Clear Channel Outdoor Holdings, Inc.
Form 10-Q
August 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2017

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE TRANSITION PERIOD FROM TO

Commission File Number
001 32663

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.
(Exact name of registrant as specified in its charter)

Delaware	86-0812139
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
200 East Basse Road, Suite 100 San Antonio, Texas	78209
(Address of principal executive offices)	(Zip Code)

(210) 832-3700
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No [ ]

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No [ ]

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ] Accelerated filer [X] Non-accelerated filer [ ] Smaller reporting company [ ]
Emerging growth company [ ]

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. [ ]

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes [ ] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at July 31, 2017
Class A Common Stock, $.01 par value	47,531,474
Class B Common Stock, $.01 par value	315,000,000

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

(In thousands, except share data)	June 30, 2017 (Unaudited)	December 31, 2016
CURRENT ASSETS		
Cash and cash equivalents	$163,066	$541,995
Accounts receivable, net of allowance of $24,411 in 2017 and $22,398 in 2016	633,683	593,070
Prepaid expenses	127,987	111,569
Assets held for sale	—	55,602
Other current assets	39,486	39,199
Total Current Assets	964,222	1,341,435
PROPERTY, PLANT AND EQUIPMENT		
Structures, net	1,177,816	1,196,676
Other property, plant and equipment, net	232,471	216,157
INTANGIBLE ASSETS AND GOODWILL		
Indefinite-lived intangibles	986,273	960,966
Other intangibles, net	292,063	299,617
Goodwill	710,614	696,263
OTHER ASSETS		
Due from iHeartCommunications	928,809	885,701
Other assets	124,334	122,013
Total Assets	$5,416,602	$5,718,828
CURRENT LIABILITIES		
Accounts payable	$74,172	$86,870
Accrued expenses	450,757	480,872
Deferred income	101,904	67,005
Current portion of long-term debt	9,468	6,971
Total Current Liabilities	636,301	641,718
Long-term debt	5,109,653	5,110,020
Deferred tax liability	610,238	638,705
Other long-term liabilities	276,911	259,311
Commitments and Contingent liabilities (Note 4)		
STOCKHOLDERS' DEFICIT		
Noncontrolling interest	151,318	149,886
Preferred stock, $.01 par value, 150,000,000 shares authorized, no shares issued and outstanding	—	—
Class A common stock, par value $.01 per share, authorized 750,000,000 shares, issued 48,379,541 and 47,947,123 shares in 2017 and 2016, respectively	484	479
Class B common stock, $.01 par value, 600,000,000 shares authorized, 315,000,000 shares issued and outstanding	3,150	3,150
Additional paid-in capital	3,153,966	3,432,121
Accumulated deficit	(4,159,576)	(4,125,798)
Accumulated other comprehensive loss	(360,532)	(386,658)

Cost of shares (851,030 in 2017 and 633,851 in 2016) held in treasury	(5,311)	(4,106)
Total Stockholders' Deficit	(1,216,501)	(930,926)
Total Liabilities and Stockholders' Deficit	$ 5,416,602	$ 5,718,828

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES
(UNAUDITED)

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Revenue	$672,319	$708,086	$1,217,045	$1,297,100
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	350,173	362,001	678,104	703,988
Selling, general and administrative expenses (excludes depreciation and amortization)	125,898	135,567	241,672	262,368
Corporate expenses (excludes depreciation and amortization)	35,340	29,673	69,880	57,897
Depreciation and amortization	78,290	86,974	155,784	172,369
Other operating income (expense), net	7,829	(59,384)	40,440	225,390
Operating income	90,447	34,487	112,045	325,868
Interest expense	94,630	94,650	187,263	188,523
Interest income on Due from iHeartCommunications	15,383	11,291	30,190	24,004
Equity in earnings (loss) of nonconsolidated affiliates	271	(232)	(201)	(647)
Other income (expense), net	8,773	(33,871)	12,640	(39,674)
Income (loss) before income taxes	20,244	(82,975)	(32,589)	121,028
Income tax benefit (expense)	(18,390)	21,719	3,447	(41,198)
Consolidated net income (loss)	1,854	(61,256)	(29,142)	79,830
Less amount attributable to noncontrolling interest	6,631	7,857	4,636	8,833
Net income (loss) attributable to the Company	$(4,777)	$(69,113)	$(33,778)	$70,997
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	21,344	9,106	30,997	36,370
Unrealized holding gain (loss) on marketable securities	159	(309)	102	(345)
Reclassification adjustments	—	32,824	(1,644)	32,824
Other adjustments to comprehensive income (loss)	—	(3,745)	—	(3,745)
Other comprehensive income	21,503	37,876	29,455	65,104
Comprehensive income (loss)	16,726	(31,237)	(4,323)	136,101
Less amount attributable to noncontrolling interest	5,852	(3,978)	3,329	(1,559)
Comprehensive income (loss) attributable to the Company	$10,874	$(27,259)	$(7,652)	$137,660
Net income (loss) attributable to the Company per common share:				
Basic	$(0.01)	$(0.19)	$(0.09)	$0.20
Weighted average common shares outstanding – Basic	361,131	360,233	360,944	360,074
Diluted	$(0.01)	$(0.19)	$(0.09)	$0.20
Weighted average common shares outstanding – Diluted	361,131	360,233	360,944	361,154
Dividends declared per share	$—	$—	$0.78	$1.49

See Notes to Consolidated Financial Statements

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CONSOLIDATED STATEMENTS OF CASH FLOWS
CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES
(UNAUDITED)

