Clear Channel Outdoor Holdings, Inc.
Form 10-Q
July 31, 2018

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, 2018

[ ] 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.)
20880 Stone Oak Parkway San Antonio, Texas	78258
(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, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth 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 26, 2018
Class A Common Stock, $.01 par value	49,035,565
Class B Common Stock, $.01 par value	315,000,000

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

INDEX

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(In thousands, except share and per share data)	June 30, 2018 (Unaudited)	December 31, 2017
CURRENT ASSETS		
Cash and cash equivalents	$172,310	$144,119
Accounts receivable, net of allowance of $22,322 in 2018 and $22,487 in 2017	638,066	659,463
Prepaid expenses	132,463	111,876
Other current assets	61,500	58,714
Total Current Assets	1,004,339	974,172
PROPERTY, PLANT AND EQUIPMENT		
Structures, net	1,084,611	1,180,882
Other property, plant and equipment, net	204,130	214,147
INTANGIBLE ASSETS AND GOODWILL		
Indefinite-lived intangibles	977,152	977,152
Other intangibles, net	262,816	273,862
Goodwill	708,477	714,043
OTHER ASSETS		
Due from iHeartCommunications, net of allowance of $855,648 in 2018 and 2017	154,758	211,990
Other assets	124,769	124,534
Total Assets	$4,521,052	$4,670,782
CURRENT LIABILITIES		
Accounts payable	$105,369	$87,960
Accrued expenses	492,720	509,801
Deferred income	100,443	59,178
Current portion of long-term debt	429	573
Total Current Liabilities	698,961	657,512
Long-term debt	5,272,099	5,266,153
Due to iHeartCommunications, post iHeart Chapter 11 Cases	3,519	—
Deferred income taxes	365,906	318,107
Other long-term liabilities	259,519	287,304
Commitments and Contingent liabilities (Note 5)		
STOCKHOLDERS' DEFICIT		
Noncontrolling interest	151,956	157,040
Preferred stock, par value $.01 per share, 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 50,130,050 and 49,955,300 shares in 2018 and 2017, respectively	501	500
Class B common stock, par value $.01 per share, 600,000,000 shares authorized, 315,000,000 shares issued and outstanding	3,150	3,150
Additional paid-in capital	3,081,242	3,108,148
Accumulated deficit	(4,961,485)	(4,781,245)
Accumulated other comprehensive loss	(347,814)	(340,094)

Cost of shares (1,094,485 in 2018 and 946,415 in 2017) held in treasury	(6,502)	(5,793)
Total Stockholders' Deficit	(2,078,952)	(1,858,294)
Total Liabilities and Stockholders' Deficit	$4,521,052	$4,670,782

See Notes to Consolidated Financial Statements

1

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,	
	2018	2017	2018	2017
Revenue	$711,980	$672,319	$1,310,691	$1,217,045
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	372,936	352,748	734,538	682,406
Selling, general and administrative expenses (excludes depreciation and amortization)	125,289	125,898	252,697	241,672
Corporate expenses (excludes depreciation and amortization)	37,928	35,340	73,363	69,880
Depreciation and amortization	82,767	78,290	166,827	155,784
Other operating income, net	929	7,829	875	40,440
Operating income	93,989	87,872	84,141	107,743
Interest expense	96,987	94,630	194,251	187,263
Interest income on Due to/from iHeartCommunications, net	210	15,383	210	30,190
Equity in earnings (loss) of nonconsolidated affiliates	(6)	271	182	(201)
Other income (expense), net	(35,396)	8,773	(15,943)	12,640
Income (loss) before income taxes	(38,190)	17,669	(125,661)	(36,891)
Income tax benefit (expense)	(4,753)	(18,390)	(50,120)	3,447
Consolidated net loss	(42,943)	(721)	(175,781)	(33,444)
Less amount attributable to noncontrolling interest	7,440	6,631	3,024	4,636
Net loss attributable to the Company	$(50,383)	$(7,352)	$(178,805)	$(38,080)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(18,620)	20,687	(11,838)	30,264
Unrealized holding gain on marketable securities	—	159	—	102
Reclassification adjustments	—	—	—	(1,644)
Other comprehensive income (loss)	(18,620)	20,846	(11,838)	28,722
Comprehensive income (loss)	(69,003)	13,494	(190,643)	(9,358)
Less amount attributable to noncontrolling interest	(7,919)	5,852	(2,683)	3,329
Comprehensive income (loss) attributable to the Company	$(61,084)	$7,642	$(187,960)	$(12,687)
Net loss attributable to the Company per common share:				
Basic	$(0.14)	$(0.02)	$(0.49)	$(0.11)
Weighted average common shares outstanding – Basic	361,708	361,131	361,612	360,944
Diluted	$(0.14)	$(0.02)	$(0.49)	$(0.11)
Weighted average common shares outstanding – Diluted	361,708	361,131	361,612	360,944
Dividends declared and paid per share	$—	$—	$0.08	$0.78

