

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>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Net Operating Revenue:				
Advertising and marketing services	\$ 38,040	\$ 38,266	\$ 73,277	\$ 75,097
Circulation	19,821	20,816	40,173	41,854
Printing, distribution and other	8,765	7,594	15,659	15,161
Total net operating revenue	66,626	66,676	129,109	132,112
Operating Costs and Expense:				
Employee compensation and benefits	24,774	25,105	51,791	52,608
Other production, distribution and operating costs	29,898	31,015	58,229	62,475
Newsprint, ink and other supplies	6,461	7,843	12,519	16,009
Depreciation	2,605	2,875	5,237	5,915
Amortization	229	373	455	746
Total operating costs and expense	63,967	67,211	128,231	137,753
Operating income (loss)	2,659	(535)	878	(5,641)
Other Income (Expense):				
Income from equity method investments, net	—	690	—	276
Other income (expense), net	408	(532)	487	(423)
Total other income (expense), net	408	158	487	(147)
Income (Loss) from Continuing Operations Before Income Taxes	3,067	(377)	1,365	(5,788)
Income tax provision (benefit)	2,393	317	1,284	(5,413)
Income (Loss) from Continuing Operations	674	(694)	81	(375)
Gain (loss) from divestiture of discontinued operations	—	2	—	(10)
Gain (Loss) from Discontinued Operations	—	2	—	(10)
Net Income (Loss)	674	(692)	81	(385)
Net income (loss) attributable to noncontrolling interests	(19)	(100)	20	(156)
Net Income (Loss) Attributable to A. H. Belo Corporation	\$ 693	\$ (592)	\$ 61	\$ (229)
Per Share Basis				
Net income (loss) attributable to A. H. Belo Corporation				
Basic and diluted	\$ 0.03	\$ (0.03)	\$ 0.00	\$ (0.01)
Number of common shares used in the per share calculation:				
Basic	21,614,260	21,747,635	21,564,200	21,758,382
Diluted	21,762,559	21,747,635	21,724,876	21,758,382

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<i>June 30,</i> <i>2016</i>	<i>December 31,</i> <i>2015</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 82,384	\$ 78,380
Accounts receivable, net	25,461	31,502
Other current assets	15,473	13,467
Total current assets	<u>123,318</u>	<u>123,349</u>
Property, plant and equipment, net	49,295	51,358
Intangible assets, net	5,323	5,778
Goodwill	36,883	36,883
Other assets	4,015	4,133
Total assets	<u>\$ 218,834</u>	<u>\$ 221,501</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 11,988	\$ 12,736
Accrued compensation and other current liabilities	13,469	11,812
Advance subscription payments	14,525	14,424
Total current liabilities	<u>39,982</u>	<u>38,972</u>
Long-term pension liabilities	55,703	57,446
Other liabilities	7,754	4,812
Total liabilities	<u>103,439</u>	<u>101,230</u>
Noncontrolling interest - redeemable	1,335	1,421
Total shareholders' equity attributable to A. H. Belo Corporation	112,753	117,781
Noncontrolling interests	1,307	1,069
Total shareholders' equity	<u>114,060</u>	<u>118,850</u>
Total liabilities and shareholders' equity	<u>\$ 218,834</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 June 30,</i>		<i>Six Months Ended June 30,</i>	
	<i>2016</i>	<i>2015</i>	<i>2016</i>	<i>2015</i>
Total net operating revenue	\$ 66,626	\$ 66,676	\$ 129,109	\$ 132,112
Total operating costs and expense	63,967	67,211	128,231	137,753
Operating Income (Loss)	\$ 2,659	\$ (535)	\$ 878	\$ (5,641)
Addback:				
Depreciation	\$ 2,605	\$ 2,875	\$ 5,237	\$ 5,915
Amortization	229	373	455	746
Severance expense	258	5	1,000	(50)
Adjusted Operating Income	\$ 5,751	\$ 2,718	\$ 7,570	\$ 970

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 such expenses and charges are not indicative of normal, ongoing operations and their inclusion 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 from continuing operations, cash flows provided by 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.