# Houghton Mifflin Harcourt Company Consolidated Balance Sheets (Unaudited)

Accounts receivable, net	(in thousands of dollars, except share information)		June 30, 2021	December 31, 2020		
Case and case equivalents         26,739         88,838           Inventories         145,027         145,555           Prepaid expenses and other assets         27,234         19,277           Assets of discontinued operations         —         160,055           Total current assets         585,541         694,911           Property, plant, and equipment, net         82,386         88,88           Property, plant, and equipment, net         82,386         88,83           Royalty advances to authors, net         119,756         20,282           Royalty advances to authors, net         381,054         443,977           Oberfact and the assets, net         381,054         443,977           Oberfact income taxes         2,415         2,415           Deferred income taxes         3,185,288         30,55           Oberfered income taxes         3,185         30,55           Total assets         3,5128         31,78           Total assets         3,5128         31,78           Total assets         3,5128         31,78           Total assets         3,5128         31,78           Total assets         3,5128         3,78           Salvarie         45,789         38,78 <t< th=""><th>Assets</th><th></th><th></th><th></th><th></th></t<>	Assets					
Accounts receivable, net						
Inventorios	•	\$		\$	281,200	
Peppaid expenses and other assers	,				88,830	
Assets of discontinued operations						
Property, plant, and equipment, net			27,234		19,276	
Property, plant, and equipment, net	Assets of discontinued operations		<u> </u>		160,053	
Pe-publication costs, net   19,756   20,232   Royally advances to authors, net   2,137   2,42   Goodwill   437,977   437,977   Other intangible assets, net   381,054   402,48   Operating lease assets   119,113   126,855   Deferred income taxes   2,415   2,415   Deferred commissions   3,238   3,055   Other assets   35,128   31,78   Total assets   35,128   31,78   Total assets   35,128   31,78   Total assets   5,528   31,78   Accounts payable   45,789   38,75   Royalites payable   45,789   38,75   Royalites payable   45,789   31,40   Salaries, wages, and commissions payable   45,789   31,40   Salaries, wages, and commissions payable   31,641   31,400   Interest payable   31,641   31,400   Severance and other charges   5,052   19,59   Accrued pension benefits   1,533   1,501   Accrued postretirement benefits   1,553   1,553   Operating lease liabilities   10,400   9,660   Other liabilities   5,264   3,2201   Long-term debt, net of discount and issuance costs   13,471   16,560   Operating lease liabilities   134,291   132,01   Deferred income taxes   15,471   16,560   D	Total current assets		585,541		694,912	
Royalty advances to authors, net			82,386		88,801	
Goodwill         437,977         437,977           Other intangible assets, net         381,054         402,48           Operating lease assets         119,113         126,851           Deferred income taxes         2,415         2,415           Obeferred commissions         32,388         30,528           Other assets         35,128         31,788           Total assets         35,128         31,788           Current portion of long-term debt         \$ 2,002,122           Accounts payable         45,789         38,758           Royalities payable         45,789         38,758           Salaries, wages, and commissions payable         316,410         342,600           Salaries, wages, and commissions payable         316,410         342,600           Interest payable         10,933         11,917           Severance and other charges         5,052         19,909           Accrued pension benefits         1,593         1,593           Accrued pension benefits         1,593         1,595           Operating lease liabilities         10,490         9,666           Operating lease liabilities         10,490         9,666           Operating lease liabilities         136,611         624,699	•				202,820	
Other intangible assets, net         402,48         402,68           Operating lease assets         119,113         126,85           Deferred income taxes         2,415         2,415           Deferred commissions         32,388         30,65           Other assets         \$1,857,895         \$2,021,128           Labilities and Stockholders' Equity         Current liabilities           Current portion of long-term debt         \$ \$ \$ \$ \$ \$ \$ \$ \$ \$ 19,00           Accounts payable         445,789         38,75           Royalties payable         44,228         34,76           Salaries, wages, and commissions payable         42,228         34,76           Salaries, wages, and commissions payable         10,933         11,01           Severance and other charges         5,052         19,59           Accrued person benefits         1,593         1,59           Accrued pension benefits         1,593         1,59           Accrued postretirement benefits         1,555         1,55           Operating lease liabilities         10,40         9,66           Other liabilities of discontinued operations         52,643         22,91           Long-term debt, net of discount and issuance costs         316,611         624,69 <t< td=""><td>• •</td><td></td><td></td><td></td><td>2,425</td></t<>	• •				2,425	