See Notes to Consolidated Financial Statements

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

(In thousands)	Six Months Ended June 30, 2018	2017
Cash flows from operating activities:		
Consolidated net loss	$(175,781)	$(33,444)
Reconciling items:		
Depreciation and amortization	166,827	155,784
Deferred taxes	46,501	(23,354)
Provision for doubtful accounts	3,317	4,072
Amortization of deferred financing charges and note discounts, net	5,293	5,368
Share-based compensation	3,625	4,259
Gain on disposal of operating and other assets	(1,115)	(41,597)
Equity in (earnings) loss of nonconsolidated affiliates	(182)	201
Foreign exchange transaction (gain) loss	14,535	(12,709)
Other reconciling items, net	(916)	(3,368)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
(Increase) decrease in accounts receivable	7,842	(22,118)
Increase in prepaid expenses and other current assets	(25,223)	(15,379)
Decrease in accrued expenses	(30,788)	(58,153)
Increase (decrease) in accounts payable	19,459	(16,141)
Increase (decrease) in accrued interest	488	(61)
Increase in deferred income	42,791	30,563
Changes in other operating assets and liabilities	(10,805)	6,993
Net cash provided by (used for) operating activities	$65,868	$(19,084)
Cash flows from investing activities:		
Purchases of property, plant and equipment	(61,315)	(103,079)
Proceeds from disposal of assets	3,040	59,735
Purchases of other operating assets	(35)	(1,711)
Change in other, net	47	(214)
Net cash used for investing activities	$(58,263)	$(45,269)
Cash flows from financing activities:		
Draws on credit facilities	—	3,125
Payments on credit facilities	—	(761)
Payments on long-term debt	(316)	(348)
Net transfers from (to) iHeartCommunications	60,751	(43,109)
Dividends and other payments from (to) noncontrolling interests	(211)	182
Dividends paid	(30,624)	(282,055)
Change in other, net	(2,000)	(1,012)
Net cash provided by (used for) financing activities	$27,600	$(323,978)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(4,319)	6,246
Net increase (decrease) in cash, cash equivalents and restricted cash	30,886	(382,085)
Cash, cash equivalents and restricted cash at beginning of period	188,310	563,149
Cash, cash equivalents and restricted cash at end of period	$219,196	$181,064
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	187,302	183,415
Cash paid for income taxes	20,144	23,681

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 2017 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.

The Company re-evaluated its segment reporting and determined that its Latin American operations should be managed by its International leadership team. As a result, beginning on January 1, 2018, the operations of Latin America are no longer reflected within the Company's Americas segment and are included in the results of its International segment. Accordingly, the Company has recast the corresponding segment disclosures for prior periods to include Latin America within the International segment.

Corrections to Prior Periods

During the three months ended June 30, 2018, the Company identified misstatements associated with VAT obligations in its International segment, which resulted in an understatement of the Company's VAT obligation. Based on an analysis of the quantitative and qualitative factors in accordance with SEC Staff Bulletins ("SAB") 99, Materiality, SAB 108, Considering the Effects of Prior year Misstatements when Quantifying Misstatements in the Current Year Financial Statements and Accounting Standards Codification 250, Accounting Changes and Error Corrections, the Company concluded that these misstatements were immaterial, individually and in the aggregate, to any of the Company's prior quarterly and annual financial statements previously filed in the Company's Quarterly Reports on Form 10-Q and Annual Reports on Form 10-K. As a result, amendment of such reports is not required. While the Company concluded that the misstatements were immaterial to each of the prior reporting periods affected, the Company further concluded that correcting the errors cumulatively would materially misstate the Consolidated Statements of Comprehensive Loss for the three and six months ended June 30, 2018. Accordingly, the Company is correcting the VAT misstatements, as well as other previously identified immaterial errors, by revising the Consolidated Balance Sheet as of December 31, 2017 and 2016 and the Consolidated Statements of Comprehensive Loss and the Consolidated Statements of Cash Flows for the years ended December 31, 2017, 2016 and 2015 and for the three months ended March 31, 2018. The corrections had no impact on cash flows from operating, investing or financing activities for the previous periods being presented.

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

A summary of the effect of the correction on the Consolidated Balance Sheet as of December 31, 2017 is as follows:

(In thousands)	December 31, 2017 As Reported	Correction	Revised
Other long-term liabilities	$270,415	$16,889	$287,304
Accumulated deficit	(4,765,514)	(15,731)	(4,781,245)
Accumulated other comprehensive loss	(338,936)	(1,158)	(340,094)
Total Stockholders' Deficit	(1,841,405)	(16,889)	(1,858,294)

A summary of the effect of the correction on the Consolidated Statements of Comprehensive Income (Loss) for the three and six months ended June 30, 2017 is as follows:

(In thousands)	Three Months Ended June 30, 2017 As Reported	Correction	Revised
Direct operating expenses (excludes depreciation and amortization)	$350,173	$2,575	$352,748
Operating income	90,447	(2,575)	87,872
Income before income taxes	20,244	(2,575)	17,669
Consolidated income (loss)	1,854	(2,575)	(721)
Net loss attributable to the Company	(4,777)	(2,575)	(7,352)
Foreign currency translation adjustments	21,344	(657)	20,687
Other comprehensive income	21,503	(657)	20,846
Comprehensive income	16,726	(3,232)	13,494
Comprehensive income attributable to the Company	10,874	(3,232)	7,642
Basic loss per share	(0.01)	(0.01)	(0.02)
Diluted loss per share	(0.01)	(0.01)	(0.02)

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

	Six Months Ended June 30, 2017		
(In thousands)	As Reported	Correction	Revised
Direct operating expenses (excludes depreciation and amortization)	$678,104	$ 4,302	$682,406
Operating income	112,045	(4,302)	107,743
Loss before income taxes	(32,589)	(4,302)	(36,891)
Consolidated net loss	(29,142)	(4,302)	(33,444)
Net loss attributable to the Company	(33,778)	(4,302)	(38,080)
Foreign currency translation adjustments	30,997	(733)	30,264
Other comprehensive income	29,455	(733)	28,722
Comprehensive loss	(4,323)	(5,035)	(9,358)
Comprehensive loss attributable to the Company	(7,652)	(5,035)	(12,687)
Basic loss per share	(0.09)	(0.02)	(0.11)
Diluted loss per share	(0.09)	(0.02)	(0.11)

