Houghton Mifflin Harcourt Company Consolidated Balance Sheets

| Institute of the properties of the properti | | December 3 | | | 31, |
|--|---|------------|-----------|----|-----------|
| Assert Seat of San and san equivalents 18.00 (as least) 25.36 (b) (as least) 3.00 (as least) < | (in thousands of dollars, except share information) | | 2018 | | 2017 |
| Beat of a diam cap uny lateria \$25,308 \$18,000 Both or cern in very lateria 40,000 100,000 Accounts receivable, net 100,000 100,000 Prepat cers and other assets 100,000 100,000 Property, plant and equipment net 212,000 100,000 Property, plant, and equipment, net 212,000 100,000 Royally although a substance so unders, and 212,000 100,000 Royally although a substances of the certain town to substances of the certain form taxes 22,000 100,000 Other into makes 22,000 20,000 100,000 Deferred come taxes 22,000 100,000 100,000 Correlations 22,000 100,000 100,000 100,000 Deferred come taxes 22,000 100, | | | | | |
| Accounts programms 4,843, 18,249 Accounts recivable, net 18,240 150,264 Prepaid expenses and other assets 16,20 15,209 Accid discontinued operations 6,20 12,307 To June rent assets 2,20 12,202 Prepaid content assets 12,502 31,307 Property, plan, and equipment, et 21,502 31,407 Goodyll 1,500 1,500 1,500 Oberlaicion costs, ret 2,003 1,500 Oberlaid come taxes 2,203 1,500 Deferred come taxes 2,203 1,500 Deferred come taxes 2,203 1,500 Other Instancts 2,203 1,500 To Ital ascis 5,800 8,800 Accounts payable 5,800 8,800 Accounts payable 6,803 3,800 Accounts payable 5,800 1,800 Account posterirement benefits 1,900 1,900 Account posterirement benefits 2,900 1,900 Other labelities < | | | | | |
| Accounts receivable, enf 181,000 181,00 | Cash and cash equivalents | \$ | | \$ | |
| Propage pages and other assets 15,00% 20,0 | | | | | |
| Prepaid expense and other asects 1,207 1 | | | | | |
| Asset of discontinued operations mean of the protection of the continued to a continue | | | | | |
| Total current assets 790,21% 732,37 Property, plant, and equipment, net 125,95 148,659 Property, plant, and equipment, net 323,61 135,95 Royally advances to authors, net 47,993 146,469 Goodwill 716,03 716,03 Other internal plate assets, net 520,892 525,38 Deferred commissions 226,35 79,00 Potented in come taxes 28,00 79,00 Total assets 28,00 79,00 Unrent portion of long-term debt \$8,00 \$8,00 Accounts payable 66,33 68,00 Accounts payable 60,39 52,00 Royalities payable 50,00 52,00 Royalities payable 60,00 52,00 Royalities payable 60,00 52,00 Reverage and other charges 60,00 62,00 Severage and other charges 60,00 62,00 Severage and other charges 62,00 62,00 Severage and other charges 75,00 75,00 | | | 15,297 | | |
| Property, plant, and equipment, net 125,255 184,865 Propublication costs, net 323,641 313,047 Kooyling diverse to authors, net 716,073 716,073 Goodwill 520,082 25,285 Deferred income taxes 32,983 33,93 Deferred commissions 22,953 18,000 Deferred commissions 22,952 19,000 Total assets 28,000 19,000 Total assets 80,000 18,000 Current portion of long-term debt 80,000 18,000 Accounts payable 96,000 66,000 Accounts payable 96,000 66,000 Salarics, suges, and commissions payable 96,000 66,000 Severance and other charges 16,000 60,000 Scoverance and other charges 16,000 60,000 Accred postretirement benefits 25,000 40,000 Ling-term debt, net of discount and issuance costs 27,500 40,000 Long-term debrered revenue 27,500 40,000 Accredued postretirement benefits <td>Assets of discontinued operations</td> <td>_</td> <td></td> <td></td> <td></td> | Assets of discontinued operations | _ | | | |
| Pre-publication costs, nef 323,41 31,946,74 Royally adouts to authors, not 176,073 716,073 <td>Total current assets</td> <td></td> <td>706,278</td> <td></td> <td>732,371</td> | Total current assets | | 706,278 | | 732,371 |
| Byte plant and such as the following follow | Property, plant, and equipment, net | | 125,925 | | 148,659 |
| Goodwill Other intangible assets, net of the intangible assets, net of the intangible assets, net of the intended taxes 71,00,00 71,00,00 71,00,00 71,00,00 71,00,00 71,00,00 71,00,00 71,00,00 71,00 <th< td=""><td>Pre-publication costs, net</td><td></td><td>323,641</td><td></td><td>313,997</td></th<> | Pre-publication costs, net | | 323,641 | | 313,997 |