(In thousands)	Six Months Ended June 30,	
	2017	2016
Cash flows from operating activities:		
Consolidated net income (loss)	$(29,142)	$79,830
Reconciling items:		
Depreciation and amortization	155,784	172,369
Deferred taxes	(23,354)	42,454
Provision for doubtful accounts	4,072	6,662
Amortization of deferred financing charges and note discounts, net	5,368	5,257
Share-based compensation	4,259	5,449
Gain on disposal of operating and other assets	(41,597)	(226,895)
Equity in loss of nonconsolidated affiliates	201	647
Other reconciling items, net	(16,077)	39,000
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
(Increase) decrease in accounts receivable	(22,118)	32,137
Increase in prepaid expenses and other current assets	(15,422)	(28,998)
Decrease in accrued expenses	(58,153)	(71,651)
Decrease in accounts payable	(16,141)	(13,807)
Increase (decrease) in accrued interest	(61)	2,908
Increase in deferred income	30,563	36,058
Changes in other operating assets and liabilities	1,580	7,345
Net cash provided by (used for) operating activities	$(20,238)	$88,765
Cash flows from investing activities:		
Purchases of property, plant and equipment	(103,079)	(97,055)
Proceeds from disposal of assets	59,735	583,652
Purchases of other operating assets	(1,711)	(1,670)
Change in other, net	4,096	(30,247)
Net cash provided by (used for) investing activities	$(40,959)	$454,680
Cash flows from financing activities:		
Draws on credit facilities	3,125	—
Payments on credit facilities	(761)	(1,157)
Payments on long-term debt	(348)	(1,116)
Net transfers from (to) iHeartCommunications	(43,109)	241,169
Dividends and other payments from (to) noncontrolling interests	182	(1,247)
Dividends paid	(282,055)	(754,235)
Change in other, net	(1,012)	(287)
Net cash used for financing activities	$(323,978)	$(516,873)
Effect of exchange rate changes on cash	6,246	212
Net increase (decrease) in cash and cash equivalents	(378,929)	26,784
Cash and cash equivalents at beginning of period	541,995	412,743
Cash and cash equivalents at end of period	$163,066	$439,527
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	183,415	179,020
Cash paid for income taxes	23,681	24,198

See Notes to Consolidated Financial Statements

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

Preparation of Interim Financial Statements

All references in this Quarterly Report on Form 10-Q to the "Company," "we," "us" and "our" refer to Clear Channel Outdoor Holdings, Inc. and its consolidated subsidiaries. Our reportable segments are Americas outdoor advertising ("Americas") and International outdoor advertising ("International"). The accompanying consolidated financial statements were prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC") and, in the opinion of management, include all normal and recurring adjustments necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("GAAP") have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods may not be indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2016 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of the Company and its subsidiaries and give effect to allocations of expenses from the Company's indirect parent entity, iHeartCommunications, Inc. ("iHeartCommunications"). These allocations were made on a specifically identifiable basis or using relative percentages of headcount or other methods management considered to be a reasonable reflection of the utilization of services provided. Also included in the consolidated financial statements are entities for which the Company has a controlling financial interest or is the primary beneficiary. Investments in companies in which the Company owns 20% to 50% of the voting common stock or otherwise exercises significant influence over operating and financial policies of the company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process. Certain prior-period amounts have been reclassified to conform to the 2017 presentation.

New Accounting Pronouncements

During the third quarter of 2015, the FASB issued ASU 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date. This update provides a one-year deferral of the effective date for ASU No. 2014-09, Revenue from Contracts with Customers. ASU No. 2014-09 provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under U.S. GAAP. The standard is effective for the first interim period within annual reporting periods beginning after December 15, 2017. The two permitted transition methods under the new standard are the full retrospective method, in which case the standard would be applied to each prior reporting period presented and the cumulative effect of applying the standard would be recognized at the earliest period shown, or the modified retrospective method, in which case the cumulative effect of applying the standard would be recognized at the date of initial application. The Company expects to utilize the full retrospective method. The Company has substantially completed its evaluation of the potential changes from adopting the new standard on its future financial reporting and disclosures, which included reviews of contractual terms for all of the Company's significant revenue streams and the development of an implementation plan. The Company continues to execute on its implementation plan, including detailed policy drafting and training of segment personnel. Based on its evaluation, the Company does not expect material changes to its 2016 or 2017 consolidated revenues, operating income or balance sheets as a result of the implementation of this standard.

During the first quarter of 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The new leasing standard presents significant changes to the balance sheets of lessees. Lessor accounting is updated to align with certain changes in the lessee model and the new revenue recognition standard which was issued in the third quarter of 2015.

The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2018. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

During the first quarter of 2017, the FASB issued ASU 2017-04, Intangibles - Goodwill and Other (Topic 350). This update eliminates the requirement to calculate the implied fair value of goodwill to measure a goodwill impairment charge. Entities will record an impairment charge based on the excess of a reporting unit's carrying amount over its fair value. The standard is effective for annual and any interim impairment tests performed for periods beginning after December 15, 2019. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

During the second quarter of 2017, the FASB issued ASU 2017-09, Compensation - Stock Compensation (Topic 718). This update mandates that entities will apply the modification accounting guidance if the value, vesting conditions or classification of the award changes. Entities will have to make all of the disclosures about modifications that are required today, in addition to disclosing that compensation expense hasn't changed. Additionally, the new guidance also clarifies that a modification to an award could be

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significant and therefore require disclosure, even if the modification accounting is not required. The guidance will be applied prospectively to awards modified on or after the adoption date and is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

NOTE 2 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

Dispositions

In January 2017, Americas sold its Indianapolis, Indiana market to Fairway Media Group, LLC in exchange for certain assets in Atlanta, Georgia with a fair value of $39.4 million, plus $43.1 million in cash, net of closing costs. The assets acquired as part of the transaction consisted of $9.9 million in fixed assets and $29.5 million in intangible assets (including $2.3 million in goodwill). The Company recognized a net gain of $28.9 million related to the sale, which is included within Other operating income, net.

Property, Plant and Equipment

The Company's property, plant and equipment consisted of the following classes of assets as of June 30, 2017 and December 31, 2016, respectively:

(In thousands)	June 30, 2017	December 31, 2016
Land, buildings and improvements	$144,380	$ 152,775
Structures	2,777,063	2,684,673
Furniture and other equipment	166,038	148,516
Construction in progress	76,568	58,585
	3,164,049	3,044,549
Less: accumulated depreciation	1,753,762	1,631,716
Property, plant and equipment, net	$1,410,287	$ 1,412,833

Indefinite-lived Intangible Assets

The Company's indefinite-lived intangible assets consist primarily of billboard permits in its Americas segment. Due to significant differences in both business practices and regulations, billboards in the International segment are subject to long-term, finite contracts unlike the Company's permits in the United States and Canada. Accordingly, there are no indefinite-lived intangible assets in the International segment.

Other Intangible Assets

Other intangible assets include definite-lived intangible assets and permanent easements. The Company's definite-lived intangible assets primarily include transit and street furniture contracts, site-leases and other contractual rights, all of which are amortized over the shorter of either the respective lives of the agreements or over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows. Permanent easements are indefinite-lived intangible assets which include certain rights to use real property not owned by the Company. The Company periodically reviews the appropriateness of the amortization periods related to its definite-lived intangible assets. These assets are recorded at cost.

