

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 September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Net Operating Revenue:				
Advertising and marketing services	\$ 38,304	\$ 39,184	\$ 111,581	\$ 114,281
Circulation	19,633	20,279	59,806	62,133
Printing, distribution and other	6,843	7,445	22,502	22,606
Total net operating revenue	64,780	66,908	193,889	199,020
Operating Costs and Expense:				
Employee compensation and benefits	25,626	29,041	77,417	81,649
Other production, distribution and operating costs	30,615	30,562	88,844	93,037
Newsprint, ink and other supplies	6,315	7,266	18,834	23,275
Depreciation	2,488	2,780	7,725	8,695
Amortization	225	361	680	1,107
Total operating costs and expense	65,269	70,010	193,500	207,763
Operating income (loss)	(489)	(3,102)	389	(8,743)
Other Income (Expense):				
Loss from equity method investments, net	—	(564)	—	(288)
Other income (expense), net	114	(489)	601	(912)
Total other income (expense), net	114	(1,053)	601	(1,200)
Income (Loss) from Continuing Operations Before Income Taxes	(375)	(4,155)	990	(9,943)
Income tax provision (benefit)	77	(188)	1,361	(5,601)
Loss from Continuing Operations	(452)	(3,967)	(371)	(4,342)
Loss from divestiture of discontinued operations	—	(52)	—	(62)
Loss from Discontinued Operations	—	(52)	—	(62)
Net Loss	(452)	(4,019)	(371)	(4,404)
Net income (loss) attributable to noncontrolling interests	45	(63)	65	(219)
Net Loss Attributable to A. H. Belo Corporation	\$ (497)	\$ (3,956)	\$ (436)	\$ (4,185)
Per Share Basis				
Net loss attributable to A. H. Belo Corporation				
Basic and diluted	\$ (0.02)	\$ (0.18)	\$ (0.02)	\$ (0.19)
Number of common shares used in the per share calculation:				
Basic and diluted	21,676,260	21,651,670	21,601,828	21,721,875

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<u>September 30,</u> <u>2016</u>	<u>December 31,</u> <u>2015</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 78,341	\$ 78,380
Accounts receivable, net	26,750	31,502
Assets held for sale	2,600	—
Other current assets	13,391	13,467
Total current assets	<u>121,082</u>	<u>123,349</u>
Property, plant and equipment, net	45,804	51,358
Intangible assets, net	5,098	5,778
Goodwill	36,883	36,883
Other assets	4,515	4,133
Total assets	<u>\$ 213,382</u>	<u>\$ 221,501</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,838	\$ 12,736
Accrued compensation and other current liabilities	12,608	11,812
Advance subscription payments	13,211	14,424
Total current liabilities	<u>36,657</u>	<u>38,972</u>
Long-term pension liabilities	54,831	57,446
Other liabilities	8,716	4,812
Total liabilities	<u>100,204</u>	<u>101,230</u>
Noncontrolling interest - redeemable	1,335	1,421
Total shareholders' equity attributable to A. H. Belo Corporation	110,562	117,781
Noncontrolling interests	1,281	1,069
Total shareholders' equity	<u>111,843</u>	<u>118,850</u>
Total liabilities and shareholders' equity	<u>\$ 213,382</u>	<u>\$ 221,501</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 September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Total net operating revenue	\$ 64,780	\$ 66,908	\$ 193,889	\$ 199,020
Total operating costs and expense	65,269	70,010	193,500	207,763
Operating Income (Loss)	\$ (489)	\$ (3,102)	\$ 389	\$ (8,743)
Addback:				
Depreciation	\$ 2,488	\$ 2,780	\$ 7,725	\$ 8,695
Amortization	225	361	680	1,107
Severance expense	49	2,796	1,049	2,746
Adjusted Operating Income	\$ 2,273	\$ 2,835	\$ 9,843	\$ 3,805

The Company calculates adjusted operating income by adjusting operating income (loss) to exclude depreciation, amortization, severance expense and pension plan settlement expense (“adjusted operating income”). The Company believes that inclusion of certain non-cash and non-recurring expenses 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 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.