| Oble mit intagible assets, self- 52,08 36,258 | Royalty advances to authors, net | | | | 46,469 |
| Defered inomitation 3,30 modes Defered commissions 2,265 modes Total asets 2,265 modes Total asets 2,265 modes User littles User littles Current portion of long-tern debt \$ 8,000 modes \$ 6,000 modes Accordust payable 6,000 modes \$ 6,200 modes | | | | | |
| Defende ommissions 2.0.6.1 2.0.0.0 <td></td> <td></td> <td></td> <td></td> <td></td> | | | | | |
| Other assers 5.0 de 2,000 | | | | | 3,593 |
| Total assist Tota | | | | | |
| Current liabilities | | | | | |
| Current liabilities \$ 8,000 \$ 8,000 Current portion of long-term debt \$ 6,031 60,810 Accounts payable 66,893 66,798 Salaries, wages, and commissions payable 50,225 52,838 Deferred revenue 251,944 265,074 Interest payable 130 322 Severance and other charges 6,020 6,020 Accrued postretirement benefits 1,512 1,618 Other liabilities 46,020 6,026 Other liabilities of discontinued operations 26,49 1,95,57 Long-term debt, net of discount and issuance costs 487,692 305,049 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term debt, net of discount and issuance costs 29,320 487,394 Long-term deptined pensints 29,320 487,394 Accrued pension benefits 29,320 22,320 Other liabilities 11,311 16,034 Total liabilities 1,726,654 1,768,398 Deferred income taxes 31,726,654 1,768,398 </td <td>Total assets</td> <td>\$</td> <td>2,495,124</td> <td>\$</td> <td>2,563,591</td> | Total assets | \$ | 2,495,124 | \$ | 2,563,591 |
| Current portion of long-term debt \$ 8,000 \$ 8,000 Accounts payable 76,313 60,810 Royalties payable 66,893 66,798 Salaries, wages, and commissions payable 50,225 52,838 Deferred revenue 251,944 226,074 Interest payable 6,020 4,922 Severance and other charges 6,020 6,026 Accrued postretirement benefits 15,12 1,618 Other liabilities 26,649 19,657 Liabilities of discontinued operations 75 76 70 Total current liabilities 755,649 760,194 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term debt, net of discount and issuance costs 29,320 22,133 Accrued pension benefits 29,320 22,133 Accrued pension benefits 17,181 16,034 Deferred income taxes 27,075 22,269 Other liabilities 17,181 16,034 </td <td>± •</td> <td></td> <td></td> <td></td> <td></td> | ± • | | | | |
| Accounts payable 76,313 60,810 Royalties payable 66,893 66,798 Salaries, wages, and commissions payable 50,225 52,838 Deferred revenue 251,944 265,074 Interest payable 6,020 6,926 Severance and other charges 6,020 6,926 Accrued postretirement benefits 1,512 1,618 Other liabilities of discontinued operations - 24,706 Total current liabilities 487,692 506,749 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term debt, net of discount and issuance costs 143,00 20,285 Other liabilities 29,320 24,133 Accrued postretirement benefits 14,300 20,285 Deferred income taxes 27,075 22,269 Other liabilities 17,118 16,034 Total liabilities 17,118 16 | | • | 0.000 | • | 0.000 |
| Royaltics payable 66,893 66,798 Salaries, wages, and commissions payable 50,225 52,838 Deferred revenue 251,944 265,074 Interest payable 136 322 Severance and other charges 6,020 6,926 Accrued postretirement benefits 1,512 1,618 Other liabilities 26,649 19,657 Liabilities of discontinued operations 26,649 19,657 Total current liabilities 487,692 506,749 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term deferred revenue 395,500 418,734 Accrued pension benefits 29,320 24,133 Accrued pension benefits 14,300 20,289 Other liabilities 72,075 22,269 Other liabilities 17,118 16,034 Total current inequence 17,118 16,034 Stockholders' equity 17,26,654 17,68,78 Poferred income taxes 1,212,619 1,68,19 Total stock, \$0.01 par value: 28,000, | | \$ | | \$ | |
| Salaries, wages, and commissions payable 50,225 52,838 Deferred revenue 251,944 265,074 Interest payable 6,020 6,226 Severance and other charges 6,020 6,926 Accrued postreitrement benefits 26,649 19,657 Liabilities of discontinued operations 24,706 Total current liabilities 487,692 506,749 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term debt, net of discount and issuance eosts 395,500 418,734 Accrued pension benefits 29,320 24,133 Accrued postreirment benefits 29,320 24,133 Accrued postreirment benefits 27,075 22,269 Other liabilities 11,26,654 17,68,39 Total liabilities 1,726,654 17,68,39 Commitments and contingencies 5 1,726,654 1,768,39 Stockcholders' equity 7 2,707,5 2,22,69 Common stock, \$0.01 par value: 380,000,000 shares authorized; 148,164,854 and 147,911,466 shares issued at December 31, 2018 and 2017, respectively; | | | | | |