Operating lease assets         119,113         126,858           Deferred income taxes         2,415         2,415           Deferred commissions         32,388         30,655           Other assets         35,128         31,788           Total assets         \$1,857,895         \$2,021,128           Liabilities and Stockholders' Equity           Current portion of long-term debt         \$1,900           Accounts payable         45,789         38,75           Royalties payable         42,228         34,766           Salaries, wages, and commissions payable         316,410         34,260           Salaries, wages, and commissions payable         10,933         11,011           Severance and other charges         5,052         19,599           Accrued pension benefits         1,593         1,593           Accrued pension benefits         1,593         1,593           Operating lease liabilities         10,490         9,666           Other liabilities         5,052         19,599           Labilities of discontinued operations         5,263         22,912           Long-term debt, net of discount and issuance costs         316,611         624,697           Operating lease liabilities         15,093         24,06 </td <td>Goodwill</td> <td></td> <td>437,977</td> <td></td> <td>437,977</td>	Goodwill		437,977		437,977	
Deferred commissions         32,48s         30,65t           Other assets         31,28s         30,65t           Total assets         \$1,857,895         \$2,021,12t           Libilities and Stockholders' Equity         Secure of Libilities         Secure of Libilities           Current portion of long-term debt         \$ - \$ 19,00t         Accounts payable         45,789         38,75           Royalties payable         45,789         34,66t         31,61           Salaries, wages, and commissions payable         35,486         21,72           Deferred revenue         316,410         342,60t           Interest payable         10,933         11,01*           Severance and other charges         5,052         19,590           Accrued pension benefits         1,593         1,593           Accrued postretiement benefits         1,593         1,593           Accrued postretiement benefits         5,052         19,599           Accrued postretiement benefits         5,2643         2,291*           Liabilities of discontinued operations         5,2643         2,291*           Liabilities of discontinued operations         5,2643         2,291*           Long-term debt, net of discount and issuance costs         316,611         624,699	Other intangible assets, net		381,054		402,484	
Deferred commissions         32,388         30,578           Total assets         35,128         31,788           Total assets         \$1,857,895         \$2,021,126           Liabilities and Stockholders' Equity           Current portion of long-term debt         \$ -         \$ 19,000           Accounts payable         45,789         38,75           Royalties payable         42,228         34,766           Salaries, wages, and commissions payable         316,410         342,606           Salaries, wages, and commissions payable         316,410         342,606           Interest payable         10,933         11,011           Severance and other charges         5,052         19,599           Accrued pension benefits         1,559         1,559           Accrued postretirement benefits         1,559         1,555           Operating lease liabilities         50,62         30,666           Total current liabilities         52,243         22,917           Long-term debt, net of discontinued operations         316,611         24,969           Accrued pension benefits         115,093         24,06           Accrued pension benefits         15,471         16,566           Accruede postretirement benefits         15,4	Operating lease assets		119,113		126,850	
Other assets         35,128         31,785           Total assets         1,857,895         2,021,120           Liabilities         2,021,20           Current liabilities         8         9         9,00           Accounts payable         45,789         38,75         80,90         35,486         21,722           Salaries, wages, and commissions payable         35,486         21,722         42,228         34,766           Salaries, wages, and commissions payable         316,410         32,600         31,641         34,260           Deferred revenue         316,410         32,000         31,501         32,000         31,101         32,000         31,501         32,000         31,501         32,000         31,501         32,000         31,501         32,000         31,501         32,000         32,000         31,501         32,000	Deferred income taxes		2,415		2,415	
Total assets	Deferred commissions		32,388		30,659	
Current liabilities	Other assets		35,128		31,783	
Current liabilities         —         \$ 19,00           Accounts payable         45,789         38,75           Royalties payable         42,228         34,766           Salaries, wages, and commissions payable         316,410         342,606           Deferred revenue         316,410         342,600           Interest payable         10,933         11,017           Severance and other charges         50,522         19,590           Accrued pension benefits         1,593         1,593           Accrued pension benefits         1,593         1,593           Accrued postretirement benefits         1,593         1,593           Operating lease liabilities         10,490         9,666           Other liabilities         52,643         22,291           Liabilities of discontinued operations         —         30,667           Total current liabilities         52,2179         553,842           Long-term debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         134,292         132,011           Long-term debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         15,492         564,555         562,675		\$	1,857,895	\$	2,021,126	