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The following table presents the gross carrying amount and accumulated amortization for each major class of other intangible assets as of June 30, 2017 and December 31, 2016, respectively:

(In thousands)	June 30, 2017		December 31, 2016	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other outdoor contractual rights	$583,567	$ (456,984)	$563,863	$ (426,752)
Permanent easements	162,937	—	159,782	—
Other	4,631	(2,088)	4,536	(1,812)
Total	$751,135	$ (459,072)	$728,181	$ (428,564)

Total amortization expense related to definite-lived intangible assets for the three months ended June 30, 2017 and 2016 was $7.1 million and $10.1 million, respectively. Total amortization expense related to definite-lived intangible assets for the six months ended June 30, 2017 and 2016 was $14.1 million and $19.9 million, respectively.

As acquisitions and dispositions occur in the future, amortization expense may vary. The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets:

(In thousands)	
2018	$19,638
2019	$15,597
2020	$13,302
2021	$12,963
2022	$11,486

Goodwill

The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments:

(In thousands)	Americas	International	Consolidated
Balance as of December 31, 2015	$534,683	$ 223,892	$ 758,575
Impairment	—	(7,274)	(7,274)
Dispositions	(6,934)	(30,718)	(37,652)
Foreign currency	(1,998)	(5,051)	(7,049)
Assets held for sale	(10,337)	—	(10,337)
Balance as of December 31, 2016	$515,414	$ 180,849	$ 696,263
Acquisitions	2,252	—	2,252
Dispositions	—	(1,817)	(1,817)
Foreign currency	709	13,118	13,827
Assets held for sale	89	—	89
Balance as of June 30, 2017	$518,464	$ 192,150	$ 710,614

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NOTE 3 – LONG-TERM DEBT

Long-term debt outstanding as of June 30, 2017 and December 31, 2016 consisted of the following:

(In thousands)	June 30, 2017	December 31, 2016
Clear Channel Worldwide Holdings Senior Notes:		
6.5% Series A Senior Notes Due 2022	$735,750	$735,750
6.5% Series B Senior Notes Due 2022	1,989,250	1,989,250
Clear Channel Worldwide Holdings Senior Subordinated Notes:		
7.625% Series A Senior Subordinated Notes Due 2020	275,000	275,000
7.625% Series B Senior Subordinated Notes Due 2020	1,925,000	1,925,000
Senior Revolving Credit Facility Due 2018(1)	—	—
Clear Channel International B.V. Senior Notes Due 2020	225,000	225,000
Other debt	11,560	14,798
Original issue discount	(6,193)	(6,738)
Long-term debt fees	(36,246)	(41,069)
Total debt	$5,119,121	$5,116,991
Less: current portion	9,468	6,971
Total long-term debt	$5,109,653	$5,110,020

(1) The Senior revolving credit facility provides for borrowings up to $75.0 million (the revolving credit commitment). As of June 30, 2017, we had $70.0 million of letters of credit outstanding, and $5.0 million of availability, under the senior revolving credit facility.

The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately $5.2 billion at June 30, 2017 and December 31, 2016. Under the fair value hierarchy established by ASC 820-10-35, the market value of the Company's debt is classified as Level 1.

Surety Bonds, Letters of Credit and Guarantees

As of June 30, 2017, the Company had $71.3 million and $33.1 million in letters of credit and bank guarantees outstanding, respectively. Bank guarantees of $15.9 million were backed by cash collateral. Additionally, as of June 30, 2017, iHeartCommunications had outstanding commercial standby letters of credit and surety bonds of $1.8 million and $53.1 million, respectively, held on behalf of the Company. These surety bonds, letters of credit and bank guarantees relate to various operational matters, including insurance, bid and performance bonds, as well as other items.

NOTE 4 – COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued an estimate of the probable costs for the resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of its strategies related to these proceedings. Additionally, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company’s financial condition or results of operations.

Although the Company is involved in a variety of legal proceedings in the ordinary course of business, a large portion of the Company’s litigation arises in the following contexts: commercial disputes; misappropriation of likeness and right of publicity claims; employment and benefits related claims; governmental fines; intellectual property claims; and tax disputes.

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

International Outdoor Investigation

On April 21, 2015, inspections were conducted at the premises of Clear Channel in Denmark and Sweden as part of an investigation by Danish competition authorities. Additionally, on the same day, Clear Channel UK received a communication from the UK competition authorities, also in connection with the investigation by Danish competition authorities. Clear Channel and its affiliates are cooperating with the national competition authorities.

Stockholder Litigation

On May 9, 2016, a stockholder of the Company filed a derivative lawsuit in the Court of Chancery of the State of Delaware, captioned GAMCO Asset Management Inc. v. iHeartMedia Inc. et al., C.A. No. 12312-VCS. The complaint names as defendants iHeartCommunications, Inc. (“iHeartCommunications”), the Company’s indirect parent company, iHeartMedia, Inc. (“iHeartMedia”), the parent company of iHeartCommunications, Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the “Sponsor Defendants”), iHeartMedia’s private equity sponsors and majority owners, and the members of the Company’s board of directors. The Company also is named as a nominal defendant. The complaint alleges that the Company has been harmed by the intercompany agreements with iHeartCommunications, the Company’s lack of autonomy over its own cash and the actions of the defendants in serving the interests of iHeartMedia, iHeartCommunications and the Sponsor Defendants to the detriment of the Company and its minority stockholders. Specifically, the complaint alleges that the defendants have breached their fiduciary duties by causing the Company to: (i) continue to loan cash to iHeartCommunications under the intercompany note at below-market rates; (ii) abandon its growth and acquisition strategies in favor of transactions that would provide cash to iHeartMedia and iHeartCommunications; (iii) issue new debt in the CCIBV note offering (the “CCIBV Note Offering”) to provide cash to iHeartMedia and iHeartCommunications through a dividend; and (iv) effect the sales of certain outdoor markets in the U.S. (the “Outdoor Asset Sales”) allegedly to provide cash to iHeartMedia and iHeartCommunications through a dividend. The complaint also alleges that iHeartMedia, iHeartCommunications and the Sponsor Defendants aided and abetted the directors’ breaches of their fiduciary duties. The complaint further alleges that iHeartMedia, iHeartCommunications and the Sponsor Defendants were unjustly enriched as a result of these transactions and that these transactions constituted a waste of corporate assets for which the defendants are liable to the Company. The plaintiff is seeking, among other things, a ruling that the defendants breached their fiduciary duties to the Company and that iHeartMedia, iHeartCommunications and the Sponsor Defendants aided and abetted the board of directors’ breaches of fiduciary duty, rescission of payments to iHeartCommunications and its affiliates pursuant to dividends declared in connection with the CCIBV Note Offering and Outdoor Asset Sales, and an order requiring iHeartMedia, iHeartCommunications and the Sponsor Defendants to disgorge all profits they have received as a result of the alleged fiduciary misconduct.