New Accounting Pronouncements Recently Adopted

Revenue from Contracts with Customers

As of January 1, 2018, the Company adopted the new accounting standard, ASC 606, Revenue from Contracts with Customers. This standard provides guidance for the recognition, measurement and disclosure of revenue from contracts with customers and supersedes previous revenue recognition guidance under U.S. GAAP. The Company has applied this standard using the full retrospective method and concluded that its adoption did not have a material impact on the Company's Consolidated Balance Sheets, Consolidated Statements of Comprehensive Income (Loss), or Consolidated Statements of Cash Flows for prior periods. Please refer to Note 2, Revenues, for more information.

As a result of adopting this new accounting standard, the Company has updated its significant accounting policies for accounts receivable and revenue recognition, as follows:

Accounts Receivable

Accounts receivable are recorded when the Company has an unconditional right to payment, either because it has satisfied a performance obligation prior to receiving payment from the customer or has a non-cancelable contract that has been billed in advance in accordance with the Company's normal billing terms.

Accounts receivable are recorded at the invoiced amount, net of allowances for doubtful accounts. The Company evaluates the collectability of its accounts receivable based on a combination of factors. In circumstances where it is aware of a specific customer's inability to meet its financial obligations, it records a specific reserve to reduce the amounts recorded to what it believes will be collected. For all other customers, it recognizes reserves for bad debt based on historical experience of bad debts as a percent of revenue for each business unit, adjusted for relative improvements or deteriorations in the agings and changes in current economic conditions. The Company believes its concentration of credit risk is limited due to the large number and the geographic diversification of its customers.

Revenue Recognition

The Company recognizes revenue in amounts that reflect the consideration it expects to receive in exchange for transferring goods or services to customers, excluding sales taxes and other similar taxes collected on behalf of governmental authorities (the "transaction price"). When this consideration includes a variable amount, the Company estimates the amount of consideration it expects to receive and only recognizes revenue to the extent that it is probable it will not be reversed in a future reporting period. For revenue arrangements that contain multiple distinct goods or services, the Company allocates the transaction price to these performance obligations in proportion to their relative standalone selling prices.

6

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

The Company recognizes revenue when or as it satisfies a performance obligation by transferring a promised good or service to a customer. Revenue from the Company’s contracts, which typically cover periods of a few weeks to one year, are generally recognized ratably over the term of the contract as the advertisement is displayed and the performance obligation is satisfied. Advertising revenue is reported net of agency commissions.

The Company receives payments from customers based on billing schedules that are established in its contracts, which are generally billed monthly. Americas is generally billed in advance, and International includes a combination of advance billings and billings upon completion of service. Deferred income is recorded when payment is received from a customer before the Company has satisfied the performance obligation or a non-cancelable contract has been billed in advance in accordance with the Company’s normal billing terms.

Trade and barter transactions represent the exchange of display space for merchandise, services or other assets in the ordinary course of business. The transaction price for these contracts is determined as the estimated fair value of the non-cash consideration received unless this is not reasonably estimable, in which case the consideration is measured based on the standalone selling price of the display space promised to the customer. Revenue is recognized on trade and barter transactions when the advertisements are displayed, and expenses are recorded ratably over a period that estimates when the merchandise, services or other assets received are utilized, or when the event occurs. Trade and barter revenues and expenses from continuing operations are included in consolidated revenue and selling, general and administrative expenses, respectively. Trade and barter revenues and expenses from continuing operations were as follows:

(In thousands)	Three Months Ended June 30, 2018	2017	Six Months Ended June 30, 2018	2017
Consolidated:				
Trade and barter revenues	$4,326	$4,839	$7,772	$9,164
Trade and barter expenses	2,708	1,977	6,451	5,474

The Company applies a practical expedient to recognize incremental costs of obtaining a contract as expense when incurred if the period of benefit is one year or less. These costs primarily relate to sales commissions, which are included in selling, general and administrative expenses and are generally commensurate with sales. There were no capitalized costs to obtain contracts during the periods presented.

Refer to Note 2, Revenues, for more information about the Company’s revenue for the three and six months ended June 30, 2018 and 2017.

Restricted Cash

In November 2016, the FASB issued ASU 2016-18, Restricted Cash, which requires that restricted cash be presented with cash and cash equivalents in the statement of cash flows. Restricted cash is recorded in Other current assets and in Other assets in the Company's Consolidated Balance Sheets. The Company adopted ASU 2016-18 in the first quarter of 2018 using the retrospective transition method, and accordingly, revised prior period amounts as shown in the Company's Consolidated Statements of Cash Flows.

The following table provides a reconciliation of cash, cash equivalents and restricted cash reported in the Consolidated Balance Sheet to the total of the amounts reported in the Consolidated Statement of Cash Flows:

(In thousands)	June 30, 2018	December 31, 2017
Cash and cash equivalents	$172,310	$144,119
Restricted cash included in:		
Other current assets	30,334	26,096
Other assets	16,552	18,095

Total cash, cash equivalents and restricted cash in the Statement of Cash Flows	$219,196	$188,310

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

Stock Compensation

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 a stock-based 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 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 adopted the provisions of ASU 2017-09 on January 1, 2018 and the adoption of ASU 2017-09 did not have an impact on our consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

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 adopted this year. 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.