Current portion of long-term debt         \$         \$         19,000           Accounts payable         45,789         38,75           Royalties payable         32,228         34,766           Salaries, wages, and commissions payable         35,486         21,722           Deferred revenue         316,410         342,600           Interest payable         10,933         11,901           Severance and other charges         5,052         19,599           Accrued pension benefits         1,593         1,593           Accrued pension benefits         1,593         1,595           Accrued postretirement benefits         10,490         9,666           Oher liabilities         52,643         22,912           Liabilities of discontinued operations         -         30,665           Total current liabilities         522,179         553,842           Long-term debt, net of discount and issuance costs         316,611         624,693           Operating lease liabilities         134,292         132,012           Long-term debt, net of discount and issuance costs         316,611         624,693           Operating lease liabilities         15,571         15,555           Accrued postretirement benefits         15,271         15,562						
Accounts payable		¢		Ф	10,000	
Royalties payable		Φ	45 790	ф		
Salaries, wages, and commissions payable         35,486         21,722           Deferred revenue         316,410         342,60           Interest payable         10,933         11,017           Severance and other charges         5,052         19,590           Accrued pension benefits         1,593         1,593           Accrued postretirement benefits         10,490         9,666           Other liabilities         10,490         9,666           Other liabilities of discontinued operations         —         30,666           Total current liabilities         522,179         553,842           Long-term debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         134,292         132,014           Long-term debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         134,292         132,014           Long-term debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         15,671         16,560           Degeter met debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         15,471         16,566           Congetter discount and						
Deferred revenue   316,410   342,602   Interest payable   10,933   11,017   Severance and other charges   5,052   19,596   Accrued pension benefits   1,593   1,593   Accrued postretirement benefits   1,593   1,593   Accrued postretirement benefits   1,595   1,555   Operating lease liabilities   52,643   22,917   Liabilities of discontinued operations   5,064   22,917   Liabilities of discontinued operations   - 30,666   Total current liabilities   52,179   553,842   Long-term debt, net of discount and issuance costs   316,611   624,693   Operating lease liabilities   134,292   132,014   Long-term dept, net of discount and issuance costs   316,611   624,693   Accrued pension benefits   15,093   24,066   Accrued pension benefits   15,093   24,066   Accrued postretirement benefits   15,471   16,566   Accrued postretirement benefits   15,471   16,566   Accrued postretirement benefits   15,471   16,566   Accrued postretirement benefits   1,586,591   1,930,665   Total liabilities   105   398   Total liabilities   1,586,591   1,930,665   Commitments and contingencies Stockholders' equity   Preferred stock, \$0,01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020   Common stock, \$0,01 par value: 30,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued a June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively, at cost (\$18,030 (\$18						
Interest payable   10,933   11,01     Severance and other charges   5,052   19,590     Accrued pension benefits   1,593   1,593     Accrued postretirement benefits   1,555   1,555     Operating lease liabilities   10,490   9,660     Other liabilities   52,643   22,912     Liabilities of discontinued operations   — 30,666     Total current liabilities   522,179   553,842     Long-term debt, net of discount and issuance costs   316,611   624,693     Operating lease liabilities   134,292   132,014     Long-term debr, net of discount and issuance costs   316,611   624,693     Operating lease liabilities   134,292   132,014     Long-term deferred revenue   564,555   562,678     Accrued pension benefits   15,093   24,06     Accrued pension benefits   15,471   16,566     Accrued pension benefits   15,471   16,566     Other liabilities   105   398     Total liabilities   105   398     Total liabilities   105   398     Total liabilities   105   398     Total liabilities   1,586,591   1,930,66:     Common stock, \$0,01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively, at cost   1,502   1,503     Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost   (518,030   (518,030   Capital in excess of par value   4,924,827   4,918,544     Accumulated deficit   (4,089,185   (4,255,834   Accumulated other comprehensive loss   (47,830   (555,724   1,505   1						
Severance and other charges         5,052         19,596           Accrued pension benefits         1,593         1,593           Accrued postretirement benefits         1,555         1,555           Operating lease liabilities         10,490         9,666           Other liabilities of discontinued operations         —         30,662           Total current liabilities         522,179         553,842           Long-term debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         134,292         132,012           Long-term deferred revenue         564,555         562,673           Accrued pension benefits         15,093         24,06           Accrued postretirement benefits         15,471         16,566           Accrued postretirement benefits         15,471         16,566           Deferred income taxes         18,285         16,41           Other liabilities         105         39           Total liabilities         1,586,591         1,930,662           Commitments and contingencies         1,586,591         1,930,662           Stockholders' equity         Preferred stock, \$0.01 par value: 30,000,000 shares authorized; 152,244,204 and         150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectivel						
Accrued pension benefits						
