

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>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Net Operating Revenue:				
Advertising and marketing services	\$ 17,474	\$ 21,616	\$ 52,392	\$ 70,957
Circulation	16,111	16,809	48,248	51,095
Printing, distribution and other	4,157	4,632	12,860	14,709
Total net operating revenue	37,742	43,057	113,500	136,761
Operating Costs and Expense:				
Employee compensation and benefits	16,499	19,504	52,512	60,456
Other production, distribution and operating costs	19,307	21,171	58,958	67,200
Newsprint, ink and other supplies	2,476	3,972	8,018	12,741
Depreciation	1,753	2,289	5,320	7,008
Amortization	63	140	191	356
(Gain) loss on sale/disposal of assets, net	61	1,362	56	(24,546)
Asset impairments	—	1,593	—	1,593
Total operating costs and expense	40,159	50,031	125,055	124,808
Operating income (loss)	(2,417)	(6,974)	(11,555)	11,953
Other income, net	2,095	1,161	4,778	3,123
Income (Loss) Before Income Taxes	(322)	(5,813)	(6,777)	15,076
Income tax provision (benefit)	(224)	(1,808)	(1,644)	4,688
Net Income (Loss)	\$ (98)	\$ (4,005)	\$ (5,133)	\$ 10,388

Per Share Basis

Net income (loss)				
Basic and diluted	\$ (0.00)	\$ (0.19)	\$ (0.24)	\$ 0.48
Number of common shares used in the per share calculation:				
Basic and diluted	21,410,423	21,476,029	21,410,423	21,553,625

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<u>September 30,</u> <u>2020</u>	<u>December 31,</u> <u>2019</u>
Assets		
Current assets:		
Cash and cash equivalents	\$ 43,174	\$ 48,626
Accounts receivable, net	15,174	18,441
Notes receivable	22,775	—
Other current assets	10,406	7,737
Total current assets	<u>91,529</u>	<u>74,804</u>
Property, plant and equipment, net	13,479	18,453
Operating lease right-of-use assets	21,496	21,371
Intangible assets, net	128	319
Deferred income taxes, net	27	50
Long-term note receivable	—	22,400
Other assets	2,608	3,648
Total assets	<u>\$ 129,267</u>	<u>\$ 141,045</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 5,792	\$ 6,103
Accrued compensation and other current liabilities	12,613	13,337
Contract liabilities	14,860	12,098
Total current liabilities	<u>33,265</u>	<u>31,538</u>
Long-term pension liabilities	18,893	23,039
Long-term operating lease liabilities	22,555	23,120
Other liabilities	4,718	5,611
Total liabilities	<u>79,431</u>	<u>83,308</u>
Total shareholders' equity	49,836	57,737
Total liabilities and shareholders' equity	<u>\$ 129,267</u>	<u>\$ 141,045</u>

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

<i>In thousands (unaudited)</i>	<i>Three Months Ended September 30,</i>		<i>Nine Months Ended September 30,</i>	
	<i>2020</i>	<i>2019</i>	<i>2020</i>	<i>2019</i>
Total net operating revenue	\$ 37,742	\$ 43,057	\$ 113,500	\$ 136,761
Total operating costs and expense	40,159	50,031	125,055	124,808
Operating Income (Loss)	\$ (2,417)	\$ (6,974)	\$ (11,555)	\$ 11,953
Total net operating revenue	\$ 37,742	\$ 43,057	\$ 113,500	\$ 136,761
Addback:				
Advertising contra revenue	3,012	3,380	5,400	9,116
Circulation contra revenue	104	48	205	368
Adjusted Operating Revenue	\$ 40,858	\$ 46,485	\$ 119,105	\$ 146,245
Total operating costs and expense	\$ 40,159	\$ 50,031	\$ 125,055	\$ 124,808
Addback:				
Advertising contra expense	3,012	3,380	5,400	9,116
Circulation contra expense	104	48	205	368
Less:				
Depreciation	1,753	2,289	5,320	7,008
Amortization	63	140	191	356
Severance expense	418	20	621	1,421
(Gain) loss on sale/disposal of assets, net	61	1,362	56	(24,546)
Asset impairments	—	1,593	—	1,593
Adjusted Operating Expense	\$ 40,980	\$ 48,055	\$ 124,472	\$ 148,460
Adjusted operating revenue	\$ 40,858	\$ 46,485	\$ 119,105	\$ 146,245
Adjusted operating expense	40,980	48,055	124,472	148,460
Adjusted Operating Loss	\$ (122)	\$ (1,570)	\$ (5,367)	\$ (2,215)

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.