NOTE 2 – REVENUES

The Company generates revenue primarily from the sale of advertising space on printed and digital displays, including billboards, street furniture displays, transit displays and retail displays.

Certain of these revenue transactions are considered leases, for accounting purposes, as the agreements convey to customers the right to use the Company’s advertising structures for a stated period of time. In order for a transaction with a customer to qualify as a lease, the arrangement must be dependent on the use of a specified advertising structure, and the customer must have almost exclusive use of that structure during the term of the arrangement. Therefore, arrangements that do not involve the use of an advertising structure, where the Company can substitute the advertising structure that is used to display the customer’s advertisement, or where the advertising structure displays advertisements for multiple customers throughout the day are not leases. The Company accounts for revenue from leases, which are all classified as operating leases, in accordance with the lease accounting guidance (Topic 840). All of the Company’s revenue transactions that do not qualify as a lease are accounted for as revenue from contracts with customers (Topic 606).

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

Disaggregation of Revenue

The following table shows, by segment, revenue from contracts with customers disaggregated by geographical region, revenue from leases and total revenue for the three and six months ended June 30, 2018 and 2017:

(In thousands)	Americas[1]	International[1]	Consolidated
Three Months Ended June 30, 2018			
Revenue from contracts with customers:			
United States	$ 115,488	$ —	$ 115,488
Other Americas	634	17,864	18,498
Europe	—	225,538	225,538
Asia-Pacific and other	—	5,643	5,643
Eliminations	—	71	71
Total	116,122	249,116	365,238
Revenue from leases	183,800	162,942	346,742
Revenue, total	$ 299,922	$ 412,058	$ 711,980
Three Months Ended June 30, 2017			
Revenue from contracts with customers:			
United States	$ 108,520	$ —	$ 108,520
Other Americas	4,260	19,165	23,425
Europe	—	198,313	198,313
Asia-Pacific and other	406	4,825	5,231
Eliminations	—	40	40
Total	113,186	222,343	335,529
Revenue from leases	187,005	149,785	336,790
Revenue, total	$ 300,191	$ 372,128	$ 672,319
Six Months Ended June 30, 2018			
Revenue from contracts with customers:			
United States	$ 211,635	$ —	$ 211,635
Other Americas	1,284	34,656	35,940
Europe	—	413,919	413,919
Asia-Pacific and other	—	12,151	12,151
Eliminations	—	—	—
Total	212,919	460,726	673,645
Revenue from leases	342,850	294,196	637,046
Revenue, total	$ 555,769	$ 754,922	$ 1,310,691
Six Months Ended June 30, 2017			
Revenue from contracts with customers:			
United States	$ 202,182	$ —	$ 202,182
Other Americas	7,791	32,622	40,413
Europe	—	352,917	352,917
Asia-Pacific and other	406	10,281	10,687
Eliminations	—	—	—

Total	210,379	395,820	606,199
Revenue from leases	350,158	260,688	610,846
Revenue, total	$ 560,537	$ 656,508	$ 1,217,045

9

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

[1] Due to a re-evaluation of the Company's internal segment reporting in 2018, its operations in Latin America are included in the International segment results for all periods presented. See Note 1, Basis of Presentation.

All of the Company's advertising structures are used to generate revenue. Such revenue may be classified as revenue from contracts with customers or revenue from leases depending on the terms of the contract, as previously described.

Revenue from Contracts with Customers

The following tables present the changes in the Company's contract balances from contracts with customers for the three and six months ended June 30, 2018 and 2017 and provide a reconciliation of the ending balances to the Consolidated Balance Sheets:

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Accounts receivable from contracts with customers:				
Beginning balance, net of allowance	$310,264	$271,993	$351,228	$300,216
Additions (collections), net	17,631	49,771	(22,692)	21,766
Bad debt, net of recoveries	(946)	(665)	(1,587)	(883)
Ending balance, net of allowance	326,949	321,099	326,949	321,099
Accounts receivable from leases, net of allowance	311,117	312,584	311,117	312,584
Total accounts receivable, net of allowance	$638,066	$633,683	$638,066	$633,683

	Three Months Ended June 30,		Six Months Ended June 30,	
(In thousands)	2018	2017	2018	2017
Deferred income from contracts with customers:				
Beginning balance	$45,004	$48,849	$28,211	$28,681
Revenue recognized, included in beginning balance	(28,898)	(34,503)	(23,095)	(24,569)
Additions, net of revenue recognized during period	29,387	30,398	40,377	40,632
Ending balance	45,493	44,744	45,493	44,744
Deferred income from leases	59,916	62,048	59,916	62,048
Total deferred income	105,409	106,792	105,409	106,792
Less: Non-current portion, included in other long-term liabilities	4,966	4,888	4,966	4,888
Total deferred income, current portion	$100,443	$101,904	$100,443	$101,904

The increases in deferred income from contracts with customers during the six months ended June 30, 2018 and 2017 were largely due to the issuance of annual invoices for non-cancelable contracts in some of the Company's International entities and the timing of the Company's billing cycle.

The Company's contracts with customers generally have a term of one year or less; however, as of June 30, 2018, the Company expects to recognize $66.9 million of revenue in future periods for remaining performance obligations from current contracts with customers that have an original expected duration of greater than one year, with substantially all of this amount to be recognized over the next five years. As part of the transition to the new revenue standard, the Company is not required to disclose information about remaining performance obligations for periods prior to the date of initial application.