| Deferred revenue 251,944 265,074 Interest payable 136 322 Severance and other charges 6,020 6,926 Accrued postretirement benefits 1,512 1,618 Other liabilities 26,649 19,657 Liabilities of discontinued operations 24,706 Total current liabilities 487,692 506,749 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term deferred revenue 395,500 418,734 Accrued pension benefits 29,320 24,133 Accrued pension benefits 29,320 24,133 Accrued postretirement benefits 11,430 20,285 Deferred income taxes 27,075 22,269 Other liabilities 17,118 16,034 Total iabilities 17,26,654 1768,398 Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstandi | | | | | , |
| Interest payable 136 322 Severance and other charges 6,020 6,926 Accrued postretirement benefits 1,512 1,618 Other liabilities 26,649 19,657 Liabilities of discontinued operations | | | | | |
| Severance and other charges 6,020 6,926 Accrued postretirement benefits 1,512 1,618 Other liabilities 26,649 19,657 Liabilities of discontinued operations | | | | | , |
| Accrued postretirement benefits 1,512 1,618 Other liabilities 26,649 19,657 Liabilities of discontinued operations 2- 24,706 Total current liabilities 487,692 506,749 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term deferred revenue 395,500 418,734 Accrued pension benefits 29,320 24,133 Accrued postretirement benefits 29,320 20,285 Deferred income taxes 27,075 22,269 Other liabilities 17,26,654 1,768,398 Commitments and contingencies 17,26,654 1,768,398 Stockholders' equity Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017, respectively, 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively, 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively, 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively, 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively, 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively, 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively, 123,587,820 and 123,334,432 shares | | | | | |
| Other liabilities 26,649 19,657 Liabilities of discontinued operations - 24,706 Total current liabilities 487,692 506,749 Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term deferred revenue 395,500 418,734 Accrued pension benefits 14,300 29,320 24,133 Accrued postretirement benefits 14,300 20,285 22,269 Other liabilities 17,26,54 1,768,398 Total liabilities 1,726,65 1,768,398 Commitments and contringencies 5 - | | | | | |
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| Long-term debt, net of discount and issuance costs 755,649 760,194 Long-term deferred revenue 395,500 418,734 Accrued pension benefits 29,320 24,133 Accrued postretirement benefits 14,300 20,285 Deferred income taxes 27,075 22,269 Other liabilities 17,118 16,034 Total liabilities 1,726,654 1,768,398 Commitments and contingencies 5 - - Stockholders' equity - - - - Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017 - | | | * | | |
| Long-term deferred revenue 395,500 418,734 Accrued pension benefits 29,320 24,133 Accrued postretirement benefits 14,300 20,285 Deferred income taxes 27,075 22,269 Other liabilities 17,118 16,034 Total liabilities 1,726,654 1,768,398 Commitments and contingencies Stockholders' equity Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017 — — — Common stock, \$0.01 par value: 380,000,000 shares authorized; 148,164,854 and 147,911,466 shares issued at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively 1,481 1,479 Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) | Total current liabilities | | 487,692 | | 506,749 |
| Long-term deferred revenue 395,500 418,734 Accrued pension benefits 29,320 24,133 Accrued postretirement benefits 14,300 20,285 Deferred income taxes 27,075 22,269 Other liabilities 17,118 16,034 Total liabilities 1,726,654 1,768,398 Commitments and contingencies Stockholders' equity Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017 — — — Common stock, \$0.01 par value: 380,000,000 shares authorized; 148,164,854 and 147,911,466 shares issued at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively 1,481 1,479 Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) | Long-term debt net of discount and issuance costs | | 755 649 | | 760 194 |
