

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

<i>In thousands, except share and per share amounts</i>	<i>Three Months Ended December 31,</i>		<i>Years Ended December 31,</i>	
	<i>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>		
Net Operating Revenue:				
Advertising and marketing services	\$ 24,899	\$ 28,030	\$ 95,856	\$ 105,428
Circulation	17,165	18,355	68,260	71,919
Printing, distribution and other	4,738	6,228	19,447	24,940
Total net operating revenue	46,802	52,613	183,563	202,287
Operating Costs and Expense:				
Employee compensation and benefits	19,678	21,929	80,134	89,304
Other production, distribution and operating costs	23,473	23,381	90,673	90,167
Newsprint, ink and other supplies	3,829	5,726	16,570	22,026
Depreciation	1,975	2,380	8,983	9,902
Amortization	139	200	495	799
(Gain) loss on sale/disposal of assets, net	6	—	(24,540)	—
Asset impairments	116	16,943	1,709	16,921
Total operating costs and expense	49,216	70,559	174,024	229,119
Operating income (loss)	(2,414)	(17,946)	9,539	(26,832)
Other income, net	1,046	1,250	4,169	3,891
Income (Loss) Before Income Taxes	(1,368)	(16,696)	13,708	(22,941)
Income tax provision (benefit)	(272)	2,941	4,416	2,280
Net Income (Loss)	\$ (1,096)	\$ (19,637)	\$ 9,292	\$ (25,221)
Per Share Basis				
Net income (loss)				
Basic and diluted	\$ (0.05)	\$ (0.91)	\$ 0.43	\$ (1.17)
Number of common shares used in the per share calculation:				
Basic and diluted	21,438,953	21,661,199	21,546,257	21,747,633

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands</i>	<u>December 31,</u> <u>2019</u>	<u>December 31,</u> <u>2018</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 48,626	\$ 55,313
Accounts receivable, net	18,441	22,057
Assets held for sale	—	1,089
Other current assets	7,737	8,935
Total current assets	<u>74,804</u>	<u>87,394</u>
Property, plant and equipment, net	18,453	26,261
Operating lease right-of-use assets (a)	21,371	—
Intangible assets, net	319	304
Deferred income taxes, net	50	3,572
Long-term note receivable (b)	22,400	—
Other assets	3,648	5,029
Total assets	<u>\$ 141,045</u>	<u>\$ 122,560</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,103	\$ 6,334
Accrued compensation and other current liabilities	13,337	13,880
Contract liabilities	12,098	11,449
Total current liabilities	<u>31,538</u>	<u>31,663</u>
Long-term pension liabilities	23,039	31,889
Long-term operating lease liabilities (a)	23,120	—
Other liabilities	5,611	8,210
Total liabilities	<u>83,308</u>	<u>71,762</u>
Total shareholders' equity	57,737	50,798
Total liabilities and shareholders' equity	<u>\$ 141,045</u>	<u>\$ 122,560</u>

(a) 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.

(b) As a result of the real estate sale in the second quarter of 2019, the Company acquired a promissory note of \$22.4 million.

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>2019</i>	<i>2018</i>	<i>2019</i>	<i>2018</i>
Total net operating revenue	\$ 46,802	\$ 52,613	\$ 183,563	\$ 202,287
Total operating costs and expense	49,216	70,559	174,024	229,119
Operating Income (Loss)	\$ (2,414)	\$ (17,946)	\$ 9,539	\$ (26,832)
Total net operating revenue	\$ 46,802	\$ 52,613	\$ 183,563	\$ 202,287
Addback:				
Advertising contra revenue	1,897	2,943	11,013	11,720
Circulation contra revenue	84	217	452	1,006
Adjusted Operating Revenue	\$ 48,783	\$ 55,773	\$ 195,028	\$ 215,013
Total operating costs and expense	\$ 49,216	\$ 70,559	\$ 174,024	\$ 229,119
Addback:				
Advertising contra expense	1,897	2,943	11,013	11,720
Circulation contra expense	84	217	452	1,006
Less:				
Depreciation	1,975	2,380	8,983	9,902
Amortization	139	200	495	799
Severance expense	257	17	1,678	773
(Gain) loss on sale/disposal of assets, net	6	—	(24,540)	—
Asset impairments	116	16,943	1,709	16,921
Adjusted Operating Expense	\$ 48,704	\$ 54,179	\$ 197,164	\$ 213,450
Adjusted operating revenue	\$ 48,783	\$ 55,773	\$ 195,028	\$ 215,013
Adjusted operating expense	48,704	54,179	197,164	213,450
Adjusted Operating Income (Loss)	\$ 79	\$ 1,594	\$ (2,136)	\$ 1,563

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). 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 increased and adjusted operating income decreased \$1,027 for the three months ended December 31, 2018 and \$3,818 for the year ended December 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.