

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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Net Operating Revenue:				
Advertising and marketing services	\$ 36,022	\$ 38,040	\$ 71,226	\$ 73,277
Circulation	19,088	19,821	38,254	40,173
Printing, distribution and other	7,979	8,765	14,510	15,659
Total net operating revenue	63,089	66,626	123,990	129,109
Operating Costs and Expense:				
Employee compensation and benefits	24,853	24,774	52,728	51,791
Other production, distribution and operating costs	29,736	29,898	58,062	58,229
Newsprint, ink and other supplies	5,993	6,461	11,894	12,519
Depreciation	2,727	2,605	5,233	5,237
Amortization	199	229	399	455
Goodwill impairment	—	—	228	—
Total operating costs and expense	63,508	63,967	128,544	128,231
Operating income (loss)	(419)	2,659	(4,554)	878
Other income (expense), net	(93)	408	(430)	487
Income (Loss) from Continuing Operations Before Income Taxes	(512)	3,067	(4,984)	1,365
Income tax provision	293	2,393	251	1,284
Net Income (Loss)	(805)	674	(5,235)	81
Net income (loss) attributable to noncontrolling interests	—	(19)	—	20
Net Income (Loss) Attributable to A. H. Belo Corporation	\$ (805)	\$ 693	\$ (5,235)	\$ 61
Per Share Basis				
Net income (loss) attributable to A. H. Belo Corporation				
Basic and diluted	\$ (0.04)	\$ 0.03	\$ (0.24)	\$ 0.00
Number of common shares used in the per share calculation:				
Basic	21,743,390	21,614,260	21,717,032	21,564,200
Diluted	21,743,390	21,762,559	21,717,032	21,724,876

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<u>June 30,</u> <u>2017</u>	<u>December 31,</u> <u>2016</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 64,856	\$ 80,071
Accounts receivable, net	23,960	29,114
Assets held for sale	8,740	—
Other current assets	13,860	12,939
Total current assets	<u>111,416</u>	<u>122,124</u>
Property, plant and equipment, net	33,531	43,759
Intangible assets, net	4,473	4,872
Goodwill	13,973	14,201
Other assets	6,888	7,775
Total assets	<u>\$ 170,281</u>	<u>\$ 192,731</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 8,411	\$ 9,036
Accrued compensation and other current liabilities	12,919	14,975
Advance subscription payments	12,832	13,243
Total current liabilities	<u>34,162</u>	<u>37,254</u>
Long-term pension liabilities	52,989	54,843
Other liabilities	8,777	8,812
Total liabilities	<u>95,928</u>	<u>100,909</u>
Noncontrolling interest - redeemable	—	2,670
Total shareholders' equity attributable to A. H. Belo Corporation	74,353	87,918
Noncontrolling interests	—	1,234
Total shareholders' equity	<u>74,353</u>	<u>89,152</u>
Total liabilities and shareholders' equity	<u>\$ 170,281</u>	<u>\$ 192,731</u>

A. H. Belo Corporation - Non-GAAP Financial Measures
Reconciliation of Operating Income (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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Total net operating revenue	\$ 63,089	\$ 66,626	\$ 123,990	\$ 129,109
Total operating costs and expense	63,508	63,967	128,544	128,231
Operating Income (Loss)	\$ (419)	\$ 2,659	\$ (4,554)	\$ 878
Total operating costs and expense	\$ 63,508	\$ 63,967	\$ 128,544	\$ 128,231
Less:				
Depreciation	2,727	2,605	5,233	5,237
Amortization	199	229	399	455
Severance expense	277	258	644	1,000
Goodwill impairment	—	—	228	—
Adjusted Operating Expense	\$ 60,305	\$ 60,875	\$ 122,040	\$ 121,539
Total net operating revenue	\$ 63,089	\$ 66,626	\$ 123,990	\$ 129,109
Adjusted operating expense	60,305	60,875	122,040	121,539
Adjusted Operating Income	\$ 2,784	\$ 5,751	\$ 1,950	\$ 7,570

The Company calculates adjusted operating income by adjusting operating income (loss) to exclude depreciation, amortization, severance expense, pension plan settlement loss and goodwill impairment (“adjusted operating income”). 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 is not a measure of financial performance under generally accepted accounting principles (“GAAP”). Management uses adjusted operating income 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 should not be considered in isolation or as a substitute for net income (loss) from continuing operations, 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.