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

Revenue from Leases

As of December 31, 2017, the Company's future minimum rentals under non-cancelable operating leases were as follows:

(In thousands)	
2018	$277,462
2019	34,395
2020	17,155
2021	12,004
2022	8,552
Thereafter	7,197
Total minimum future rentals	$356,765

NOTE 3 – PROPERTY, PLANT AND EQUIPMENT, INTANGIBLE ASSETS AND GOODWILL

Property, Plant and Equipment

The Company's property, plant and equipment consisted of the following classes of assets as of June 30, 2018 and December 31, 2017, respectively:

(In thousands)	June 30, 2018	December 31, 2017
Land, buildings and improvements	$145,191	$ 145,763
Structures	2,821,508	2,864,442
Furniture and other equipment	191,211	179,215
Construction in progress	45,930	55,753
	3,203,840	3,245,173
Less: accumulated depreciation	1,915,099	1,850,144
Property, plant and equipment, net	$1,288,741	$ 1,395,029

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. 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.

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

The following table presents the gross carrying amount and accumulated amortization for each major class of other intangible assets as of June 30, 2018 and December 31, 2017, respectively:

(In thousands)	June 30, 2018		December 31, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other outdoor contractual rights	$538,778	$ (440,758)	$548,918	$ (440,284)
Permanent easements	162,920	—	162,920	—
Other	6,083	(4,207)	4,626	(2,318)
Total	$707,781	$ (444,965)	$716,464	$ (442,602)

Total amortization expense related to definite-lived intangible assets for the three months ended June 30, 2018 and 2017 was $5.2 million and $7.1 million, respectively. Total amortization expense related to definite-lived intangible assets for the six months ended June 30, 2018 and 2017 was $10.3 million and $14.1 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)	
2019	$15,143
2020	$12,794
2021	$12,656
2022	$10,786
2023	$6,392

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, 2016	$505,478	$ 190,785	$ 696,263
Acquisitions	2,252	—	2,252
Impairment	—	(1,591)	(1,591)
Dispositions	—	(1,817)	(1,817)
Foreign currency	—	18,847	18,847
Assets held for sale	89	—	89
Balance as of December 31, 2017	$507,819	$ 206,224	$ 714,043
Foreign currency	—	(5,566)	(5,566)
Balance as of June 30, 2018	$507,819	$ 200,658	$ 708,477

12

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

NOTE 4 – LONG-TERM DEBT

Long-term debt outstanding as of June 30, 2018 and December 31, 2017 consisted of the following:

(In thousands)	June 30, 2018	December 31, 2017
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
Receivables Based Credit Facility Due 2023[(1)]	—	—
Clear Channel International B.V. Senior Notes Due 2020	375,000	375,000
Other debt	4,201	2,393
Original issue discount	(485)	(241)
Long-term debt fees	(31,188)	(35,426)
Total debt	$5,272,528	$5,266,726
Less: current portion	429	573
Total long-term debt	$5,272,099	$5,266,153

(1) On June 1, 2018 (the “Closing Date”), Clear Channel Outdoor, Inc. (“CCO”), a subsidiary of the Company, refinanced the Company's senior revolving credit facility with an asset based credit facility that provides for revolving credit commitments of up to $75.0 million. On June 29, 2018, CCO entered into an amendment providing for a $50.0 million incremental increase of the facility, bringing the aggregate revolving credit commitments to $125.0 million. The facility has a five-year term, maturing in 2023. As of June 30, 2018, the facility had $60.7 million of letters of credit outstanding and a borrowing base of $112.2 million, resulting in $51.5 million of excess availability.

The aggregate market value of the Company’s debt based on market prices for which quotes were available was approximately $5.4 billion and $5.3 billion as of June 30, 2018 and December 31, 2017, respectively. Under the fair value hierarchy established by ASC 820-10-35, the market value of the Company’s debt is classified as Level 1.

Receivables Based Credit Facility Due 2023

On June 1, 2018, CCO, a subsidiary of the Company, entered into a Credit Agreement (the “Credit Agreement”), as parent borrower, with certain of its subsidiaries named therein, as subsidiary borrowers (the “Subsidiary Borrowers”), Deutsche Bank AG New York Branch, as administrative agent (the “Administrative Agent”) and swing line lender, and the other lenders from time to time party thereto. The Credit Agreement governs CCO’s new asset-based revolving credit facility and replaced the Company's prior credit agreement, dated as of August 22, 2013 (the “Prior Credit Agreement”), which was terminated on the Closing Date.

Size and Availability

The Credit Agreement provides for an asset-based revolving credit facility, with amounts available from time to time (including in respect of letters of credit) equal to the lesser of (i) the borrowing base, which equals 85.0% of the eligible accounts receivable of CCO and the subsidiary borrowers, subject to customary eligibility criteria minus any reserves, and (ii) the aggregate revolving credit commitments. As of the Closing Date, the aggregate revolving credit commitments were $75.0 million. On June 29, 2018, CCO entered into an amendment providing for a $50.0 million incremental increase of the facility, bringing the aggregate revolving credit commitments to $125.0 million. On the

Closing Date, the revolving credit facility was used to replace and terminate the commitments under the Prior Credit Agreement and to replace the letters of credit outstanding under the Prior Credit Agreement.

Interest Rate and Fees

Borrowings under the Credit Agreement bear interest at a rate per annum equal to the Applicable Rate plus, at CCO's option, either (1) a base rate determined by reference to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such date as publicly announced from time to time by the Administrative Agent as its "prime rate" and (c) the Eurocurrency

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

rate that would be calculated as of such day in respect of a proposed Eurocurrency rate loan with a one-month interest period plus 1.00%, or (2) a Eurocurrency rate that is equal to the LIBOR rate as published by Reuters two business days prior to the commencement of the interest period. The Applicable Rate for borrowings under the Credit Agreement is 1.00% with respect to base rate loans and 2.00% with respect to Eurocurrency loans.