On July 20, 2016, the defendants filed a motion to dismiss plaintiff's verified stockholder derivative complaint for failure to state a claim upon which relief can be granted. On November 23, 2016, the Court granted defendants’ motion to dismiss all claims brought by the plaintiff. On December 19, 2016, the plaintiff filed a notice of appeal of the ruling. This appeal is pending before the Court.

NOTE 5 — RELATED PARTY TRANSACTIONS

The Company records net amounts due from iHeartCommunications as “Due from iHeartCommunications” on the consolidated balance sheets. The accounts represent the revolving promissory note issued by the Company to iHeartCommunications and the revolving promissory note issued by iHeartCommunications to the Company in the face amount of $1.0 billion, or if more or less than such amount, the aggregate unpaid principal amount of all advances. The accounts accrue interest pursuant to the terms of the promissory notes and are generally payable on demand or when they mature on December 15, 2017.

Included in the accounts are the net activities resulting from day-to-day cash management services provided by iHeartCommunications. As a part of these services, the Company maintains collection bank accounts swept daily into accounts of iHeartCommunications (after satisfying the funding requirements of the Trustee Accounts under the CCWH Senior Notes and the CCWH Subordinated Notes). In return, iHeartCommunications funds the Company's controlled disbursement accounts as checks or electronic payments are presented for payment. The Company's claim in relation to cash transferred from its concentration account is on an unsecured basis and is limited to the balance of the "Due from iHeartCommunications" account.

As of June 30, 2017 and December 31, 2016, the asset recorded in "Due from iHeartCommunications" on the consolidated balance sheet was $928.8 million and $885.7 million, respectively. As of June 30, 2017, the fixed interest rate on the "Due from iHeartCommunications" account was 6.5%, which is equal to the fixed interest rate on the CCWH Senior Notes. The net interest

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income for the three months ended June 30, 2017 and 2016 was $15.4 million and $11.3 million, respectively, and $30.2 million and $24.0 million for the six months ended June 30, 2017 and 2016, respectively.

In its Quarterly Report on Form 10-Q filed with the SEC on August 3, 2017, iHeartCommunications stated that its forecast of future cash flows indicates that such cash flows would not be sufficient for it to meet its obligations, as they become due in the ordinary course of business for a period of 12 months following August 3, 2017, including interest payments on its outstanding debt and payment of the outstanding receivables based credit facility balance at maturity on December 24, 2017, payment of the 10% Senior Notes due January 15, 2018 and the payment of the $175.0 million 6.875% Senior Notes due June 15, 2018. iHeartCommunications further stated that management has determined that there is substantial doubt as to iHeartCommunications' ability to continue as a going concern for a period of 12 months following August 3, 2017.

If iHeartCommunications were to become insolvent or file for bankruptcy, the Company would be an unsecured creditor of iHeartCommunications. In such event, the Company would be treated the same as other unsecured creditors of iHeartCommunications and, if the Company were not entitled to amounts outstanding under the receivable from iHeartCommunications, or could not obtain such cash on a timely basis or return cash previously received from iHeartCommunications, the Company could experience a liquidity shortfall.

The Company provides advertising space on its billboards for iHeartMedia, Inc. and for radio stations owned by iHeartMedia, Inc. For the three months ended June 30, 2017 and 2016, the Company recorded $1.9 million and $0.6 million, respectively, and $3.8 million and $0.9 million for the six months ended June 30, 2017 and 2016, respectively, in revenue for these advertisements.

Under the Corporate Services Agreement between iHeartCommunications and the Company, iHeartCommunications provides management services to the Company, which include, among other things: (i) treasury, payroll and other financial related services; (ii) certain executive officer services; (iii) human resources and employee benefits services; (iv) legal and related services; (v) information systems, network and related services; (vi) investment services; (vii) procurement and sourcing support services; and (viii) other general corporate services. These services are charged to the Company based on actual direct costs incurred or allocated by iHeartCommunications based on headcount, revenue or other factors on a pro rata basis. For the three months ended June 30, 2017 and 2016, the Company recorded $17.4 million and $9.2 million, respectively, and $33.6 million and $18.5 million for the six months ended June 30, 2017 and 2016, respectively, as a component of corporate expenses for these services. In February 2017, the Company and its indirect parent company, iHeartMedia, Inc., entered into an agreement related to the potential purchase of the Clear Channel registered trademarks and domain names. The agreements provide that CCOH will pay a license fee to iHeartMedia, Inc. in 2017 based on revenues of entities using the Clear Channel name, pursuant to the Amended and Restated License Agreement, dated November 10, 2005, by and between iHM Identity, Inc. and Outdoor Management Services, Inc. Included within the management services expense recognized in the three and six months ended June 30, 2017 is an additional expense related to this license of $9.4 million and $17.2 million, respectively. Financial distress at iHeartCommunications could impact its ability to provide these services to us, and if iHeartCommunications was to become insolvent or file a bankruptcy petition, such event could cause significant uncertainties and disrupt our operations and/or adversely affect our rights under the Corporate Services Agreement and the other intercompany agreements.

Pursuant to the Tax Matters Agreement between iHeartCommunications and the Company, the operations of the Company are included in a consolidated federal income tax return filed by iHeartCommunications. The Company's provision for income taxes has been computed on the basis that the Company files separate consolidated federal income tax returns with its subsidiaries. Tax payments are made to iHeartCommunications on the basis of the Company's separate taxable income. Tax benefits recognized on the Company's employee stock option exercises are retained by the Company.

The Company computes its deferred income tax provision using the liability method in accordance with the provisions of ASC 740-10, as if the Company was a separate taxpayer. Deferred tax assets and liabilities are determined based on differences between the financial reporting basis and tax basis of assets and liabilities and are measured using the enacted tax rates expected to apply to taxable income in the periods in which the deferred tax asset or liability is expected to be realized or settled. Deferred tax assets are reduced by valuation allowances if the Company believes it is more likely than not some portion or all of the asset will not be realized.

Pursuant to the Employee Matters Agreement, the Company's employees participate in iHeartCommunications' employee benefit plans, including employee medical insurance and a 401(k) retirement benefit plan. For the three months ended June 30, 2017 and 2016, the Company recorded $2.4 million and $2.4 million, respectively, and $4.8 million and $4.7 million for the six months ended June 30, 2017 and 2016, respectively, as a component of selling, general and administrative expenses for these services.

