

A. H. Belo Corporation and Subsidiaries
Consolidated Statements of Operations

<i>In thousands, except share and per share amounts (unaudited)</i>	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net Operating Revenue:				
Advertising and marketing services	\$ 26,397	\$ 36,022	\$ 52,138	\$ 71,226
Circulation	17,921	19,088	35,668	38,254
Printing, distribution and other	6,851	7,979	12,816	14,510
Total net operating revenue	51,169	63,089	100,622	123,990
Operating Costs and Expense:				
Employee compensation and benefits	21,529	25,712	46,201	54,446
Other production, distribution and operating costs	22,833	29,736	45,847	58,062
Newsprint, ink and other supplies	5,461	5,993	10,772	11,894
Depreciation	2,535	2,727	5,008	5,233
Amortization	200	199	400	399
Asset impairments	(22)	—	(22)	228
Total operating costs and expense	52,536	64,367	108,206	130,262
Operating loss	(1,367)	(1,278)	(7,584)	(6,272)
Other income, net	891	766	1,779	1,288
Loss Before Income Taxes	(476)	(512)	(5,805)	(4,984)
Income tax provision (benefit)	58	293	(1,257)	251
Net Loss	\$ (534)	\$ (805)	\$ (4,548)	\$ (5,235)
Per Share Basis				
Net loss				
Basic and diluted	\$ (0.03)	\$ (0.04)	\$ (0.21)	\$ (0.24)
Number of common shares used in the per share calculation:				
Basic and diluted	21,738,545	21,743,390	21,756,678	21,717,032

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<i>June 30, 2018</i>	<i>December 31, 2017</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 56,751	\$ 57,660
Accounts receivable, net	19,931	26,740
Assets held for sale	1,089	1,089
Other current assets	14,616	16,905
Total current assets	<u>92,387</u>	<u>102,394</u>
Property, plant and equipment, net	29,239	31,706
Intangible assets, net	3,673	4,073
Goodwill	13,973	13,973
Deferred income taxes, net	7,051	5,355
Other assets	4,311	5,347
Total assets	<u>\$ 150,634</u>	<u>\$ 162,848</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,254	\$ 10,303
Accrued compensation and other current liabilities	13,133	12,518
Advance subscription payments	11,525	11,670
Total current liabilities	<u>31,912</u>	<u>34,491</u>
Long-term pension liabilities	20,844	23,038
Other liabilities	8,081	7,620
Total liabilities	<u>60,837</u>	<u>65,149</u>
Total shareholders' equity	<u>89,797</u>	<u>97,699</u>
Total liabilities and shareholders' equity	<u>\$ 150,634</u>	<u>\$ 162,848</u>

A. H. Belo Corporation - Non-GAAP Financial Measures
Reconciliation of Operating Loss to Adjusted Operating Income

<i>In thousands (unaudited)</i>	<i>Three Months Ended June 30,</i>		<i>Six Months Ended June 30,</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Total net operating revenue	\$ 51,169	\$ 63,089	\$ 100,622	\$ 123,990
Total operating costs and expense	52,536	64,367	108,206	130,262
Operating Loss	\$ (1,367)	\$ (1,278)	(7,584)	(6,272)
Total net operating revenue	\$ 51,169	\$ 63,089	100,622	123,990
Addback:				
Advertising contra revenue	2,906	—	5,759	—
Circulation contra revenue	269	—	527	—
Adjusted Operating Revenue	\$ 54,344	\$ 63,089	\$ 106,908	\$ 123,990
Total operating costs and expense	\$ 52,536	\$ 64,367	\$ 108,206	\$ 130,262
Addback:				
Advertising contra expense	2,906	—	5,759	—
Circulation contra expense	269	—	527	—
Pension and post-employment benefit	(931)	(859)	(1,861)	(1,718)
Less:				
Depreciation	2,535	2,727	5,008	5,233
Amortization	200	199	400	399
Severance expense	411	277	534	644
Asset impairments	(22)	—	(22)	228
Adjusted Operating Expense	\$ 51,656	\$ 60,305	\$ 106,711	\$ 122,040
Adjusted operating revenue	\$ 54,344	\$ 63,089	\$ 106,908	\$ 123,990
Adjusted operating expense	51,656	60,305	106,711	122,040
Adjusted Operating Income	\$ 2,688	\$ 2,784	\$ 197	\$ 1,950

The Company adopted the new revenue guidance (Topic 606) using the modified retrospective approach as of January 1, 2018. Results for reporting periods beginning after January 1, 2018, are presented in accordance with the new guidance, while prior period amounts are not restated. While the Company adjusts operating revenue and expense, for comparative purposes, these adjustments have no effect on adjusted operating income (loss). In addition, the Company adopted the new retirement benefits guidance (Topic 715) as of January 1, 2018, which requires net periodic pension and other post-employment expense (benefit) to be included in non-operating income (expense). As a result of adopting this new guidance, total operating costs and expense increased \$931 and \$1,861 for the three and six months ended June 30, 2018, respectively, and \$859 and \$1,718 for the three and six months ended June 30, 2017, respectively.

The Company calculates adjusted operating income (loss) by adjusting operating income (loss) to include pension and post-employment benefit and exclude depreciation, amortization, severance expense and asset impairments (“adjusted operating income (loss)”). The Company believes that inclusion of certain noncash expenses and other items in the results makes for more difficult comparisons between years and with peer group companies. Adjusted operating income (loss) is not a measure of financial performance under generally accepted accounting principles (“GAAP”). Management uses adjusted operating income (loss) and similar measures in internal analyses as supplemental measures of the Company’s financial performance, and for performance comparisons against its peer group of companies. Management uses this non-GAAP financial measure for the purposes of evaluating consolidated Company performance. The Company therefore believes that the non-GAAP measure presented provides useful information to investors by allowing them to view the Company’s business through the eyes of management and the Board of Directors, facilitating comparison of results across historical periods and providing a focus on the underlying ongoing operating performance of its business. Adjusted operating income (loss) should not be considered in isolation or as a substitute for net income (loss), cash flows provided by (used for) operating activities or other comparable measures prepared in accordance with GAAP. Additionally, this non-GAAP measure may not be comparable to similarly-titled measures of other companies.