6,804	5,657	6,804	5,657
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,126	967	1,126	967
Network compensation revenue recognized	(581)	(3,050)	(581)	(3,050)
Network compensation per network affiliation agreement	1,048	4,162	1,048	4,162
Payments for program broadcast rights	(6,770)	(5,668)	(6,770)	(5,668)
Adjusted Broadcast Cash Flow	<u>\$ 54,382</u>	<u>\$ 44,505</u>	<u>\$ 54,827</u>	<u>\$ 51,682</u>