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NOTE 6 – INCOME TAXES

Income Tax Benefit (Expense)

The Company's income tax benefit (expense) for the three and six months ended June 30, 2017 and 2016, respectively, consisted of the following components:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Current tax benefit (expense)	$(26,165)	$11,519	$(19,907)	$1,256
Deferred tax benefit (expense)	7,775	10,200	23,354	(42,454)
Income tax benefit (expense)	$(18,390)	$21,719	$3,447	$(41,198)

The effective tax rates for the three and six months ended June 30, 2017 was 90.8% and 10.6%. The effective rates were primarily impacted by the mix of earnings within the various jurisdictions in which the Company operates and the benefits and charges from tax amounts associated with its foreign earnings that are taxed at rates different from the federal statutory rate.

The effective tax rate for the three and six months ended June 30, 2016 was 26.2% and 34.0%. The effective rate was primarily impacted by the reversal of the valuation allowance recorded in 2015 against net operating losses in U.S. federal and state jurisdictions due to taxable gains from the dispositions of nine outdoor markets during the period. Additionally, we were unable to benefit from losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future periods.

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NOTE 7 – STOCKHOLDERS' EQUITY (DEFICIT)

The Company reports its noncontrolling interests in consolidated subsidiaries as a component of equity separate from the Company's equity. The following table shows the changes in stockholders' equity (deficit) attributable to the Company and the noncontrolling interests of subsidiaries in which the Company has a majority, but not total, ownership interest:

(In thousands)	The Company	Noncontrolling Interests	Consolidated
Balances as of January 1, 2017	$(1,080,812)	$ 149,886	$(930,926)
Net income (loss)	(33,778)	4,636	(29,142)
Dividends declared	(282,486)	—	(282,486)
Payments to noncontrolling interests	—	(5,668)	(5,668)
Share-based compensation	3,941	318	4,259
Disposal of noncontrolling interest	—	(1,046)	(1,046)
Foreign currency translation adjustments	27,668	3,329	30,997
Unrealized holding loss on marketable securities	102	—	102
Reclassification adjustments	(1,644)	—	(1,644)
Other, net	(810)	(137)	(947)
Balances as of June 30, 2017	$(1,367,819)	$ 151,318	$(1,216,501)
Balances as of January 1, 2016	$(755,599)	$ 187,775	$(567,824)
Net income	70,997	8,833	79,830
Dividends declared	(540,034)	—	(540,034)
Dividends and other payments to noncontrolling interests	—	(6,712)	(6,712)
Share-based compensation	5,449	—	5,449
Foreign currency translation adjustments	38,592	(2,222)	36,370
Unrealized holding loss on marketable securities	(345)	—	(345)
Reclassification adjustments	32,161	663	32,824
Other adjustments to comprehensive loss	(3,745)	—	(3,745)
Other, net	(1,633)	1,224	(409)
Balances as of June 30, 2016	$(1,154,157)	$ 189,561	$(964,596)

The Company has granted restricted stock, restricted stock units and options to purchase shares of its Class A common stock to certain key individuals.

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COMPUTATION OF LOSS PER SHARE

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
NUMERATOR:				
Net income (loss) attributable to the Company – common shares	$(4,777)	$(69,113)	$(33,778)	$70,997
DENOMINATOR:				
Weighted average common shares outstanding - basic	361,131	360,233	360,944	360,074
Stock options and restricted stock[(1)]	—	—	—	1,080
Weighted average common shares outstanding - diluted	361,131	360,233	360,944	361,154
Net income (loss) attributable to the Company per common share:				
Basic	$(0.01)	$(0.19)	$(0.09)	$0.20
Diluted	$(0.01)	$(0.19)	$(0.09)	$0.20

(1) Outstanding equity awards of 6.3 million and 8.3 million for the three months ended June 30, 2017 and 2016, respectively, 6.3 million and 5.2 million for the six months ended June 30, 2017 and 2016, respectively, were not included in the computation of diluted earnings per share because to do so would have been antidilutive.

NOTE 8 — OTHER INFORMATION

Other Comprehensive Income (Loss)

There was no change in deferred income tax liabilities resulting from adjustments to comprehensive loss for the three and six months ended June 30, 2017. The total increase in deferred income tax liabilities of other adjustments to comprehensive loss for the three and six months ended June 30, 2016 was $0.8 million.

NOTE 9 – SEGMENT DATA

The Company has two reportable segments, which it believes best reflect how the Company is currently managed – Americas and International. The Americas segment consists of operations primarily in the United States, Canada and Latin America and the International segment primarily includes operations in Europe and Asia. The Americas and International display inventory consists primarily of billboards, street furniture displays and transit displays. Corporate includes infrastructure and support including information technology, human resources, legal, finance and administrative functions of each of the Company's reportable segments, as well as overall executive, administrative and support functions. Share-based payments are recorded in corporate expenses.

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The following table presents the Company's reportable segment results for the three and six months ended June 30, 2017 and 2016:

(In thousands)	Americas	International	Corporate and other reconciling items	Consolidated
Three Months Ended June 30, 2017				
Revenue	$323,960	$ 348,359	$—	$ 672,319
Direct operating expenses	145,099	205,074	—	350,173
Selling, general and administrative expenses	54,763	71,135	—	125,898
Corporate expenses	—	—	35,340	35,340
Depreciation and amortization	45,359	31,590	1,341	78,290
Other operating income, net	—	—	7,829	7,829
Operating income (loss)	$78,739	$ 40,560	$ (28,852)	$ 90,447
Capital expenditures	$26,935	$ 35,816	$ 3,984	$ 66,735
Share-based compensation expense	$—	$ —	$ 1,900	$ 1,900
Three Months Ended June 30, 2016				
Revenue	$325,533	$ 382,553	$—	$ 708,086
Direct operating expenses	140,038	221,963	—	362,001
Selling, general and administrative expenses	57,831	77,736	—	135,567
Corporate expenses	—	—	29,673	29,673
Depreciation and amortization	47,525	38,177	1,272	86,974
Other operating expense, net	—	—	(59,384)	(59,384)
Operating income (loss)	$80,139	$ 44,677	$ (90,329)	$ 34,487
Capital expenditures	$17,402	$ 31,771	$ 680	$ 49,853
Share-based compensation expense	$—	$ —	$ 3,079	$ 3,079