Accrued postretirement benefits	•					
Operating lease liabilities         10,490         9,669           Other liabilities         52,643         22,912           Liabilities of discontinued operations         —         30,660           Total current liabilities         522,179         553,842           Long-term debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         134,292         132,012           Long-term deferred revenue         564,555         562,678           Accrued position benefits         15,093         24,06           Accrued postretirement benefits         15,471         16,566           Deferred income taxes         18,285         16,41           Other liabilities         105         398           Total liabilities         105         398           Total liabilities         1,586,591         1,930,662           Commitments and contingencies         50ckholders' equity         —         —           Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020         —         —           Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December						
Other liabilities         52,643         22,917           Liabilities of discontinued operations         —         30,66           Total current liabilities         522,179         553,84           Long-term debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         134,292         132,01-           Long-term deferred revenue         564,555         562,679           Accrued pension benefits         15,093         24,06           Accrued pension benefits         15,471         16,566           Deferred income taxes         18,285         16,411           Other liabilities         105         398           Total liabilities         105         398           Total liabilities         1,586,591         1,930,662           Commitments and contingencies         500,459,034         —         —           Stockholders' equity         —         —         —           Preferred stock, \$0.01 par value: 380,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020         —         —           Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and         15,452,442,404         15,452,442,404           1200, respectively         1,522         1,500						
Liabilities of discontinued operations         —         30,662           Total current liabilities         522,179         553,842           Long-term debt, net of discount and issuance costs         316,611         624,692           Operating lease liabilities         134,292         132,014           Long-term deferred revenue         564,555         562,678           Accrued pension benefits         15,093         24,06           Accrued postretirement benefits         15,471         16,566           Deferred income taxes         18,285         16,41           Other liabilities         105         399           Total liabilities         1,586,591         1,930,665           Commitments and contingencies         Stockholders' equity           Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020         —         —           Common stock, \$0.01 par value: 380,000,000 shares authorized; ro spectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively         1,522         1,505           Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost         (518,030)         (518,030)           Capital in excess of par value         4,924,827         4,918,544           Accumulated d	·					
Total current liabilities			52,643			
Long-term debt, net of discount and issuance costs   316,611   624,692     Operating lease liabilities   134,292   132,014     Long-term deferred revenue   564,555   562,678     Accrued pension benefits   15,093   24,06     Accrued pension benefits   15,471   16,556     Deferred income taxes   18,285   16,41     Other liabilities   105   398     Total liabilities   105   398     Total liabilities   1,586,591   1,930,665     Commitments and contingencies     Stockholders' equity     Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020   — — — — — — — — — — — — — — — — — —	•					
Operating lease liabilities         134,292         132,014           Long-term deferred revenue         564,555         562,675           Accrued pension benefits         15,093         24,06           Accrued postretirement benefits         15,471         16,566           Deferred income taxes         18,285         16,41           Other liabilities         105         398           Total liabilities         1,586,591         1,930,665           Commitments and contingencies         5         5           Stockholders' equity         Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020         —         —           Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively, at cost         1,522         1,500           Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost         (518,030)         (518,030)           Capital in excess of par value         4,924,827         4,918,542           Accumulated deficit         (4,089,185)         (4,255,830)           Accumulated other comprehensive loss<	Total current liabilities	<u> </u>	522,179		553,842	
Long-term deferred revenue       564,555       562,675         Accrued pension benefits       15,093       24,06         Accrued postretirement benefits       15,471       16,566         Deferred income taxes       18,285       16,41         Other liabilities       105       398         Total liabilities       1,586,591       1,930,665         Commitments and contingencies       562,679       1,586,591       1,930,665         Commitments and contingencies       562,679       562,679       1,586,591       1,930,665         Commitments and contingencies       562,679       562,679       1,530,665       1,586,591       1,930,665         Commitments and contingencies       562,679       562,679       562,679       1,930,665			,		624,692	