In addition to paying interest on outstanding principal under the Credit Agreement, CCO is required to pay a commitment fee of 0.375% per annum to the lenders under the Credit Agreement in respect of the unutilized revolving commitments thereunder. CCO must also pay a letter of credit fee for each issued letter of credit equal to 2.00% per annum times the daily maximum amount then available to be drawn under such letter of credit.

Maturity

Borrowings under the Credit Agreement will mature, and lending commitments thereunder will terminate, on the earlier of (a) June 1, 2023 and (b) 90 days prior to the maturity date of any indebtedness of CCOH or any of its direct or indirect subsidiaries in an aggregate principal amount outstanding in excess of $250,000,000 (other than the 8.75% senior notes due 2020 issued by Clear Channel International, B.V.).

Prepayments

If at any time, the outstanding amount under the revolving credit facility exceeds the lesser of (i) the aggregate amount committed by the revolving credit lenders and (ii) the borrowing base, CCO will be required to prepay first, any protective advances and second, any outstanding revolving loans and swing line loans and/or cash collateralize letters of credit in an aggregate amount equal to such excess, as applicable.

Subject to customary exceptions and restrictions, CCO may voluntarily repay outstanding amounts under the Credit Agreement at any time without premium or penalty. Any voluntary prepayments CCO makes will not reduce commitments under the Credit Agreement.

Guarantees and Security

The facility is guaranteed by the Subsidiary Borrowers. All obligations under the Credit Agreement, and the guarantees of those obligations, are secured by a perfected security interest in all of CCO's and the Subsidiary Borrowers' accounts receivable and related assets and proceeds thereof.

Certain Covenants and Events of Default

If borrowing availability is less than the greater of (a) $7.5 million and (b) 10.0% of the lesser of (i) the aggregate commitments at such time and (ii) the borrowing base then in effect at such time (the "Financial Covenant Triggering Event"), CCO will be required to comply with a minimum fixed charge coverage ratio of at least 1.00 to 1.00 for the most recent period of four consecutive fiscal quarters ended prior to the occurrence of the Financial Covenant Triggering Event, and will be required to continue to comply with this minimum fixed charge coverage ratio until borrowing availability exceeds the greater of (x) $7.5 million and (y) 10.0% of the lesser of (i) the aggregate commitments at such time and (ii) the borrowing base then in effect at such time, at which time the Financial Covenant Triggering Event will no longer be deemed to be occurring.

The Credit Agreement also includes negative covenants that, subject to significant exceptions, limit the Borrowers' ability and the ability of their restricted subsidiaries to, among other things:

- incur additional indebtedness;
- create liens on assets;
- engage in mergers, consolidations, liquidations and dissolutions;
- sell assets;
- pay dividends and distributions or repurchase capital stock;
- make investments, loans, or advances;

14

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

- prepay certain junior indebtedness;
- engage in certain transactions with affiliates or;
- change lines of business.

The Credit Agreement includes certain customary representations and warranties, affirmative covenants and events of default, including payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain events of bankruptcy, material judgments and a change of control. If an event of default occurs, the lenders under the Credit Agreement will be entitled to take various actions, including the acceleration of all amounts due under the Credit Agreement and all actions permitted to be taken by a secured creditor.

Surety Bonds, Letters of Credit and Guarantees

As of June 30, 2018, the Company had $39.9 million, $85.9 million and $38.5 million in surety bonds, letters of credit and bank guarantees outstanding, respectively. A portion of the outstanding bank guarantees and letters of credit were supported by $17.6 million and $26.0 million of cash collateral, respectively. Additionally, as of June 30, 2018, iHeartCommunications had outstanding commercial standby letters of credit and surety bonds of $1.2 million and $13.9 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 5 – 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.

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 named 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 was named as a nominal defendant. The complaint alleged that the Company had 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 alleged that the defendants 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 alleged that iHeartMedia, iHeartCommunications and the Sponsor Defendants aided and abetted the directors’ breaches of their fiduciary duties. The complaint further alleged 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 sought, among other things, a ruling that the defendants

15

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

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. The oral hearing on the appeal was held on October 11, 2017. On October 12, 2017, the Supreme Court of Delaware affirmed the lower court's ruling, dismissing the case.

On December 29, 2017, another stockholder of the Company filed a derivative lawsuit in the Court of Chancery of the State of Delaware, captioned Norfolk County Retirement System, v. iHeartMedia, Inc., et al., C.A. No. 2017-0930-JRS. The complaint names as defendants iHeartMedia, iHeartCommunications, the Sponsor Defendants, and the members of the Company's board of directors. The Company is named as a nominal defendant. The complaint alleges that the Company has been harmed by the Company Board's November 2017 decision to extend the maturity date of the intercompany revolving note (the "Third Amendment") at what the complaint describes as far-below-market interest rates. Specifically, the complaint alleges that (i) iHeartMedia and Sponsor defendants breached their fiduciary duties by exploiting their position of control to require the Company to enter the Third Amendment on terms unfair to the Company; (ii) the Company Board breached their duty of loyalty by approving the Third Amendment and elevating the interests of iHeartMedia, iHeartCommunications and the Sponsor Defendants over the interests of the Company and its minority unaffiliated stockholders; and (iii) the terms of the Third Amendment could not have been agreed to in good faith and represent a waste of corporate assets by the Company Board. The complaint further alleges that iHeartMedia, iHeartCommunications and the Sponsor defendants were unjustly enriched as a result of the unfairly favorable terms of the Third Amendment. The plaintiff is seeking, among other things, a ruling that the defendants breached their fiduciary duties to the Company, a modification of the Third Amendment to bear a commercially reasonable rate of interest, and an order requiring disgorgement of all profits, benefits and other compensation obtained by defendants as a result of the alleged breaches of fiduciary duties.

