

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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Net Operating Revenue:				
Advertising and marketing services	\$ 37,146	\$ 38,734	\$ 143,247	\$ 150,315
Circulation	19,785	19,813	76,884	79,619
Printing, distribution and other	7,146	7,548	28,495	30,050
Total net operating revenue	<u>64,077</u>	<u>66,095</u>	<u>248,626</u>	<u>259,984</u>
Operating Costs and Expense:				
Employee compensation and benefits	23,545	26,592	105,966	104,009
Other production, distribution and operating costs	29,072	30,986	114,594	119,830
Newsprint, ink and other supplies	6,019	6,756	23,561	25,590
Depreciation	2,575	2,988	10,415	10,713
Amortization	200	226	799	906
Assets impairments	3,116	22,682	3,344	22,682
Total operating costs and expense	<u>64,527</u>	<u>90,230</u>	<u>258,679</u>	<u>283,730</u>
Operating loss	(450)	(24,135)	(10,053)	(23,746)
Other income, net	7,334	1,693	14,543	2,294
Income (Loss) from Continuing Operations Before Income Taxes	<u>\$ 6,884</u>	<u>\$ (22,442)</u>	<u>\$ 4,490</u>	<u>\$ (21,452)</u>

A. H. Belo Corporation and Subsidiaries
Consolidated Balance Sheets

<i>In thousands (unaudited)</i>	<i>December 31,</i>	
	<i>2017</i>	<i>2016</i>
Assets		
Current assets:		
Cash and cash equivalents	\$ 57,660	\$ 80,071
Accounts receivable, net	26,740	29,114
Assets held for sale	1,089	—
Other current assets	12,832	12,939
Total current assets	<u>98,321</u>	<u>122,124</u>
Property, plant and equipment, net	31,706	43,759
Intangible assets, net	4,073	4,872
Goodwill	13,973	14,201
Other assets	5,347	7,775
Total assets	<u>\$ 153,420</u>	<u>\$ 192,731</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 10,303	\$ 9,036
Accrued compensation and other current liabilities	12,504	14,975
Advance subscription payments	11,670	13,243
Total current liabilities	<u>34,477</u>	<u>37,254</u>
Long-term pension liabilities	23,038	54,843
Other liabilities	4,456	8,812
Total liabilities	<u>61,971</u>	<u>100,909</u>
Noncontrolling interest - redeemable	—	2,670
Total shareholders' equity attributable to A. H. Belo Corporation	91,449	87,918
Noncontrolling interests	—	1,234
Total shareholders' equity	<u>91,449</u>	<u>89,152</u>
Total liabilities and shareholders' equity	<u>\$ 153,420</u>	<u>\$ 192,731</u>

The Company's Consolidated Balance Sheet as of December 31, 2017, does not reflect the effect of the fourth quarter 2017 income tax provision. The Company's final Consolidated Balance Sheet as of December 31, 2017, will be reported in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2017.

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>2017</i>	<i>2016</i>	<i>2017</i>	<i>2016</i>
Total net operating revenue	\$ 64,077	\$ 66,095	\$ 248,626	\$ 259,984
Total operating costs and expense	64,527	90,230	258,679	283,730
Operating Loss	\$ (450)	\$ (24,135)	\$ (10,053)	\$ (23,746)
Total operating costs and expense	\$ 64,527	\$ 90,230	\$ 258,679	\$ 283,730
Less:				
Depreciation	2,575	2,988	10,415	10,713
Amortization	200	226	799	906
Severance expense	84	24	1,259	1,073
Pension plan settlement loss	—	—	5,911	—
Assets impairments	3,116	22,682	3,344	22,682
Adjusted Operating Expense	\$ 58,552	\$ 64,310	\$ 236,951	\$ 248,356
Total net operating revenue	\$ 64,077	\$ 66,095	\$ 248,626	\$ 259,984
Adjusted operating expense	58,552	64,310	236,951	248,356
Adjusted Operating Income	\$ 5,525	\$ 1,785	\$ 11,675	\$ 11,628

The Company calculates adjusted operating income by adjusting operating loss to exclude depreciation, amortization, severance expense, pension plan settlement loss and asset impairments (“adjusted operating income”). 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 is not a measure of financial performance under generally accepted accounting principles (“GAAP”). Management uses adjusted operating income 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 should not be considered in isolation or as a substitute for net income (loss) from continuing operations, 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.