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(In thousands)	Americas	International	Corporate and other reconciling items	Consolidated
Six Months Ended June 30, 2017				
Revenue	$603,380	$ 613,665	$—	$ 1,217,045
Direct operating expenses	285,572	392,532	—	678,104
Selling, general and administrative expenses	110,849	130,823	—	241,672
Corporate expenses	—	—	69,880	69,880
Depreciation and amortization	90,654	62,263	2,867	155,784
Other operating income, net	—	—	40,440	40,440
Operating income (loss)	$116,305	$ 28,047	$ (32,307)	$ 112,045
Capital expenditures	$41,039	$ 57,640	$ 4,400	$ 103,079
Share-based compensation expense	$—	$ —	$ 4,259	$ 4,259
Six Months Ended June 30, 2016				
Revenue	$608,061	$ 689,039	$—	$ 1,297,100
Direct operating expenses	278,050	425,938	—	703,988
Selling, general and administrative expenses	113,160	149,208	—	262,368
Corporate expenses	—	—	57,897	57,897
Depreciation and amortization	93,641	76,057	2,671	172,369
Other operating income, net	—	—	225,390	225,390
Operating income	$123,210	$ 37,836	$ 164,822	$ 325,868
Capital expenditures	$28,694	$ 66,684	$ 1,677	$ 97,055
Share-based compensation expense	$—	$ —	$ 5,449	$ 5,449

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NOTE 10 – GUARANTOR SUBSIDIARIES

The Company and certain of the Company's direct and indirect wholly-owned domestic subsidiaries (the "Guarantor Subsidiaries") fully and unconditionally guarantee on a joint and several basis certain of the outstanding indebtedness of Clear Channel Worldwide Holdings, Inc. ("CCWH" or the "Subsidiary Issuer"). The following consolidating schedules present financial information on a combined basis in conformity with the SEC's Regulation S-X Rule 3-10(d):

(In thousands)	June 30, 2017					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$14,070	$—	$9,840	$139,156	$—	$163,066
Accounts receivable, net of allowance	—	—	195,294	438,389	—	633,683
Intercompany receivables	—	625,123	2,721,245	89,965	(3,436,333)	—
Prepaid expenses	1,273	3,433	62,906	60,375	—	127,987
Other current assets	—	—	2,733	36,753	—	39,486
Total Current Assets	15,343	628,556	2,992,018	764,638	(3,436,333)	964,222
Structures, net	—	—	716,759	461,057	—	1,177,816
Other property, plant and equipment, net	—	—	132,703	99,768	—	232,471
Indefinite-lived intangibles	—	—	976,395	9,878	—	986,273
Other intangibles, net	—	—	255,781	36,282	—	292,063
Goodwill	—	—	507,820	202,794	—	710,614
Due from iHeartCommunications	928,809	—	—	—	—	928,809
Intercompany notes receivable	182,026	4,887,434	—	5,000	(5,074,460)	—
Other assets	265,905	439,749	1,333,185	69,047	(1,983,552)	124,334
Total Assets	$1,392,083	$5,955,739	$6,914,661	$1,648,464	$(10,494,345)	$5,416,602
Accounts payable	$—	$—	$5,081	$69,091	$—	$74,172
Intercompany payable	2,721,245	—	715,088	—	(3,436,333)	—
Accrued expenses	4,101	(3,394)	75,351	374,699	—	450,757
Deferred income	—	—	47,602	54,302	—	101,904
Current portion of long-term debt	—	—	109	9,359	—	9,468
Total Current Liabilities	2,725,346	(3,394)	843,231	507,451	(3,436,333)	636,301
Long-term debt	—	4,890,705	1,879	217,069	—	5,109,653
Intercompany notes payable	—	5,000	5,027,529	41,931	(5,074,460)	—
Deferred tax liability	772	1,367	665,751	(57,652)	—	610,238
Other long-term liabilities	989	—	139,803	136,119	—	276,911
Total stockholders' equity (deficit)	(1,335,024)	1,062,061	236,468	803,546	(1,983,552)	(1,216,501)
Total Liabilities and Stockholders' Equity (Deficit)	$1,392,083	$5,955,739	$6,914,661	$1,648,464	$(10,494,345)	$5,416,602

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(In thousands)	December 31, 2016					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash and cash equivalents	$300,285	$—	$61,542	$ 180,168	$—	$541,995
Accounts receivable, net of allowance	—	—	193,474	399,596	—	593,070
Intercompany receivables	—	687,043	2,694,094	99,431	(3,480,568)	—
Prepaid expenses	1,363	3,433	51,751	55,022	—	111,569
Assets held for sale	—	—	55,602	—	—	55,602
Other current assets	—	—	6,873	32,326	—	39,199
Total Current Assets	301,648	690,476	3,063,336	766,543	(3,480,568)	1,341,435
Structures, net	—	—	746,877	449,799	—	1,196,676
Other property, plant and equipment, net	—	—	124,138	92,019	—	216,157
Indefinite-lived intangibles	—	—	951,439	9,527	—	960,966
Other intangibles, net	—	—	259,915	39,702	—	299,617
Goodwill	—	—	505,478	190,785	—	696,263
Due from iHeartCommunications	885,701	—	—	—	—	885,701
Intercompany notes receivable	182,026	4,887,354	—	—	(5,069,380)	—
Other assets	280,435	418,658	1,320,838	65,589	(1,963,507)	122,013
Total Assets	$1,649,810	$5,996,488	$6,972,021	$ 1,613,964	$(10,513,455)	$5,718,828
Accounts payable	$—	$—	$14,897	$ 71,973	$—	$86,870
Intercompany payable	2,694,094	—	786,474	—	(3,480,568)	—
Accrued expenses	2,223	58,652	35,509	384,488	—	480,872
Dividends payable	—					—
Deferred income	—	—	33,471	33,534	—	67,005
Current portion of long-term debt	—	—	89	6,882	—	6,971
Total Current Liabilities	2,696,317	58,652	870,440	496,877	(3,480,568)	641,718
Long-term debt	—	4,886,318	1,711	221,991	—	5,110,020
Intercompany notes payable	—	5,000	5,027,681	36,699	(5,069,380)	—
Deferred tax liability	772	1,367	685,780	(49,214)	—	638,705
Other long-term liabilities	1,055	—	135,094	123,162	—	259,311
Total stockholders' equity (deficit)	(1,048,334)	1,045,151	251,315	784,449	(1,963,507)	(930,926)
Total Liabilities and Stockholders' Equity (Deficit)	$1,649,810	$5,996,488	$6,972,021	$ 1,613,964	$(10,513,455)	$5,718,828

