

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.

	As Reported		Pro Forma⁽¹⁾	
	Three Months Ended		Three Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
	(in thousands)		(in thousands)	
Net income	\$ 1,359	\$ 1,743	\$ 1,359	\$ 846
Adjustments to reconcile to Broadcast Cash Flow:				
Corporate and administrative expenses				
excluding amortization of non-cash				
stock based compensation	3,290	3,057	3,290	3,057
Depreciation and amortization of intangible assets	9,478	6,610	9,478	8,561
Amortization of non-cash stock based compensation	191	98	191	98
Loss on disposals of assets, net	221	8	221	8
Miscellaneous (income) expense, net	(91)	(254)	(91)	(255)
Interest expense	17,542	11,122	17,542	14,425
Loss on early extinguishment of debt	237	-	237	-
Income tax expense	909	650	909	48
(Income) loss from discontinuing operations	-	(772)	-	(770)
Amortization of program broadcast rights	3,628	2,961	3,628	2,961
Common Stock contributed to 401(k) Plan				
excluding corporate 401(k) contributions	552	469	552	469
Network compensation revenue recognized	(258)	(986)	(258)	(986)
Network compensation per network affiliation				
agreement	629	1,935	629	1,935
Payments for program broadcast rights	(3,587)	(2,904)	(3,587)	(2,904)
Broadcast Cash Flow	<u>\$ 34,100</u>	<u>\$ 23,737</u>	<u>\$ 34,100</u>	<u>\$ 27,493</u>

	As Reported		Pro Forma⁽¹⁾	
	Nine Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
	(in thousands)		(in thousands)	
Net income	\$ 3,124	\$ 7,211	\$ 2,714	\$ 4,379
Adjustments to reconcile to Broadcast Cash Flow:				
Corporate and administrative expenses				
excluding amortization of non-cash				
stock based compensation	9,559	8,638	9,559	8,638
Depreciation and amortization of intangible assets	26,828	17,900	27,496	23,764
Amortization of non-cash stock based compensation	581	294	581	294
Loss on disposals of assets, net	493	92	493	92
Miscellaneous (income) expense, net	(496)	(709)	(496)	(708)
Interest expense	49,664	33,547	50,089	43,309
Loss on early extinguishment of debt	347	4,770	347	4,770
Income tax expense	2,058	2,272	1,823	411
(Income) loss from discontinuing operations	-	(3,736)	-	(3,736)
Amortization of program broadcast rights	10,432	8,618	10,432	8,618
Common Stock contributed to 401(k) Plan				
excluding corporate 401(k) contributions	1,679	1,436	1,679	1,436
Network compensation revenue recognized	(839)	(4,036)	(839)	(4,036)
Network compensation per network affiliation				
agreement	1,677	6,097	1,677	6,097
Payments for program broadcast rights	(10,357)	(8,572)	(10,357)	(8,572)
Broadcast Cash Flow	<u>\$ 94,750</u>	<u>\$ 73,822</u>	<u>\$ 95,198</u>	<u>\$ 84,756</u>

	As Reported		Pro Forma⁽¹⁾	
	Three Months Ended		Three Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
	(in thousands)		(in thousands)	
Net income	\$ 1,359	\$ 1,743	\$ 1,359	\$ 846
Adjustments to reconcile to Adj. Broadcast Cash Flow:				
Depreciation and amortization of intangible assets	9,478	6,610	9,478	8,561
Amortization of non-cash stock based compensation	191	98	191	98
Loss on disposals of assets, net	221	8	221	8
Miscellaneous (income) expense, net	(91)	(254)	(91)	(255)
Interest expense	17,542	11,122	17,542	14,425
Loss on early extinguishment of debt	237	-	237	-
Income tax expense	909	650	909	48
(Income) loss from discontinuing operations	-	(772)	-	(770)
Amortization of program broadcast rights	3,628	2,961	3,628	2,961
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	552	469	552	469
Network compensation revenue recognized	(258)	(986)	(258)	(986)
Network compensation per network affiliation agreement	629	1,935	629	1,935
Payments for program broadcast rights	(3,587)	(2,904)	(3,587)	(2,904)
Adjusted Broadcast Cash Flow	<u>\$ 30,810</u>	<u>\$ 20,680</u>	<u>\$ 30,810</u>	<u>\$ 24,436</u>

	As Reported		Pro Forma⁽¹⁾	
	Nine Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2006	2005	2006	2005
	(in thousands)		(in thousands)	
Net income	\$ 3,124	\$ 7,211	\$ 2,714	\$ 4,379
Adjustments to reconcile to Adj. Broadcast Cash Flow:				
Depreciation and amortization of intangible assets	26,828	17,900	27,496	23,764
Amortization of non-cash stock based compensation	581	294	581	294
Loss on disposals of assets, net	493	92	493	92
Miscellaneous (income) expense, net	(496)	(709)	(496)	(708)
Interest expense	49,664	33,547	50,089	43,309
Loss on early extinguishment of debt	347	4,770	347	4,770
Income tax expense	2,058	2,272	1,823	411
(Income) loss from discontinuing operations	-	(3,736)	-	(3,736)
Amortization of program broadcast rights	10,432	8,618	10,432	8,618
Common Stock contributed to 401(k) Plan excluding corporate 401(k) contributions	1,679	1,436	1,679	1,436
Network compensation revenue recognized	(839)	(4,036)	(839)	(4,036)
Network compensation per network affiliation agreement	1,677	6,097	1,677	6,097
Payments for program broadcast rights	(10,357)	(8,572)	(10,357)	(8,572)
Adjusted Broadcast Cash Flow	<u>\$ 85,191</u>	<u>\$ 65,184</u>	<u>\$ 85,639</u>	<u>\$ 76,118</u>