

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.

	As Reported		Pro Forma⁽¹⁾	
	Three Months Ended		Three Months Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Net income	\$ 1,485	\$ 8,587	\$ 1,485	\$ 8,587
Adjustments to reconcile to Broadcast Cash Flow Less Cash Corporate Expenses:				
Depreciation and amortization of intangible assets	9,335	9,698	9,335	9,698
Amortization of non-cash stock based compensation	134	511	134	511
(Gain) loss on disposals of assets, net	(370)	528	(370)	528
Miscellaneous (income) expense, net	13	(181)	13	(181)
Interest expense	16,580	17,123	16,580	17,123
Income tax expense	1,478	7,765	1,478	7,765
Amortization of program broadcast rights	3,849	3,803	3,849	3,803
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	400	556	400	556
Network compensation revenue recognized	(204)	(250)	(204)	(250)
Network compensation per network affiliation agreement	66	539	66	539
Payments for program broadcast rights	(2,594)	(4,482)	(2,594)	(4,482)
Broadcast Cash Flow Less Cash Corporate Expenses	30,172	44,197	30,172	44,197
Corporate and administrative expenses excluding amortization of non-cash stock based compensation	3,379	4,445	3,379	4,445
Broadcast Cash Flow	\$ 33,551	\$ 48,642	\$ 33,551	\$ 48,642

	As Reported		Pro Forma⁽¹⁾	
	Three Months Ended		Three Months Ended	
	December 31,		December 31,	
	2007	2006	2007	2006
Net income	\$ 1.5	\$ 8.6	\$ 1.5	\$ 8.6
Adjustments to reconcile to Broadcast Cash Flow Less Cash Corporate Expenses:				
Depreciation and amortization of intangible assets	9.3	9.7	9.3	9.7
Amortization of non-cash stock based compensation	0.1	0.5	0.1	0.5
(Gain) loss on disposals of assets, net	(0.4)	0.5	(0.4)	0.5
Miscellaneous (income) expense, net	-	(0.2)	-	(0.2)
Interest expense	16.6	17.1	16.6	17.1
Income tax expense	1.5	7.8	1.5	7.8
Amortization of program broadcast rights	3.8	3.8	3.8	3.8
Common stock contributed to 401(k) plan excluding corporate 401(k) contributions	0.4	0.6	0.4	0.6
Network compensation revenue recognized	(0.2)	(0.3)	(0.2)	(0.3)
Network compensation per network affiliation agreement	0.1	0.5	0.1	0.5
Payments for program broadcast rights	(2.6)	(4.5)	(2.6)	(4.5)
Broadcast Cash Flow Less Cash Corporate Expenses	3.4	4.4	3.4	4.4
Corporate and administrative expenses excluding amortization of non-cash stock based compensation	3.4	4.4	3.4	4.4
Broadcast Cash Flow	\$ 33.6	\$ 48.6	\$ 33.6	\$ 48.6

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.