

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 March 31,</i>	
	<i>2020</i>	<i>2019</i>
Net Operating Revenue:		
Advertising and marketing services	\$ 19,327	\$ 24,041
Circulation	16,414	17,273
Printing, distribution and other	4,602	5,275
Total net operating revenue	40,343	46,589
Operating Costs and Expense:		
Employee compensation and benefits	19,016	21,124
Other production, distribution and operating costs	20,992	22,184
Newsprint, ink and other supplies	3,271	4,747
Depreciation	1,765	2,386
Amortization	64	76
Gain on sale/disposal of assets, net	(5)	—
Total operating costs and expense	45,103	50,517
Operating loss	(4,760)	(3,928)
Other income, net	1,352	829
Loss Before Income Taxes	(3,408)	(3,099)
Income tax benefit	(1,787)	(964)
Net Loss	\$ (1,621)	\$ (2,135)
Per Share Basis		
Net loss		
Basic and diluted	\$ (0.08)	\$ (0.10)
Number of common shares used in the per share calculation:		
Basic and diluted	21,410,423	21,594,262

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<u>March 31,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 43,934	\$ 48,626
Accounts receivable, net	14,946	18,441
Other current assets	11,926	7,737
Total current assets	<u>70,806</u>	<u>74,804</u>
Property, plant and equipment, net	16,841	18,453
Operating lease right-of-use assets	22,483	21,371
Intangible assets, net	255	319
Deferred income taxes, net	36	50
Long-term note receivable	22,400	22,400
Other assets	3,631	3,648
Total assets	<u>\$ 136,452</u>	<u>\$ 141,045</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 4,989	\$ 6,103
Accrued compensation and other current liabilities	11,517	13,337
Contract liabilities	14,283	12,098
Total current liabilities	<u>30,789</u>	<u>31,538</u>
Long-term pension liabilities	21,657	23,039
Long-term operating lease liabilities	23,694	23,120
Other liabilities	5,690	5,611
Total liabilities	<u>81,830</u>	<u>83,308</u>
Total shareholders' equity	<u>54,622</u>	<u>57,737</u>
Total liabilities and shareholders' equity	<u>\$ 136,452</u>	<u>\$ 141,045</u>

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

<i>In thousands (unaudited)</i>	<i>Three Months Ended March 31,</i>	
	<i>2020</i>	<i>2019</i>
Total net operating revenue	\$ 40,343	\$ 46,589
Total operating costs and expense	45,103	50,517
Operating Loss	\$ (4,760)	\$ (3,928)
Total net operating revenue	\$ 40,343	\$ 46,589
Addback:		
Advertising contra revenue	1,454	2,652
Circulation contra revenue	38	175
Adjusted Operating Revenue	\$ 41,835	\$ 49,416
Total operating costs and expense	\$ 45,103	\$ 50,517
Addback:		
Advertising contra expense	1,454	2,652
Circulation contra expense	38	175
Less:		
Depreciation	1,765	2,386
Amortization	64	76
Severance expense	186	601
Gain on sale/disposal of assets, net	(5)	—
Adjusted Operating Expense	\$ 44,585	\$ 50,281
Adjusted operating revenue	\$ 41,835	\$ 49,416
Adjusted operating expense	44,585	50,281
Adjusted Operating Loss	\$ (2,750)	\$ (865)

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.