

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), non-cash compensation and (gain) loss on disposal of assets and cash payments received or receivable under network affiliation agreements less payments for program broadcast obligations, less network compensation revenue and less income (loss) from discontinued operations, net of income taxes. Accordingly, 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.

Notes:

(1) The pro forma presentation gives effect to the results of operations for the acquisition of television station WNDU, South Bend, IN on March 3, 2006 as if the station had been acquired on January 1, 2006.

	As Reported		Pro Forma⁽¹⁾	
	Three Months Ended		Three Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net income (loss)	\$ (9,942)	\$ 4,320	\$ (9,942)	\$ 4,320
Adjustments to reconcile to Broadcast Cash Flow Less Cash Corporate Expenses:				
Depreciation and amortization of intangible assets	10,117	9,022	10,117	9,022
Amortization of non-cash stock based compensation	310	193	310	193
(Gain) loss on disposals of assets, net	119	189	119	189
Miscellaneous (income) expense, net	(449)	(59)	(449)	(59)
Interest expense	16,525	16,656	16,525	16,656
Loss on early extinguishment of debt	16,361	-	16,361	-
Income tax expense (benefit)	(5,613)	2,809	(5,613)	2,809
Amortization of program broadcast rights	3,803	3,500	3,803	3,500
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	582	554	582	554
Network compensation revenue recognized	(196)	(360)	(196)	(360)
Network compensation per network affiliation agreement	78	524	78	524
Payments for program broadcast rights	(3,882)	(3,484)	(3,882)	(3,484)
Broadcast Cash Flow Less Cash Corporate Expenses	27,813	33,864	27,813	33,864
Corporate and administrative expenses excluding amortization of non-cash stock based compensation	3,274	2,723	3,274	2,723
Broadcast Cash Flow	\$ 31,087	\$ 36,587	\$ 31,087	\$ 36,587

	As Reported		Pro Forma⁽¹⁾	
	Six Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
Net income (loss)	\$ (20,456)	\$ 1,766	\$ (20,456)	\$ 1,356
Adjustments to reconcile to Broadcast Cash Flow Less				
Cash Corporate Expenses:				
Depreciation and amortization of intangible assets	19,892	17,350	19,892	18,018
Amortization of non-cash stock based compensation	830	391	830	391
(Gain) loss on disposals of assets, net	116	271	116	271
Miscellaneous (income) expense, net	(807)	(405)	(807)	(405)
Interest expense	33,797	32,123	33,797	32,548
Loss on early extinguishment of debt	22,853	110	22,853	110
Income tax expense (benefit)	(11,475)	1,149	(11,475)	911
Amortization of program broadcast rights	7,596	6,804	7,596	6,804
Common stock contributed to 401(k) plan				
excluding corporate 401(k) contributions	1,200	1,126	1,200	1,126
Network compensation revenue recognized	(385)	(581)	(385)	(581)
Network compensation per network affiliation agreement	157	1,048	157	1,048
Payments for program broadcast rights	(7,687)	(6,770)	(7,687)	(6,770)
Broadcast Cash Flow Less Cash Corporate Expenses	45,631	54,382	45,631	54,827
Corporate and administrative expenses excluding				
amortization of non-cash stock based compensation	6,815	6,269	6,815	6,269
Broadcast Cash Flow	\$ 52,446	\$ 60,651	\$ 52,446	\$ 61,096