Accrued pension benefits 15,093 24,06 Accrued postretirement benefits 15,471 16,566 Deferred income taxes 18,285 16,41 Other liabilities 105 396 Total liabilities 10,586,591 1,930,665 Commitments and contingencies Stockholders' equity Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020 — — Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost Capital in excess of par value 4,924,827 4,918,542 Accumulated deficit (4,089,185) (4,255,830) Accumulated other comprehensive loss (47,830) (55,724)					132,014	
Accrued postretirement benefits       15,471       16,566         Deferred income taxes       18,285       16,41         Other liabilities       105       398         Total liabilities       1,586,591       1,930,665         Commitments and contingencies       5tockholders' equity         Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020       —       —         Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively       1,522       1,502         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,542         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)	E		564,555		562,679	
Deferred income taxes       18,285       16,41         Other liabilities       105       398         Total liabilities       1,586,591       1,930,665         Commitments and contingencies       Stockholders' equity         Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020       —       —         Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively       1,522       1,502         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,542         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)					24,061	
Other liabilities       105       398         Total liabilities       1,586,591       1,930,665         Commitments and contingencies       Stockholders' equity         Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020       —       —         Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively       1,522       1,505         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,542         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)			15,471		16,566	
Total liabilities 1,586,591 1,930,665.  Commitments and contingencies  Stockholders' equity  Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020 — — — — — — — — — — — — — — — — —			18,285		16,411	
Commitments and contingencies       Stockholders' equity         Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020       —         Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively       1,522       1,500         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost       (518,030)       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,540         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)	Other liabilities		105		398	
Stockholders' equity       Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020       —       —       —         Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively       1,522       1,505         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,542         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)	Total liabilities		1,586,591		1,930,663	
Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at June 30, 2021 and December 31, 2020       —       —       —         Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively       1,522       1,505         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost       (518,030)       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,542         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)	Commitments and contingencies					
and outstanding at June 30, 2021 and December 31, 2020  Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively  Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost  Capital in excess of par value  Accumulated deficit  Accumulated other comprehensive loss  — — — — — — — — — — — — — — — — — —	Stockholders' equity					
Common stock, \$0.01 par value: 380,000,000 shares authorized; 152,244,204 and 150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively; 127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31, 2020, respectively       1,522       1,505         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,542         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)						
150,459,034 shares issued at June 30, 2021 and December 31, 2020, respectively;         127,667,170 and 125,882,000 shares outstanding at June 30, 2021 and December 31,         2020, respectively       1,522       1,505         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020,       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,545         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)					_	
2020, respectively       1,522       1,505         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,547         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)						
2020, respectively       1,522       1,505         Treasury stock, 24,577,034 shares as of June 30, 2021 and December 31, 2020, respectively, at cost       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,547         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)						
respectively, at cost       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,542         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)	2020, respectively		1,522		1,505	
respectively, at cost       (518,030)       (518,030)         Capital in excess of par value       4,924,827       4,918,542         Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)						
Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)			(518,030)		(518,030	
Accumulated deficit       (4,089,185)       (4,255,830)         Accumulated other comprehensive loss       (47,830)       (55,724)	Capital in excess of par value		4,924,827		4,918,542	
Accumulated other comprehensive loss (47,830) (55,724			(4,089,185)		(4,255,830	
					(55,724)	
10tal Stockholders equity 2/1,304 90.46.	Total stockholders' equity		271,304		90,463	
		\$		\$	2,021,126	