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(In thousands)	Three Months Ended June 30, 2017					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$—	$—	$ 291,000	$ 381,319	$—	$ 672,319
Operating expenses:						
Direct operating expenses	—	—	126,650	223,523	—	350,173
Selling, general and administrative expenses	—	—	47,718	78,180	—	125,898
Corporate expenses	3,443	—	23,653	8,244	—	35,340
Depreciation and amortization	—	—	43,463	34,827	—	78,290
Other operating income (expense), net	(103)	—	1,047	6,885	—	7,829
Operating income (loss)	(3,546)	—	50,563	43,430	—	90,447
Interest (income) expense, net	(91)	88,303	(34)	6,452	—	94,630
Interest income on Due from iHeartCommunications	15,383	—	—	—	—	15,383
Intercompany interest income	4,081	85,182	15,770	97	(105,130)	—
Intercompany interest expense	15,383	61	89,360	326	(105,130)	—
Equity in earnings (loss) of nonconsolidated affiliates	(8,020)	20,363	18,988	70	(31,130)	271
Other income (expense), net	4,786	—	(76)	4,063	—	8,773
Income (loss) before income taxes	(2,608)	17,181	(4,081)	40,882	(31,130)	20,244
Income tax benefit (expense)	(2,169)	3,394	(3,939)	(15,676)	—	(18,390)
Consolidated net income (loss)	(4,777)	20,575	(8,020)	25,206	(31,130)	1,854
Less amount attributable to noncontrolling interest	—	—	—	6,631	—	6,631
Net income (loss) attributable to the Company	$(4,777)	$ 20,575	$(8,020)	$ 18,575	$(31,130)	$(4,777)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	—	—	320	21,024	—	21,344
Unrealized holding gain on marketable securities	—	—	—	159	—	159
Reclassification adjustments	—	—	—	—	—	—
Equity in subsidiary comprehensive income	15,651	16,818	15,331	—	(47,800)	—
Comprehensive income	10,874	37,393	7,631	39,758	(78,930)	16,726
Less amount attributable to noncontrolling interest	—	—	—	5,852	—	5,852
Comprehensive income attributable to the Company	$10,874	$ 37,393	$7,631	$ 33,906	$(78,930)	$ 10,874

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(In thousands)	Three Months Ended June 30, 2016					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$—	$—	$ 293,235	$ 414,851	$ —	$ 708,086
Operating expenses:						
Direct operating expenses	—	—	122,125	239,876	—	362,001
Selling, general and administrative expenses	—	—	50,674	84,893	—	135,567
Corporate expenses	3,083	—	16,650	9,940	—	29,673
Depreciation and amortization	—	—	44,688	42,286	—	86,974
Other operating expense, net	(88)	—	(2,048)	(57,248)	—	(59,384)
Operating income (loss)	(3,171)	—	57,050	(19,392)	—	34,487
Interest (income) expense , net	(320)	88,041	760	6,169	—	94,650
Interest income on Due from iHeartCommunications	11,291	—	—	—	—	11,291
Intercompany interest income	4,035	85,428	11,821	—	(101,284)	—
Intercompany interest expense	11,291	—	89,463	530	(101,284)	—
Equity in loss of nonconsolidated affiliates	(70,933)	(83,968)	(84,717)	(556)	239,942	(232)
Other income (expense), net	1,076	—	313	(35,260)	—	(33,871)
Loss before income taxes	(68,673)	(86,581)	(105,756)	(61,907)	239,942	(82,975)
Income tax benefit (expense)	(440)	952	34,775	(13,568)	—	21,719
Consolidated net loss	(69,113)	(85,629)	(70,981)	(75,475)	239,942	(61,256)
Less amount attributable to noncontrolling interest	—	—	(48)	7,905	—	7,857
Net loss attributable to the Company	$(69,113)	$(85,629)	$(70,933)	$ (83,380)	$ 239,942	$ (69,113)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	—	—	2,617	6,489	—	9,106
Unrealized holding loss on marketable securities	—	—	—	(309)	—	(309)
Other adjustments to comprehensive loss	—	—	1	(3,746)	—	(3,745)
Reclassification adjustments	—	—	663	32,161	—	32,824
Equity in subsidiary comprehensive income	41,854	39,180	39,251	—	(120,285)	—
Comprehensive loss	(27,259)	(46,449)	(28,401)	(48,785)	119,657	(31,237)
Less amount attributable to noncontrolling interest	—	—	678	(4,656)	—	(3,978)
Comprehensive loss attributable to the Company	$(27,259)	$(46,449)	$(29,079)	$ (44,129)	$ 119,657	$ (27,259)

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(In thousands)	Six Months Ended June 30, 2017					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$—	$—	$ 543,986	$ 673,059	$ —	$ 1,217,045
Operating expenses:						
Direct operating expenses	—	—	251,542	426,562	—	678,104
Selling, general and administrative expenses	—	—	96,189	145,483	—	241,672
Corporate expenses	7,370	—	45,934	16,576	—	69,880
Depreciation and amortization	—	—	86,980	68,804	—	155,784
Impairment charges	—	—	—	—	—	—
Other operating income (expense), net	(206)	—	33,650	6,996	—	40,440
Operating income (loss)	(7,576)	—	96,991	22,630	—	112,045
Interest (income) expense, net	(392)	176,634	(671)	11,692	—	187,263
Interest income on Due from iHeartCommunications	30,190	—	—	—	—	30,190
Intercompany interest income	8,146	170,284	30,788	97	(209,315)	—
Intercompany interest expense	30,190	118	178,527	480	(209,315)	—
Equity in loss of nonconsolidated affiliates	(40,656)	(926)	(6,712)	(805)	48,898	(201)
Other income (expense), net	10,233	—	(1,533)	3,940	—	12,640
Income (loss) before income taxes	(29,461)	(7,394)	(58,322)	13,690	48,898	(32,589)
Income tax benefit (expense)	(4,317)	2,287	17,666	(12,189)	—	3,447
Consolidated net income (loss)	(33,778)	(5,107)	(40,656)	1,501	48,898	(29,142)
Less amount attributable to noncontrolling interest	—	—	—	4,636	—	4,636
Net loss attributable to the Company	$ (33,778)	$ (5,107)	$ (40,656)	$ (3,135)	$ 48,898	$ (33,778)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	—	—	94	30,903	—	30,997
Unrealized holding gain on marketable securities	—	—	—	102	—	102
Reclassification adjustments	—	—	—	(1,644)	—	(1,644)
Other adjustments to comprehensive income	—	—	—	—	—	—
Equity in subsidiary comprehensive income	26,126	22,017	26,032	—	(74,175)	—
Comprehensive income (loss)	(7,652)	16,910	(14,530)	26,226	(25,277)	(4,323)
Less amount attributable to noncontrolling interest	—	—	—	3,329	—	3,329
Comprehensive income (loss) attributable to the Company	$ (7,652)	$ 16,910	$ (14,530)	$ 22,897	$ (25,277)	$ (7,652)

