

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 December 31,</i>		<i>Twelve Months Ended December 31,</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Net Operating Revenue:				
Advertising and marketing services	\$ 28,030	\$ 37,146	\$ 105,428	\$ 143,247
Circulation	18,355	19,785	71,919	76,884
Printing, distribution and other	6,228	7,146	24,940	28,495
Total net operating revenue	<u>52,613</u>	<u>64,077</u>	<u>202,287</u>	<u>248,626</u>
Operating Costs and Expense:				
Employee compensation and benefits	21,929	24,407	89,304	103,495
Other production, distribution and operating costs	23,381	29,072	90,167	114,594
Newsprint, ink and other supplies	5,726	6,019	22,026	23,561
Depreciation	2,380	2,575	9,902	10,415
Amortization	200	200	799	799
Asset impairments	—	3,116	(22)	3,344
Total operating costs and expense	<u>53,616</u>	<u>65,389</u>	<u>212,176</u>	<u>256,208</u>
Operating loss	(1,003)	(1,312)	(9,889)	(7,582)
Other income, net	1,250	7,607	3,891	11,483
Income (Loss) Before Income Taxes	247	6,295	(5,998)	3,901
Income tax provision (benefit)	96	(6,521)	(565)	(6,260)
Net Income (Loss)	<u>\$ 151</u>	<u>\$ 12,816</u>	<u>\$ (5,433)</u>	<u>\$ 10,161</u>
Per Share Basis				
Net income (loss)				
Basic and diluted	\$ 0.01	\$ 0.58	\$ (0.26)	\$ 0.46
Number of common shares used in the per share calculation:				
Basic	21,661,199	21,740,374	21,747,633	21,721,497
Diluted	21,661,843	21,741,814	21,747,633	21,723,002

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<i>December 31, 2018</i>	<i>December 31, 2017</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 55,313	\$ 57,660
Accounts receivable, net	22,057	26,740
Assets held for sale	1,089	1,089
Other current assets	8,935	16,905
Total current assets	<u>87,394</u>	<u>102,394</u>
Property, plant and equipment, net	26,261	31,706
Intangible assets, net	3,274	4,073
Goodwill	13,973	13,973
Deferred income taxes, net	6,417	5,355
Other assets	5,029	5,347
Total assets	<u>\$ 142,348</u>	<u>\$ 162,848</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 6,334	\$ 10,303
Accrued compensation and other current liabilities	13,880	12,518
Advance subscription payments	11,449	11,670
Total current liabilities	<u>31,663</u>	<u>34,491</u>
Long-term pension liabilities	31,889	23,038
Other liabilities	8,210	7,620
Total liabilities	<u>71,762</u>	<u>65,149</u>
Total shareholders' equity	<u>70,586</u>	<u>97,699</u>
Total liabilities and shareholders' equity	<u>\$ 142,348</u>	<u>\$ 162,848</u>

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

<i>In thousands (unaudited)</i>	<i>Three Months Ended December 31,</i>		<i>Twelve Months Ended December 31,</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Total net operating revenue	\$ 52,613	\$ 64,077	\$ 202,287	\$ 248,626
Total operating costs and expense	53,616	65,389	212,176	256,208
Operating Loss	\$ (1,003)	\$ (1,312)	\$ (9,889)	\$ (7,582)
Total net operating revenue	\$ 52,613	\$ 64,077	\$ 202,287	\$ 248,626
Addback:				
Advertising contra revenue	2,943	—	11,720	—
Circulation contra revenue	217	—	1,006	—
Adjusted Operating Revenue	\$ 55,773	\$ 64,077	\$ 215,013	\$ 248,626
Total operating costs and expense	\$ 53,616	\$ 65,389	\$ 212,176	\$ 256,208
Addback:				
Advertising contra expense	2,943	—	11,720	—
Circulation contra expense	217	—	1,006	—
Pension and post-employment expense (benefit)	(1,027)	(862)	(3,818)	2,471
Less:				
Depreciation	2,380	2,575	9,902	10,415
Amortization	200	200	799	799
Severance expense	17	84	773	1,259
Pension plan settlement loss	—	—	—	5,911
Asset impairments	—	3,116	(22)	3,344
Adjusted Operating Expense	\$ 53,152	\$ 58,552	\$ 209,632	\$ 236,951
Adjusted operating revenue	\$ 55,773	\$ 64,077	\$ 215,013	\$ 248,626
Adjusted operating expense	53,152	58,552	209,632	236,951
Adjusted Operating Income	\$ 2,621	\$ 5,525	\$ 5,381	\$ 11,675

The Company adopted the new revenue guidance (Topic 606) using the modified retrospective approach as of January 1, 2018. Results for reporting periods beginning after January 1, 2018, are presented in accordance with the new guidance, while prior period amounts are not restated. While the Company adjusts operating revenue and expense for comparative purposes, these adjustments have no effect on adjusted operating income (loss). In addition, the Company adopted the new retirement benefits guidance (Topic 715) 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 a result of adopting this guidance, total operating costs and expense increased \$1,027 and \$3,818 for the three and twelve months ended December 31, 2018, respectively. For the three months ended December 31, 2017, total operating costs and expense increased \$862 and for the twelve months ended December 31, 2017, expense decreased \$2,471. In the third quarter of 2017, the Company completed a de-risking transaction to reduce the Company's pension liability, which resulted in a charge to pension expense of \$5,911.

The Company calculates adjusted operating income (loss) by adjusting operating income (loss) to include pension and post-employment expense (benefit) and exclude depreciation, amortization, severance expense, pension plan settlement loss, 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. 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.