# Houghton Mifflin Harcourt Company Consolidated Statements of Operations (Unaudited)

		Three Months Ended June 30,				Six Months Ended June 30,			
(in thousands of dollars, except share and per share information)		2021		2020	-	2021		2020	
Net sales	\$	308,672	\$	216,239	\$	454,867	\$	368,082	
Costs and expenses		ĺ		,		ĺ		, , , , , , , , , , , , , , , , , , ,	
Cost of sales, excluding publishing rights and pre-									
publication									
amortization		124,360		100,544		182,497		164,196	
Publishing rights amortization		2,489		3,431		5,655		7,863	
Pre-publication amortization		26,506		31,659		51,557		62,221	
Cost of sales		153,355		135,634		239,709		234,280	
Selling and administrative		114,767		98,199		204,002		221,540	
Other intangible assets amortization		7,869		5,855		15,775		11,711	
Impairment charge for goodwill		_		_		_		262,000	
Restructuring/severance and other charges		9,847		<u> </u>		9,847		<u> </u>	
Operating income (loss)		22,834		(23,449)		(14,466)		(361,449)	
Other income (expense)									
Retirement benefits non-service (expense) income		(26)		61		(226)		122	
Interest expense		(9,985)		(10,614)		(18,549)		(19,867)	
Interest income		14		75		34		841	
Change in fair value of derivative instruments		127		120		(547)		(260)	
Gain on investments		836		_		836		_	
Income from transition services agreement		854		_		854			
Loss on extinguishment of debt		(12,505)		<u> </u>		(12,505)		<u> </u>	
Income (loss) from continuing operations before taxes		2,149		(33,807)		(44,569)		(380,613)	
Income tax (benefit) expense for continuing operations		(9)		(1,370)		2,301		(10,150)	
Income (loss) from continuing operations		2,158		(32,437)		(46,870)		(370,463)	
Earnings (loss) from discontinued operations, net of tax		1,950		(5,731)		(1,005)		(13,678)	
Gain on sale of discontinued operations, net of tax		214,520				214,520			
Income (loss) from discontinued operations, net of tax		216,470		(5,731)		213,515		(13,678)	
Net income (loss)	\$	218,628	\$	(38,168)	\$	166,645	\$	(384,141)	
Net income (loss) per share attributable to common			-						
stockholders									
Basic:									
Continuing operations	\$	0.01	\$	(0.25)	\$	(0.38)	\$	(2.96)	
Discontinued operations		1.70		(0.05)		1.69		(0.11)	
Net income (loss)	\$	1.71	\$	(0.30)	\$	1.31	\$	(3.07)	
Diluted:	_						_		
Continuing operations	\$	0.02	\$	(0.25)	\$	(0.37)	\$	(2.96)	
Discontinued operations	4	1.66	7	(0.05)	7	1.65	4	(0.11)	
Net income (loss)	\$	1.68	\$	(0.30)	\$	1.28	\$	(3.07)	
Weighted average shares outstanding	*	1.30	Ψ	(0.00)	<u> </u>	1.20	Ψ	(2.37)	
Basic	1	27,500,256		125,458,566	1	126,989,623		125,073,770	
			_		_		_		
Diluted	_1	30,350,602	_	125,458,566	_	129,761,257	_	125,073,770	