| Accrued pension benefits 29,320 24,133 Accrued postretirement benefits 14,300 20,285 Deferred income taxes 27,075 22,269 Other liabilities 17,118 16,034 Total liabilities 1,726,654 1,768,398 Commitments and contingencies Stockholders' equity Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively at cost 1,481 1,479 Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | | | | | |
| Accrued postretirement benefits 14,300 20,285 Deferred income taxes 27,075 22,269 Other liabilities 17,118 16,034 Total liabilities 1,726,654 1,768,398 Commitments and contingencies Stockholders' equity Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017 Common stock, \$0.01 par value: 380,000,000 shares authorized; 148,164,854 and 147,911,466 shares issued at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively 1,481 1,479 Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,562,971) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | | | | | |
| Other liabilities 17,118 16,034 Total liabilities 1,726,654 1,768,398 Commitments and contingencies Stockholders' equity | | | 14,300 | | |
| Total liabilities 1,726,654 1,768,398 Commitments and contingencies Stockholders' equity Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017 — | Deferred income taxes | | 27,075 | | 22,269 |
| Commitments and contingencies Stockholders' equity Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017 Common stock, \$0.01 par value: 380,000,000 shares authorized; 148,164,854 and 147,911,466 shares issued at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | Other liabilities | | 17,118 | | 16,034 |
| Stockholders' equity Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017 Common stock, \$0.01 par value: 380,000,000 shares authorized; 148,164,854 and 147,911,466 shares issued at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | Total liabilities | | 1,726,654 | | 1,768,398 |
| Preferred stock, \$0.01 par value: 20,000,000 shares authorized; no shares issued and outstanding at December 31, 2018 and 2017 Common stock, \$0.01 par value: 380,000,000 shares authorized; 148,164,854 and 147,911,466 shares issued at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively at cost 1,481 1,479 Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | Commitments and contingencies | | | | |
| 2017 Common stock, \$0.01 par value: 380,000,000 shares authorized; 148,164,854 and 147,911,466 shares issued at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) Capital in excess of par value Accumulated deficit Accumulated other comprehensive loss Total stockholders' equity | | | | | |
| Common stock, \$0.01 par value: 380,000,000 shares authorized; 148,164,854 and 147,911,466 shares issued at December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively 1,481 1,479 Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | | | | | |
| December 31, 2018 and 2017, respectively; 123,587,820 and 123,334,432 shares outstanding at December 31, 2018 and 2017, respectively 1,481 1,479 Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | | | _ | | _ |
| 2017, respectively 1,481 1,479 Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | | | | | |
| Treasury stock, 24,577,034 shares as of December 31, 2018 and 2017, respectively, at cost (518,030) (518,030) Capital in excess of par value 4,893,174 4,879,793 Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | | | 1,481 | | 1,479 |
| Accumulated deficit (3,562,971) (3,521,527) Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | | | (518,030) | | (518,030) |
| Accumulated other comprehensive loss (45,184) (46,522) Total stockholders' equity 768,470 795,193 | Capital in excess of par value | | 4,893,174 | | 4,879,793 |
| Total stockholders' equity 768,470 795,193 | | | | | |
| | Accumulated other comprehensive loss | _ | (45,184) | | (46,522) |
| Total liabilities and stockholders' equity \$ 2,495,124 \$ 2,563,591 | Total stockholders' equity | | 768,470 | | 795,193 |
| | Total liabilities and stockholders' equity | \$ | 2,495,124 | \$ | 2,563,591 |