On March 7, 2018, the defendants filed a motion to dismiss plaintiff's verified derivative complaint for failure to state a claim upon which relief can be granted. On March 16, 2018, iHeartMedia filed a Notice of Suggestion of Pendency of Bankruptcy and Automatic Stay of Proceedings. On May 4, 2018, plaintiff filed its response to the motion to dismiss. On June 26, 2018, the defendants filed a reply brief in further support of their motion to dismiss. Oral argument on the motion to dismiss is scheduled for September 20, 2018.

China Investigation

Several employees of Clear Media Limited, an indirect, non-wholly-owned subsidiary of the Company whose ordinary shares are listed, but are currently suspended from trading on, the Hong Kong Stock Exchange, are subject to an ongoing police investigation in China for misappropriation of funds. The police investigation is on-going, and the Company is not aware of any litigation, claim or assessment pending against the Company. Based on information known to date, the Company believes any contingent liabilities arising from potential misconduct that has been or may be identified by the investigations are not material to the Company's consolidated financial statements.

The Company advised both the United States Securities and Exchange Commission and the United States Department of Justice of the investigation at Clear Media Limited and is cooperating to provide information in response to inquiries from the agencies. The Clear Media Limited investigation could implicate the books and records, internal controls and anti-bribery provisions of the U.S. Foreign Corrupt Practices Act, which statute and regulations provide for potential monetary penalties as well as criminal and civil sanctions. It is possible that monetary penalties and other sanctions could be assessed on the Company in connection with this matter. The nature and amount of any monetary penalty or other sanctions cannot reasonably be estimated at this time.

Italy Investigation

As described in Note 1 to these consolidated financial statements, during the three months ended June 30, 2018, the Company identified misstatements associated with VAT obligations related to its subsidiary in Italy. Upon identification of these misstatements, the Company undertook certain procedures, including a forensic investigation, which is ongoing. In addition, the

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

Company voluntarily disclosed the matter and preliminary findings to the Italian tax authorities in order to commence a discussion on the appropriate calculation of the VAT position. The current expectation is that the Company may have to repay to the Italian tax authority a substantial portion of the VAT previously applied as a credit, amounting to approximately $17 million, including estimated possible penalties and interest. The discussion with the tax authorities is at an early stage and therefore the ultimate amount that will be paid to the tax authorities in Italy is unknown. The ultimate amount to be paid may differ from the Company's estimates, and such differences may be material.

NOTE 6 — RELATED PARTY TRANSACTIONS

Due from iHeartCommunications

The Company records net amounts due from iHeartCommunications arising prior to the iHeart Chapter 11 Cases, described below, as "Due from iHeartCommunications" on the consolidated balance sheets. The amounts 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 amounts accrue interest pursuant to the terms of the promissory notes and are generally payable on demand or when they mature on May 15, 2019.

Included in the amounts 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 and 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, 2018 and December 31, 2017, the asset recorded in "Due from iHeartCommunications" on the consolidated balance sheet was $154.8 million and $212.0 million, respectively. On March 14, 2018, iHeartMedia, iHeartCommunications and certain of iHeartMedia's direct and indirect domestic subsidiaries, not including the Company or any of its subsidiaries (collectively, the "Debtors"), filed voluntary petitions for relief (the "iHeart Chapter 11 Cases") under Chapter 11 of the United States Bankruptcy Code, in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"). As an unsecured creditor of iHeartCommunications, the Company does not expect that the Company will be able to recover all of the amounts owed under the Due from iHeartCommunications Note upon the implementation of any plan of reorganization that is ultimately accepted by the requisite creditors and approved by the Bankruptcy Court. As a result, the Company recognized a loss of $855.6 million on the Due from iHeartCommunications Note during the fourth quarter of 2017 to reflect the estimated recoverable amount of the note as of December 31, 2017, based on management's best estimate of the cash settlement amount. In addition, starting January 1, 2018 the Company ceased recording interest income on the balance due from iHeartCommunications as the collectability of the interest was not considered probable. As a result of the $855.6 million allowance on the Due from iHeartCommunications Note recognized during the fourth quarter of 2017 and the $21.3 million reserve recognized in relation to interest incurred during the pre-petition period in the three months ended March 31, 2018, the outstanding principal amount of $1,031.7 million was reduced to $154.8 million as of June 30, 2018. The final settlement amount of the Due from iHeartCommunications Note is expected to be negotiated as part of iHeartCommunications' bankruptcy proceedings. The final settlement amount may differ from the estimated recoverable amount of $154.8 million.

The terms of the Due from iHeartCommunications Note provide that any balance over $1.0 billion accrues at an interest rate equal to the average yield of the nearest dated reference security, capped at 20%. As of June 30, 2018, the balance outstanding on the "Due from iHeartCommunications" exceeded $1.0 billion and therefore the interest rate applied to $1.0 billion of the balance outstanding was 9.3%. The interest rate applied to the remaining balance was 20.0%. As noted above, no interest income was recorded on the pre-petition Due from iHeartCommunications Note during the three and six months ended June 30, 2018. The Company recognized interest income of $15.4 million and $30.2 million in the three and six months ended June 30, 2017, respectively.