# Houghton Mifflin Harcourt Company Consolidated Statements of Cash Flows (Unaudited)

Six Months Ended June 30,

	June 30,	
(in thousands of dollars)	2021	2020
Cash flows from operating activities	h 155517 +	(2011:1:
Net income (loss)	\$ 166,645 \$	(384,141)
Adjustments to reconcile net income (loss) to net cash used in operating activities	1.005	10.670
Loss from discontinued operations, net of tax	1,005	13,678
Gain on sale of discontinued operations, net of tax	(214,520)	-
Depreciation and amortization expense	96,258	106,819
Operating lease assets, amortization and impairments	7,708	6,654
Amortization of debt discount and deferred financing costs	1,488	1,306
Gain on investments	(836)	
Deferred income taxes	1,874	(10,495)
Stock-based compensation expense	5,550	5,324
Write-off of property, plant, and equipment	1,606	
Loss on extinguishment of debt	12,505	_
Impairment charge for goodwill		262,000
Change in fair value of derivative instruments	547	260
Changes in operating assets and liabilities		
Accounts receivable	(162,819)	(107,091)
Inventories	525	(22,440)
Other assets	(12,496)	(13,141)
Accounts payable and accrued expenses	23,045	(10,669)
Royalties payable and author advances, net	9,373	(19,074)
Deferred revenue	(24,319)	(14,079)
Interest payable	(84)	6,924
Severance and other charges	(14,538)	(8,317)
Accrued pension and postretirement benefits	(1,680)	(1,561)
Operating lease liabilities	3,130	(5,500)
Other liabilities	5,100	2,476
Net cash used in operating activities - continuing operations	(94,933)	(191,067)
Net cash provided by operating activities - discontinued operations	3,880	1,791
Net cash used in operating activities	(91,053)	(189,276)
Cash flows from investing activities		
Additions to pre-publication costs	(29,541)	(34,496)
Additions to property, plant, and equipment	(19,058)	(24,358)
Proceeds from sale of business	349,000	(= 1,000)
Net cash provided by (used in) investing activities - continuing operations	300.401	(58,854)
Net cash used in investing activities - discontinued operations	(647)	(354)
Net cash provided by (used in) investing activities	299,754	(59,208)
Cash flows from financing activities	2,5,7,51	(37,200)
Borrowings under revolving credit facility	_	150,000
Payments of revolving credit facility	_	(50,000)
Payments of long-term debt	(342,031)	(9,500)
Tax withholding payments related to net share settlements of restricted stock units	(342,031)	(48)
Issuance of common stock under employee stock purchase plan	410	503
· · · · ·		505
Net remittances under transition services agreement  Net cash (used in) provided by financing activities - continuing operations	(1,739) (343,360)	90,955
Net decrease in cash and cash equivalents	(134,659)	(157,529)
Cash and cash equivalents at beginning of the period	281,200	296,353
Cash and cash equivalents at end of the period	<u>\$ 146,541</u> <u>\$</u>	138,824

#### **Houghton Mifflin Harcourt Company Non-GAAP Reconciliations (Unaudited)**

### Adjusted EBITDA 1

(in thousands of dollars)