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(In thousands)	Six Months Ended June 30, 2016					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Revenue	$—	$—	$ 546,314	$ 750,786	$ —	$ 1,297,100
Operating expenses:						
Direct operating expenses	—	—	242,585	461,403	—	703,988
Selling, general and administrative expenses	—	—	99,401	162,967	—	262,368
Corporate expenses	6,422	—	31,068	20,407	—	57,897
Depreciation and amortization	—	—	89,238	83,131	—	172,369
Other operating income (expense), net	(204)	—	287,849	(62,255)	—	225,390
Operating income (loss)	(6,626)	—	371,871	(39,377)	—	325,868
Interest (income) expense , net	(650)	176,119	1,196	11,858	—	188,523
Interest income on Due from iHeartCommunications	24,004	—	—	—	—	24,004
Intercompany interest income	8,068	170,879	25,024	—	(203,971)	—
Intercompany interest expense	24,004	—	178,947	1,020	(203,971)	—
Equity in earnings (loss) of nonconsolidated affiliates	67,978	(117,155)	(123,226)	(1,333)	173,089	(647)
Other income (expense), net	1,705	—	(1,009)	(40,370)	—	(39,674)
Income (loss) before income taxes	71,775	(122,395)	92,517	(93,958)	173,089	121,028
Income tax benefit (expense)	(778)	1,910	(24,539)	(17,791)	—	(41,198)
Consolidated net income (loss)	70,997	(120,485)	67,978	(111,749)	173,089	79,830
Less amount attributable to noncontrolling interest	—	—	—	8,833	—	8,833
Net income (loss) attributable to the Company	$ 70,997	$ (120,485)	$ 67,978	$ (120,582)	$ 173,089	$ 70,997
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	—	—	(3,047)	39,417	—	36,370
Unrealized holding loss on marketable securities	—	—	—	(345)	—	(345)
Reclassification adjustments	—	—	663	32,161	—	32,824
Other adjustments to comprehensive loss	—	—	1	(3,746)	—	(3,745)
Equity in subsidiary comprehensive income	66,663	63,605	69,724	—	(199,992)	—
Comprehensive income (loss)	137,660	(56,880)	135,319	(53,095)	(26,903)	136,101
Less amount attributable to noncontrolling interest	—	—	678	(2,237)	—	(1,559)
Comprehensive income (loss) attributable to the Company	$ 137,660	$ (56,880)	$ 134,641	$ (50,858)	$ (26,903)	$ 137,660

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CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(In thousands)	Six Months Ended June 30, 2017					
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Consolidated net income (loss)	$(33,778)	$(5,107)	$(40,656)	$1,501	$48,898	$(29,142)
Reconciling items:						
Depreciation and amortization	—	—	86,980	68,804	—	155,784
Deferred taxes	—	—	(20,030)	(3,324)	—	(23,354)
Provision for doubtful accounts	—	—	1,073	2,999	—	4,072
Amortization of deferred financing charges and note discounts, net	—	4,387	—	981	—	5,368
Share-based compensation	—	—	3,324	935	—	4,259
Gain on disposal of operating assets, net	—	—	(33,662)	(7,935)	—	(41,597)
Equity in loss of nonconsolidated affiliates	40,656	926	6,712	805	(48,898)	201
Other reconciling items, net	—	—	(2,524)	(13,553)	—	(16,077)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:						
Increase in accounts receivable	—	—	(2,894)	(19,224)	—	(22,118)
(Increase) decrease in prepaids and other current assets	90	—	(11,291)	(4,221)	—	(15,422)
Increase (decrease) in accrued expenses	1,443	(62,047)	42,603	(40,152)	—	(58,153)
Decrease in accounts payable	—	—	(10,448)	(5,693)	—	(16,141)
Decrease in accrued interest	—	—	(29)	(32)	—	(61)
Increase in deferred income	—	—	13,702	16,861	—	30,563
Changes in other operating assets and liabilities	—	—	540	1,040	—	1,580
Net cash provided by (used for) operating activities	$8,411	$(61,841)	$33,400	$(208)	$—	$(20,238)
Cash flows from investing activities:						
Purchases of property, plant and equipment	—	—	(43,439)	(59,640)	—	(103,079)
Proceeds from disposal of assets	—	—	51,878	7,857	—	59,735
Purchases of other operating assets	—	—	—	(1,711)	—	(1,711)
Increase in intercompany notes receivable, net	—	(80)	—	—	80	—
Dividends from subsidiaries	—	—	5,523	—	(5,523)	—
Change in other, net	—	—	—	4,096	—	4,096
Net cash provided by (used for) investing activities	$—	$(80)	$13,962	$(49,398)	$(5,443)	$(40,959)
Cash flows from financing activities:						
Draws on credit facilities	—	—	—	3,125	—	3,125
Payments on credit facilities	—	—	—	(761)	—	(761)

Payments on long-term debt	—	—	(47)	(301)	—	(348)
Net transfers to iHeartCommunications	(43,109)	—	—	—	—	(43,109)
Dividends and other payments to noncontrolling interests	—	—	—	182	—	182
Dividends paid	(282,055)	—	—	(5,523)	5,523	(282,055)
Increase in intercompany notes payable, net	—	—	—	80	(80)	—
Intercompany funding	31,550	61,921	(99,017)	5,546	—	—
Change in other, net	(1,012)	—	—	—	—	(1,012)
Net cash provided by (used for) financing activities	(294,626)	61,921	(99,064)	2,348	5,443	(323,978)
Effect of exchange rate changes on cash	—	—	—	6,246	—	6,246
Net decrease in cash and cash equivalents	(286,215)	—	(51,702)	(41,012)	—	(378,929)
Cash and cash equivalents at beginning of year	300,285	—	61,542	180,168	—	541,995
Cash and cash equivalents at end of year	$ 14,070	$ —	$ 9,840	$ 139,156	$ —	$