Houghton Mifflin Harcourt Company Consolidated Statements of Operations

| | | (Unau Three Mon Decem | ths E | nded | Years E Decemb | | | |
|--|----------|-----------------------------|-------|-----------------------------|-------------------|------------------------------|----|------------------------------|
| (in thousands of dollars, except share and per share information) | | 2018 | | 2017 | | 2018 | | 2017 |
| Net sales | \$ | 249,038 | \$ | 233,745 | \$ | 1,322,417 | \$ | 1,327,029 |
| Costs and expenses Cost of sales, excluding publishing rights and pre-publication amortization | | 119,928 | | 117,797 | | 581,467 | | 588,518 |
| Publishing rights amortization | | 8,237 | | 10,986 | | 34,713 | | 46,238 |
| Pre-publication amortization | | 29,210 | | 33,155 | | 109,257 | | 119,908 |
| Cost of sales Selling and administrative Other intangible asset amortization | | 157,375 158,243 6,695 | | 161,938 149,450 6,921 | | 725,437 649,295 26,933 | | 754,664 636,326 29,248 |
| Impairment charge for pre-publication costs | | | | 3,980 | | | | 3,980 |
| Restructuring | | 1,580 | | 1,617 | | 4,657 | | 37,775 |
| Severance and other charges | | 441 | | (978) | | 6,821 | | 177 |
| Gain on sale of assets | | (585) | | <u> </u> | | (201) | | <u> </u> |
| Operating loss | <u> </u> | (74,711) | | (89,183) | | (90,525) | | (135,141) |
| Other income (expense) | | | | <u> </u> | | | | |
| Retirement benefits non-service income | | 320 | | 871 | | 1,280 | | 3,486 |
| Interest expense | | (11,645) | | (10,825) | | (45,680) | | (42,805) |
| Interest income | | 1,650 | | 697 | | 2,550 | | 1,338 |
| Change in fair value of derivative instruments | | (400) | | 93 | | (1,374) | | 1,366 |
| Income from transition services agreement | | 1,889 | | | | 1,889 | | |
| Loss from continuing operations before taxes Income tax (benefit) expense for continuing operations | | (82,897) 3,493 | | (98,347) (61,901) | | (131,860) 5,597 | | (171,756) (51,419) |
| Loss from continuing operations | | (86,390) | | (36,446) | | (137,457) | | (120,337) |
| Earnings from discontinued operations, net of tax | | _ | | 10,278 | | 12,833 | | 17,150 |
| Gain on sales of discontinued operations, net of tax | | 30,469 | | | | 30,469 | | _ |
| Income from discontinued operations, net of tax | | 30,469 | | 10,278 | | 43,302 | | 17,150 |
| Net loss | \$ | (55,921) | \$ | (26,168) | \$ | (94,155) | \$ | (103,187) |
| Net loss per share attributable to common stockholders Basic and diluted: | | | | | | | | |
| Continuing operations | \$ | (0.70) | \$ | (0.29) | \$ | (1.11) | \$ | (0.98) |
| Discontinued operations | | 0.25 | | 0.08 | | 0.35 | | 0.14 |
| Net loss | \$ | (0.45) | \$ | (0.21) | \$ | (0.76) | \$ | (0.84) |
| Weighted average shares outstanding Basic and diluted | 12 | 23,575,325 | 12 | 23,055,963 | _1 | 23,444,943 | _1 | 22,949,064 |