	Three Months Ended June 30,					For the Six Months Ended June 30,		
		2021		2020		2021		2020
Net income (loss) from continuing operations	\$	2,158	\$	(32,437)	\$	(46,870)	\$	(370,463)
Interest expense		9,985		10,614		18,549		19,867
Interest income		(14)		(75)		(34)		(841)
Provision (benefit) for income taxes		(9)		(1,370)		2,301		(10,150)
Depreciation expense		11,576		12,841		23,271		25,024
Amortization expense		36,864		40,945		72,987		81,795
Non-cash charges – goodwill impairment		_		_		_		262,000
Non-cash charges – stock compensation		2,943		2,056		5,550		5,324
Non-cash charges – (gain) loss on derivative instruments		(127)		(120)		547		260
Fees, expenses or charges for equity offerings, debt or								
acquisitions/dispositions		(1,636)		_		190		27
Gain on investments		(836)		_		(836)		_
Loss on debt extinguishment		12,505		_		12,505		
Legal settlement		2,470		_		2,470		_
Restructuring/severance and other charges		9,847				9,847		
Adjusted EBITDA from continuing operations	\$	85,726	\$	32,454	\$	100,477	\$	12,843

#### Free Cash Flow 1

(in thousands of dollars)

	Three Months Ended June 30,					Six Months Ended June 30,				
		2021	2020		2021			2020		
Cash flows from operating activities										
Net cash provided by (used in) operating										
activities	\$	5,613	\$	(19,099)	\$	(94,933)	\$	(191,067)		
Cash flows from investing activities										
Additions to pre-publication costs		(15,187)		(16,007)		(29,541)		(34,496)		
Additions to property, plant, and equipment		(9,109)		(12,483)		(19,058)		(24,358)		
Free Cash Flow	\$	(18,683)	\$	(47,589)	\$	(143,532)	\$	(249,921)		

	 Twelve Months Ended June 30, 2021
Cash flows from operating activities	
Net cash provided by operating activities	\$ 202,619
Cash flows from investing activities	
Additions to pre-publication costs	(55,917)
Additions to property, plant, and equipment	 (45,640)
Free Cash Flow	\$ 101,062

All amounts have been adjusted to eliminate the impact of the HMH Books & Media business which has been removed from continuing operations and classified as discontinued operations.

We are unable to reconcile forward looking cash flow (both before and after interest payments) and related margin without unreasonable efforts. Unlevered free cash flow margin is the ratio of free cash flow before interest payments to billings.

#### Houghton Mifflin Harcourt Company Calculation of Billings and Gross Leverage Ratio (Unaudited)

### Billings 1

(in thousands of dollars)

		Three Months Ended June 30,				Six Mont June	ed	
	·	2021		2020		2021		2020
Net sales	\$	308,672	\$	216,239	\$	454,867	\$	368,082
Change in deferred revenue		17,912		45,450		(24,319)		(13,079)
Billings	\$	326,584	\$	261,689	\$	430,548	\$	355,003

Billings is an operating measure utilized by the Company derived as shown above.

### Gross Leverage Ratio 1

(in thousands of dollars)

	June 30, 2021
Gross debt	\$ 324,969
Trailing twelve months Adjusted EBITDA	\$ 176,299
Gross leverage ratio	1.8
	Trailing Twelve
	Months
	Ended June 30, 2021
Net loss from continuing operations	\$ (147,097)
Interest expense	36,613
Interest income	(92)
Provision (benefit) for income taxes	(6)
Depreciation expense	48,121
Amortization expense	155,747
Non-cash charges – goodwill impairment	17,000
Non-cash charges – stock compensation	11,386
Non-cash charges – (gain) loss on derivative instruments	(385)
Fees, expenses or charges for equity offerings, debt or	
acquisitions/dispositions	1,243
Gain on investments	(2,927)
Loss on debt extinguishment	12,505
Legal settlement	2,470
Restructuring/severance and other charges	41,721
Adjusted EBITDA from continuing operations	\$ 176,299

Gross leverage ratio is an operating measure utilized by the Company derived as shown above.

All amounts have been adjusted to eliminate the impact of the HMH Books & Media business which has been removed from continuing operations and classified as discontinued operations.