

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.

	Three Months Ended		Pro Forma⁽¹⁾	
	March 31,		Three Months Ended	
	2008	2007	March 31,	2007
	(in thousands)		(in thousands)	
Net loss	\$ (3,850)	\$ (10,514)	\$ (3,850)	\$ (2,964)
Adjustments to reconcile to Broadcast Cash Flow Less				
Cash Corporate Expenses:				
Depreciation and amortization of intangible assets	9,084	9,776	9,084	8,997
Non-cash stock based compensation	294	520	294	520
(Gain) on disposals of assets, net	(921)	(3)	(921)	82
Miscellaneous (income) expense, net	(27)	(359)	(27)	(346)
Interest expense	15,799	17,272	15,799	15,891
Loss on early extinguishment of debt	-	6,492	-	110
Income tax expense (benefit)	(2,641)	(5,862)	(2,641)	(1,895)
Amortization of program broadcast rights	3,851	3,793	3,851	3,304
Common stock contributed to 401(k) plan				
excluding corporate 401(k) contributions	626	618	626	573
Network compensation revenue recognized	(174)	(188)	(174)	(188)
Network compensation per network affiliation agreement	30	78	30	524
Payments for program broadcast rights	(3,775)	(3,804)	(3,775)	(3,286)
Broadcast Cash Flow Less Cash Corporate Expenses	18,296	17,819	18,296	21,322
Corporate and administrative expenses excluding				
amortization of non-cash stock-based compensation	3,245	3,541	3,245	3,223
Broadcast Cash Flow	\$ 21,541	\$ 21,360	\$ 21,541	\$ 24,545

	As Reported		Pro Forma⁽¹⁾	
	Three Months Ended		Three Months Ended	
	March 31,		March 31,	
	2008	2007	2008	2007
	(in millions)		(in millions)	
Net loss	\$ (3.9)	\$ (10.5)	\$ (3.9)	\$ (3.0)
Adjustments to reconcile to Broadcast Cash Flow Less				
Cash Corporate Expenses:				
Depreciation and amortization of intangible assets	9.1	9.8	9.1	9.0
Non-cash stock based compensation	0.3	0.5	0.3	0.5
(Gain) on disposals of assets, net	(0.9)	-	(0.9)	0.1
Miscellaneous (income) expense, net	-	(0.4)	-	(0.3)

Interest expense	15.8	17.3	15.8	15.9
Loss on early extinguishment of debt	-	6.5	-	0.1
Income tax expense (benefit)	(2.6)	(5.9)	(2.6)	(1.9)
Amortization of program broadcast rights	3.9	3.8	3.9	3.3
Common stock contributed to 401(k) plan	-	-	-	-
excluding corporate 401(k) contributions	0.6	0.6	0.6	0.6
Network compensation revenue recognized	(0.2)	(0.2)	(0.2)	(0.2)
Network compensation per network affiliation agreement	-	0.1	-	0.5
Payments for program broadcast rights	(3.8)	(3.8)	(3.8)	(3.3)
Broadcast Cash Flow Less Cash Corporate Expenses				
Corporate and administrative expenses excluding				
amortization of non-cash stock-based compensation	3.2	3.5	3.2	3.2
Broadcast Cash Flow	<u>\$ 21.5</u>	<u>\$ 21.4</u>	<u>\$21.5</u>	<u>\$24.5</u>