

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>2018</i>	<i>2017</i>
Net Operating Revenue:		
Advertising and marketing services	\$ 25,741	\$ 35,204
Circulation	17,747	19,166
Printing, distribution and other	5,965	6,531
Total net operating revenue	<u>49,453</u>	<u>60,901</u>
Operating Costs and Expense:		
Employee compensation and benefits	24,672	28,734
Other production, distribution and operating costs	23,014	28,326
Newsprint, ink and other supplies	5,311	5,901
Depreciation	2,473	2,506
Amortization	200	200
Asset impairments	—	228
Total operating costs and expense	<u>55,670</u>	<u>65,895</u>
Operating loss	(6,217)	(4,994)
Other income, net	888	522
Loss Before Income Taxes	<u>(5,329)</u>	<u>(4,472)</u>
Income tax benefit	(1,315)	(42)
Net Loss	<u>\$ (4,014)</u>	<u>\$ (4,430)</u>
Per Share Basis		
Net loss		
Basic and diluted	\$ (0.19)	\$ (0.21)
Number of common shares used in the per share calculation:		
Basic and diluted	21,716,419	21,690,371

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<i>March 31,</i> <i>2018</i>	<i>December 31,</i> <i>2017</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 53,975	\$ 57,660
Accounts receivable, net	20,450	26,740
Assets held for sale	1,089	1,089
Other current assets	18,383	16,905
Total current assets	<u>93,897</u>	<u>102,394</u>
Property, plant and equipment, net	30,541	31,706
Intangible assets, net	3,873	4,073
Goodwill	13,973	13,973
Deferred income taxes, net	6,974	5,355
Other assets	4,575	5,347
Total assets	<u>\$ 153,833</u>	<u>\$ 162,848</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 7,737	\$ 10,303
Accrued compensation and other current liabilities	12,685	12,518
Advance subscription payments	12,233	11,670
Total current liabilities	<u>32,655</u>	<u>34,491</u>
Long-term pension liabilities	21,941	23,038
Other liabilities	7,113	7,620
Total liabilities	<u>61,709</u>	<u>65,149</u>
Total shareholders' equity	92,124	97,699
Total liabilities and shareholders' equity	<u>\$ 153,833</u>	<u>\$ 162,848</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>2018</i>	<i>2017</i>
Total net operating revenue	\$ 49,453	\$ 60,901
Total operating costs and expense	55,670	65,895
Operating Loss	\$ (6,217)	\$ (4,994)
Total net operating revenue	\$ 49,453	\$ 60,901
Addback:		
Advertising contra revenue	2,853	—
Circulation contra revenue	258	—
Adjusted Operating Revenue	\$ 52,564	\$ 60,901
Total operating costs and expense	\$ 55,670	\$ 65,895
Addback:		
Advertising contra expense	2,853	—
Circulation contra expense	258	—
Pension and post-employment benefit	(930)	(859)
Less:		
Depreciation	2,473	2,506
Amortization	200	200
Severance expense	123	367
Asset impairments	—	228
Adjusted Operating Expense	\$ 55,055	\$ 61,735
Adjusted operating revenue	\$ 52,564	\$ 60,901
Adjusted operating expense	55,055	61,735
Adjusted Operating Loss	\$ (2,491)	\$ (834)

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 new guidance, total operating costs and expense increased \$930 and \$859 for the three months ended March 31, 2018 and 2017, respectively.

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