Houghton Mifflin Harcourt Company Consolidated Statements of Cash Flows

| | Years Ended Decem | | cember 31, | |
|--|-------------------|-----------|------------|-----------|
| (in thousands of dollars) | | 2018 | | 2017 |
| Cash flows from operating activities | _ | | | |
| Net loss | \$ | (94,155) | \$ | (103,187 |
| Adjustments to reconcile net loss to net cash provided by operating activities | | , , , | | |
| Earnings from discontinued operations, net of tax | | (12,833) | | (17,150) |
| Gain on sale of discontinued operations, net of tax | | (30,469) | | _ |
| Gain on sale of assets | | (201) | | |
| Depreciation and amortization expense | | 250,466 | | 266,443 |
| Amortization of debt discount and deferred financing costs | | 4,181 | | 4,181 |
| Deferred income taxes | | 5,140 | | (49,247) |
| Stock-based compensation expense | | 13,248 | | 10,728 |
| Impairment charge for pre-publication costs | | _ | | 3,980 |
| Restructuring charges related to property, plant, and equipment | | _ | | 9,841 |
| Change in fair value of derivative instruments | | 1,374 | | (1,366) |
| Changes in operating assets and liabilities | | | | |
| Accounts receivable | | (11,005) | | 12,564 |
| Inventories | | (33,515) | | 8,122 |
| Other assets | | 3,908 | | (10,548) |
| Accounts payable and accrued expenses | | 16,144 | | (5,937) |
| Royalties payable and author advances, net | | (1,650) | | (1,449) |
| Deferred revenue | | (7,692) | | (13,500) |
| Interest payable | | (186) | | 129 |
| Severance and other charges | | (2,823) | | 221 |
| Accrued pension and postretirement benefits | | (904) | | (6,932) |
| Other liabilities | | 5,056 | | (2,145) |
| Net cash provided by operating activities – continuing operations | | 104,084 | | 104,748 |
| Net cash provided by operating activities – discontinued operations | | 10,831 | | 30,382 |
| Net cash provided by operating activities | | 114,915 | | 135,130 |
| Cash flows from investing activities | | | | |
| Proceeds from sales and maturities of short-term investments | | 86,539 | | 80,690 |
| Purchases of short-term investments | | (49,553) | | (86,211 |
| Additions to pre-publication costs | | (123,403) | | (131,282 |
| Additions to property, plant, and equipment | | (53,741) | | (55,092 |
| Proceeds from sale of business | | 140,000 | | |
| Acquisition of intangible asset | | _ | | (2,000) |
| Investment in preferred stock | | (500) | | |
| Proceeds from sale of assets | | 1,085 | | _ |
| Net cash provided by (used in) investing activities – continuing operations | | 427 | | (193,895) |
| Net cash used in investing activities – discontinued operations | | (6,832) | | (11,028) |
| Net cash used in investing activities | | (6,405) | | (204,923) |
| · · · · · · · · · · · · · · · · · · · | _ | (0,403) | | (204,923) |
| Cash flows from financing activities | | . | | |
| Borrowings under revolving credit facility | | 50,000 | | _ |
| Payments of revolving credit facility | | (50,000) | | (0.000) |
| Payments of long-term debt | | (8,000) | | (8,000) |
| Repurchases of common stock | | (1.100) | | (1.450) |
| Tax withholding payments related to net share settlements of restricted stock units and awards | | (1,190) | | (1,450) |
| Proceeds from stock option exercises | | 1 2/2 | | 512 |
| Issuance of common stock under employee stock purchase plan | | 1,263 | | 1,608 |
| Net collections (remittances) under transition service agreement | | 3,803 | | |
| Net cash used in financing activities – continuing operations | | (4,124) | | (7,330) |
| Net increase (decrease) in cash and cash equivalents | | 104,386 | | (77,123) |
| Cash and cash equivalent at the beginning of the period | | 148,979 | _ | 226,102 |
| Cash and cash equivalent at the end of the period | S | 253,365 | \$ | 148,979 |
| Cash and cash equivalent at the end of the period | <u> </u> | 233,303 | Þ | 148,97 |

Houghton Mifflin Harcourt Company Non-GAAP Reconciliations (Unaudited)

