

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>2019</i> | <i>2018</i> | <i>2019</i> | <i>2018</i> |
| Net Operating Revenue: | | | | |
| Advertising and marketing services | \$ 25,920 | \$ 26,397 | \$ 49,961 | \$ 52,138 |
| Circulation | 17,013 | 17,921 | 34,286 | 35,668 |
| Printing, distribution and other | 4,802 | 6,851 | 10,077 | 12,816 |
| Total net operating revenue | 47,735 | 51,169 | 94,324 | 100,622 |
| Operating Costs and Expense: | | | | |
| Employee compensation and benefits | 19,828 | 21,529 | 40,952 | 46,201 |
| Other production, distribution and operating costs | 24,465 | 22,833 | 46,649 | 45,847 |
| Newsprint, ink and other supplies | 4,022 | 5,461 | 8,769 | 10,772 |
| Depreciation | 2,333 | 2,535 | 4,719 | 5,008 |
| Amortization | 200 | 200 | 400 | 400 |
| Gain on sale of assets, net | (25,908) | — | (25,908) | — |
| Asset impairments | — | (22) | — | (22) |
| Total operating costs and expense | 24,940 | 52,536 | 75,581 | 108,206 |
| Operating income (loss) | 22,795 | (1,367) | 18,743 | (7,584) |
| Other income, net | 1,161 | 891 | 2,058 | 1,779 |
| Income (Loss) Before Income Taxes | 23,956 | (476) | 20,801 | (5,805) |
| Income tax provision (benefit) | 7,095 | 58 | 6,952 | (1,257) |
| Net Income (Loss) | \$ 16,861 | \$ (534) | \$ 13,849 | \$ (4,548) |
| Per Share Basis | | | | |
| Net income (loss) | | | | |
| Basic and diluted | \$ 0.78 | \$ (0.03) | \$ 0.64 | \$ (0.21) |
| Number of common shares used in the per share calculation: | | | | |
| Basic and diluted | 21,525,971 | 21,738,545 | 21,578,014 | 21,756,678 |

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

| <i>In thousands (unaudited)</i> | <u>June 30,</u> <u>2019</u> | <u>December 31,</u> <u>2018</u> |
|--|--------------------------------|------------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 52,017 | \$ 55,313 |
| Accounts receivable, net | 20,468 | 22,057 |
| Assets held for sale | — | 1,089 |
| Other current assets | 9,262 | 8,935 |
| Total current assets | <u>81,747</u> | <u>87,394</u> |
| Property, plant and equipment, net | 21,996 | 26,261 |
| Operating lease right-of-use assets (a) | 22,222 | — |
| Intangible assets, net | 3,384 | 3,274 |
| Goodwill | 15,566 | 13,973 |
| Deferred income taxes, net | — | 6,417 |
| Long-term note receivable (b) | 22,400 | — |
| Other assets | 3,675 | 5,029 |
| Total assets | <u>\$ 170,990</u> | <u>\$ 142,348</u> |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$ 6,062 | \$ 6,334 |
| Accrued compensation and other current liabilities | 11,914 | 13,880 |
| Advance subscription payments | 12,844 | 11,449 |
| Total current liabilities | <u>30,820</u> | <u>31,663</u> |
| Long-term pension liabilities | 30,105 | 31,889 |
| Long-term operating lease liabilities (a) | 23,631 | — |
| Other liabilities | 5,837 | 8,210 |
| Total liabilities | <u>90,393</u> | <u>71,762</u> |
| Total shareholders' equity | <u>80,597</u> | <u>70,586</u> |
| Total liabilities and shareholders' equity | <u>\$ 170,990</u> | <u>\$ 142,348</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 June 30,</i> | | <i>Six Months Ended June 30,</i> | |
|---|------------------------------------|-------------------|----------------------------------|-------------------|
| | <i>2019</i> | <i>2018</i> | <i>2019</i> | <i>2018</i> |
| Total net operating revenue | \$ 47,735 | \$ 51,169 | \$ 94,324 | \$ 100,622 |
| Total operating costs and expense | 24,940 | 52,536 | 75,581 | 108,206 |
| Operating Income (Loss) | \$ 22,795 | \$ (1,367) | \$ 18,743 | \$ (7,584) |
| Total net operating revenue | \$ 47,735 | \$ 51,169 | \$ 94,324 | \$ 100,622 |
| Addback: | | | | |
| Advertising contra revenue | 2,464 | 2,906 | 5,116 | 5,759 |
| Circulation contra revenue | 145 | 269 | 320 | 527 |
| Adjusted Operating Revenue | \$ 50,344 | \$ 54,344 | \$ 99,760 | \$ 106,908 |
| Total operating costs and expense | \$ 24,940 | \$ 52,536 | \$ 75,581 | \$ 108,206 |
| Addback: | | | | |
| Advertising contra expense | 2,464 | 2,906 | 5,116 | 5,759 |
| Circulation contra expense | 145 | 269 | 320 | 527 |
| Less: | | | | |
| Depreciation | 2,333 | 2,535 | 4,719 | 5,008 |
| Amortization | 200 | 200 | 400 | 400 |
| Severance expense | 800 | 411 | 1,401 | 534 |
| Gain on sale of assets, net | (25,908) | — | (25,908) | — |
| Asset impairments | — | (22) | — | (22) |
| Adjusted Operating Expense | \$ 50,124 | \$ 52,587 | \$ 100,405 | \$ 108,572 |
| Adjusted operating revenue | \$ 50,344 | \$ 54,344 | \$ 99,760 | \$ 106,908 |
| Adjusted operating expense | 50,124 | 52,587 | 100,405 | 108,572 |
| Adjusted Operating Income (Loss) | \$ 220 | \$ 1,757 | \$ (645) | \$ (1,664) |

The Company calculates adjusted operating income (loss) by adjusting operating income (loss) to exclude depreciation, amortization, severance expense, gain on sale 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 (loss) decreased \$931 and \$1,861 for the three and six months ended June 30, 2018, respectively.

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.