

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 March 31,</i>	
	<i>2019</i>	<i>2018</i>
Net Operating Revenue:		
Advertising and marketing services	\$ 24,041	\$ 25,741
Circulation	17,273	17,747
Printing, distribution and other	5,275	5,965
Total net operating revenue	<u>46,589</u>	<u>49,453</u>
Operating Costs and Expense:		
Employee compensation and benefits	21,124	24,672
Other production, distribution and operating costs	22,184	23,014
Newsprint, ink and other supplies	4,747	5,311
Depreciation	2,386	2,473
Amortization	200	200
Total operating costs and expense	<u>50,641</u>	<u>55,670</u>
Operating loss	(4,052)	(6,217)
Other income, net	897	888
Loss Before Income Taxes	<u>(3,155)</u>	<u>(5,329)</u>
Income tax benefit	(143)	(1,315)
Net Loss	<u>\$ (3,012)</u>	<u>\$ (4,014)</u>
Per Share Basis		
Net loss		
Basic and diluted	\$ (0.14)	\$ (0.19)
Number of common shares used in the per share calculation:		
Basic and diluted	21,594,262	21,716,419

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<i>March 31,</i> <i>2019</i>	<i>December 31,</i> <i>2018</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 50,301	\$ 55,313
Accounts receivable, net	19,552	22,057
Assets held for sale	1,089	1,089
Other current assets	10,244	8,935
Total current assets	<u>81,186</u>	<u>87,394</u>
Property, plant and equipment, net	23,924	26,261
Operating lease right-of-use assets	22,527	—
Intangible assets, net	3,074	3,274
Goodwill	13,973	13,973
Deferred income taxes, net	6,720	6,417
Other assets	4,028	5,029
Total assets	<u>\$ 155,432</u>	<u>\$ 142,348</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,725	\$ 6,334
Accrued compensation and other current liabilities	12,260	13,880
Advance subscription payments	12,153	11,449
Total current liabilities	<u>29,138</u>	<u>31,663</u>
Long-term pension liabilities	30,997	31,889
Long-term operating lease liabilities	23,862	—
Other liabilities	5,858	8,210
Total liabilities	<u>89,855</u>	<u>71,762</u>
Total shareholders' equity	65,577	70,586
Total liabilities and shareholders' equity	<u>\$ 155,432</u>	<u>\$ 142,348</u>

The Company adopted the new lease guidance (Topic 842) using the modified retrospective approach as of January 1, 2019, which requires a right-of-use asset and a lease liability be recorded for substantially all leases. Prior periods were not restated.

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

<i>In thousands (unaudited)</i>	<i>Three Months Ended March 31,</i>	
	<i>2019</i>	<i>2018</i>
Total net operating revenue	\$ 46,589	\$ 49,453
Total operating costs and expense	50,641	55,670
Operating Loss	\$ (4,052)	\$ (6,217)
Total net operating revenue	\$ 46,589	\$ 49,453
Addback:		
Advertising contra revenue	2,652	2,853
Circulation contra revenue	175	258
Adjusted Operating Revenue	\$ 49,416	\$ 52,564
Total operating costs and expense	\$ 50,641	\$ 55,670
Addback:		
Advertising contra expense	2,652	2,853
Circulation contra expense	175	258
Less:		
Depreciation	2,386	2,473
Amortization	200	200
Severance expense	601	123
Adjusted Operating Expense	\$ 50,281	\$ 55,985
Adjusted operating revenue	\$ 49,416	\$ 52,564
Adjusted operating expense	50,281	55,985
Adjusted Operating Loss	\$ (865)	\$ (3,421)

The Company calculates adjusted operating income (loss) by adjusting operating income (loss) to 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.

The Company adopted the new revenue guidance (Topic 606) using the modified retrospective approach as of January 1, 2018. While the Company adjusts operating revenue and expense for non-GAAP presentation, these adjustments have no effect on adjusted operating income (loss). Additionally, the Company adopted the new retirement benefits guidance (Topic 715) retrospectively 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 of January 1, 2019, the Company determined pension and post-employment expense (benefit) would no longer be an addback in the calculation of adjusted operating expense. As a result of this change, adjusted operating expense and adjusted operating loss increased \$930 for the three months ended March 31, 2018.

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 versus 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.