

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 December 31,</i>		<i>Years Ended December 31,</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Net Operating Revenue:				
Advertising and marketing services	\$ 19,822	\$ 24,899	\$ 72,214	\$ 95,856
Circulation	16,687	17,165	64,935	68,260
Printing, distribution and other	4,290	4,738	17,150	19,447
Total net operating revenue	<u>40,799</u>	<u>46,802</u>	<u>154,299</u>	<u>183,563</u>
Operating Costs and Expense:				
Employee compensation and benefits	19,260	19,678	71,772	80,134
Other production, distribution and operating costs	21,050	23,473	80,008	90,673
Newsprint, ink and other supplies	2,150	3,829	10,168	16,570
Depreciation	1,696	1,975	7,016	8,983
Amortization	64	139	255	495
(Gain) loss on sale/disposal of assets, net	34	6	90	(24,540)
Asset impairments	563	116	563	1,709
Total operating costs and expense	<u>44,817</u>	<u>49,216</u>	<u>169,872</u>	<u>174,024</u>
Operating income (loss)	<u>(4,018)</u>	<u>(2,414)</u>	<u>(15,573)</u>	<u>9,539</u>
Other income, net	2,236	1,046	7,014	4,169
Income (Loss) Before Income Taxes	<u>(1,782)</u>	<u>(1,368)</u>	<u>(8,559)</u>	<u>13,708</u>
Income tax provision (benefit)	<u>(43)</u>	<u>(272)</u>	<u>(1,687)</u>	<u>4,416</u>
Net Income (Loss)	<u>\$ (1,739)</u>	<u>\$ (1,096)</u>	<u>\$ (6,872)</u>	<u>\$ 9,292</u>
Per Share Basis				
Net income (loss)				
Basic and diluted	\$ (0.08)	\$ (0.05)	\$ (0.32)	\$ 0.43
Number of common shares used in the per share calculation:				
Basic and diluted	21,410,423	21,438,953	21,410,423	21,546,257

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<i>December 31, 2020</i>	<i>December 31, 2019</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 42,015	\$ 48,626
Accounts receivable, net	16,562	18,441
Notes receivable	22,775	—
Other current assets	6,754	7,737
Total current assets	<u>88,106</u>	<u>74,804</u>
Property, plant and equipment, net	11,959	18,453
Operating lease right-of-use assets	20,406	21,371
Intangible assets, net	64	319
Deferred income taxes, net	76	50
Long-term note receivable	—	22,400
Other assets	2,604	3,648
Total assets	<u>\$ 123,215</u>	<u>\$ 141,045</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,759	\$ 6,103
Accrued compensation and other current liabilities	10,829	13,337
Contract liabilities	12,896	12,098
Total current liabilities	<u>31,484</u>	<u>31,538</u>
Long-term pension liabilities	18,520	23,039
Long-term operating lease liabilities	21,890	23,120
Other liabilities	4,913	5,611
Total liabilities	<u>76,807</u>	<u>83,308</u>
Total shareholders' equity	<u>46,408</u>	<u>57,737</u>
Total liabilities and shareholders' equity	<u>\$ 123,215</u>	<u>\$ 141,045</u>

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

<i>In thousands (unaudited)</i>	<i>Three Months Ended December 31,</i>		<i>Years Ended December 31,</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Total net operating revenue	\$ 40,799	\$ 46,802	\$ 154,299	\$ 183,563
Total operating costs and expense	44,817	49,216	169,872	174,024
Operating Income (Loss)	\$ (4,018)	\$ (2,414)	\$ (15,573)	\$ 9,539
Total net operating revenue	\$ 40,799	\$ 46,802	\$ 154,299	\$ 183,563
Addback:				
Advertising contra revenue	5,643	1,897	11,043	11,013
Circulation contra revenue	110	84	315	452
Adjusted Operating Revenue	\$ 46,552	\$ 48,783	\$ 165,657	\$ 195,028
Total operating costs and expense	\$ 44,817	\$ 49,216	\$ 169,872	\$ 174,024
Addback:				
Advertising contra expense	5,643	1,897	11,043	11,013
Circulation contra expense	110	84	315	452
Less:				
Depreciation	1,696	1,975	7,016	8,983
Amortization	64	139	255	495
Severance expense	2,127	257	2,748	1,678
(Gain) loss on sale/disposal of assets, net	34	6	90	(24,540)
Asset impairments	563	116	563	1,709
Adjusted Operating Expense	\$ 46,086	\$ 48,704	\$ 170,558	\$ 197,164
Adjusted operating revenue	\$ 46,552	\$ 48,783	\$ 165,657	\$ 195,028
Adjusted operating expense	46,086	48,704	170,558	197,164
Adjusted Operating Income (Loss)	\$ 466	\$ 79	\$ (4,901)	\$ (2,136)

The Company calculates adjusted operating income (loss) by adjusting operating income (loss) to exclude depreciation, amortization, severance expense, (gain) loss on sale/disposal of assets, 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).

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.