Adjusted EBITDA 1

Consolidated

(in thousands of dollars)

| | Three Months Ended December 31, | | Years l Decemb | |
|---|------------------------------------|------------|-------------------|-------------|
| | 2018 | 2017 | 2018 | 2017 |
| Loss from continuing operations | \$(86,390) | \$(36,446) | \$(137,457) | \$(120,337) |
| Interest expense | 11,645 | 10,825 | 45,680 | 42,805 |
| Interest income | (1,650) | (697) | (2,550) | (1,338) |
| (Benefit) provision for income taxes | 3,493 | (61,901) | 5,597 | (51,419) |
| Depreciation expense | 18,659 | 17,525 | 75,116 | 71,049 |
| Amortization expense film asset | 6,057 | | 6,057 | |
| Amortization expense | 44,142 | 51,062 | 170,903 | 195,394 |
| Non-cash charges—stock compensation | 3,959 | 2,782 | 13,248 | 10,728 |
| Non-cash charges—loss (gain) on derivative instrument | 400 | (93) | 1,374 | (1,366) |
| Non-cash charges—asset impairment charges | | 3,980 | | 3,980 |
| Fees, expenses or charges for equity offerings, debt or acquisitions/dispositions | 553 | 1,187 | 2,883 | 1,464 |
| 2017 Restructuring Plan | 1,580 | 1,617 | 4,657 | 37,775 |
| Severance, separation costs and facility closures | 441 | (978) | 6,821 | 177 |
| Legal reimbursement | | 867 | | (3,633) |
| Gain on sale of assets | (585) | | (201) | |
| Adjusted EBITDA from continuing operations | \$ 2,304 | \$(10,270) | \$192,128 | \$185,279 |

Free Cash Flow 1

Consolidated

(in thousands of dollars)

| | Years Ended December 31, | | | |
|---|--------------------------|-------------|--|--|
| | 2018 | 2017 | | |
| Cash flows from operating activities | | | | |
| Net cash provided by operating activities | \$ 104,084 | \$ 104,748 | | |
| Cash flows from investing activities | | | | |
| Additions to pre-publication costs | (123,403) | (131,282) | | |
| Additions to property, plant, and equipment | (53,741) | (55,092) | | |
| Free Cash Flow | \$ (73,060) | \$ (81,626) | | |

All amounts have been adjusted to eliminate the impact of the Riverside Standardized Testing business which has been removed from continuing operations and classified as discontinued operations.

Houghton Mifflin Harcourt Company Calculation of Billings (Unaudited)

Billings ¹ (in thousands of dollars)

Consolidated 1

| | | Three Months Ended December 31, | | Ended aber 31, |
|----------------------------|-----------|---------------------------------|-------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$249,038 | \$233,745 | \$1,322,417 | \$1,327,029 |
| Change in deferred revenue | (42,055) | (28,859) | (7,693) | (13,500) |
| Billings | \$206,983 | \$204,886 | \$1,314,724 | \$1,313,529 |

Education 1

| | Three Months Ended December 31, | | | Ended iber 31, |
|----------------------------|---------------------------------|-----------|-------------|-------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Core Solutions net sales | \$ 81,917 | \$ 76,345 | \$538,166 | \$595,097 |
| Change in deferred revenue | (30,677) | (21,567) | (11,955) | (10,258) |
| Core Solutions Billings | \$ 51,240 | \$ 54,778 | \$526,211 | \$584,839 |
| Extensions net sales | \$106,837 | \$106,990 | \$584,523 | \$551,356 |
| Change in deferred revenue | (10,418) | (7,334) | 3,975 | (2,372) |
| Extensions Billings | \$ 96,419 | \$ 99,656 | \$588,498 | \$548,984 |
| Education Billings | \$147,659 | \$154,434 | \$1,114,709 | \$1,133,823 |

Trade Publishing 1

| | | December 31, | | Ended ber 31, |
|----------------------------|----------|--------------|-----------|------------------|
| | 2018 | 2017 | 2018 | 2017 |
| Net sales | \$60,284 | \$50,410 | \$199,728 | \$180,576 |
| Change in deferred revenue | (960) | 42 | 287 | (870) |
| Trade Publishing Billings | \$59,324 | \$50,452 | \$200,015 | \$179,706 |

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

All amounts have been adjusted to eliminate the impact of the Riverside Standardized Testing business which has been removed from continuing operations and classified as discontinued operations.