Pursuant to a final order entered by the Bankruptcy Court, as of March 14, 2018, the actual pre-bankruptcy balance of the Due from iHeartCommunications Note is frozen, and following March 14, 2018, intercompany allocations that would have been reflected in adjustments to the balance of the Due from iHeartCommunications Note are instead reflected in a new intercompany balance that accrues interest at a rate equal to the interest under the Due from iHeartCommunications Note. The $3.5 million owed by the Company to iHeartCommunications as of June 30, 2018 is reflected as "Due to iHeartCommunications, post iHeart Chapter 11 Cases" on the Company's Consolidated Balance Sheet.

If the Company does not recognize the expected recovery under the Due from iHeartCommunications Note, or cannot obtain that amount on a timely basis, the Company could experience a liquidity shortfall. In addition, any repayments that the Company received on the Due from iHeartCommunications Note during the one-year preference period prior to the filing of the iHeart Chapter 11 Cases may potentially be avoidable as a preference and subject to recovery by the iHeartCommunications bankruptcy estate, which could further exacerbate any liquidity shortfall.

Other Related Party Transactions

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, 2018 and 2017, the Company recorded $2.9 million and $1.9 million, respectively, and $4.4 million and $3.8 million for the six months ended June 30, 2018 and 2017, respectively, in revenue for these advertisements. Some of these agreements are leasing transactions as they convey to iHeartMedia, Inc. the right to use the Company's advertising structures for a stated period of time.

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, 2018 and 2017, the Company recorded $16.9 million and $17.4 million, respectively, and $34.1 million and $33.6 million for the six months ended June 30, 2018 and 2017, respectively, as a component of corporate expenses for these services. The iHeart Chapter 11 Cases could materially impact iHeartCommunications' ability to provide these services to us, which could cause significant uncertainties for us 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, 2018 and 2017, the Company recorded $2.3 million and $2.4 million, respectively, and $4.6

million and $4.8 million for the six months ended June 30, 2018 and 2017, respectively, as a component of selling, general and administrative expenses for these services.

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

NOTE 7 – INCOME TAXES

Income Tax Benefit (Expense)

The Company’s income tax benefit (expense) for the three and six months ended June 30, 2018 and 2017 consisted of the following components:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Current tax benefit (expense)	$21,502	$(26,165)	$(3,619)	$(19,907)
Deferred tax benefit (expense)	(26,255)	7,775	(46,501)	23,354
Income tax benefit (expense)	$(4,753)	$(18,390)	$(50,120)	$3,447

The effective tax rates for the three and six months ended June 30, 2018 were (12.4)% and (39.9)%. The effective rate was primarily impacted by the valuation allowance recorded against deferred tax assets resulting from current period net operating losses in U.S. federal, state and certain foreign jurisdictions due to uncertainty regarding the Company's ability to realize those assets in future periods. In addition, current period losses in certain foreign jurisdictions did not result in tax benefits due to the inability to deduct those losses for tax purposes.

The effective tax rates for the three and six months ended June 30, 2017 were 104.1% and 9.3%. 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.

On December 22, 2017, the U.S. government enacted comprehensive income tax legislation, referred to as The Tax Cuts and Jobs Act (the Tax Act) which reduced the U.S. federal corporate tax rate from 35% to 21% effective January 1, 2018. During the three months ended June 30, 2018, adjustments to the provisional income tax benefit recorded in December 2017 from the enactment of the Tax Act were not material. At June 30, 2018, we have not yet completed our accounting for the income tax effects of the Tax Act, but have made reasonable estimates of those effects on our existing deferred income tax balances. The final financial statement impact of the Tax Act may differ from our previously recorded estimates, possibly materially, due to, among other things, changes in interpretations of the Tax Act, any legislative action to address questions that arise because of the Tax Act, and changes in accounting standards for income taxes or related interpretations in response to the Tax Act, or any updates to estimates the company has utilized to calculate the provisional impacts. The Securities and Exchange Commission (SEC) has issued rules that allow for a measurement period of up to one year after the enactment date of the Tax Act to finalize the recording of the related income tax impacts.

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

NOTE 8 – 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, 2018	$(2,015,334)	$ 157,040	$(1,858,294)
Net income (loss)	(178,805)	3,024	(175,781)
Dividends paid	(29,995)	—	(29,995)
Payments to noncontrolling interests	—	(6,024)	(6,024)
Share-based compensation	3,026	599	3,625
Foreign currency translation adjustments	(9,155)	(2,683)	(11,838)
Other, net	(645)	—	(645)
Balances as of June 30, 2018	$(2,230,908)	$ 151,956	$(2,078,952)
Balances as of January 1, 2017	$(1,086,740)	$ 149,886	$(936,854)
Net income (loss)	(38,080)	4,636	(33,444)
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	26,935	3,329	30,264
Unrealized holding gain on marketable securities	102	—	102
Reclassification adjustments	(1,644)	—	(1,644)
Other, net	(810)	(137)	(947)
Balances as of June 30, 2017	$(1,378,782)	$ 151,318	$(1,227,464)

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

On February 23, 2017, the Company paid a special cash dividend to our stockholders of $282.5 million, using proceeds from the sales of certain non-strategic U.S. markets and of our business in Australia. iHeartCommunications received 89.9%, or approximately $254.0 million, with the remaining 10.1%, or approximately $28.5 million, paid to our public stockholders. The payment of these special dividends reduces the amount of cash available to us for future working capital, capital expenditure, debt service and other funding requirements.

On January 5, 2018, the board of directors of the Company declared a special cash dividend paid on January 24, 2018 to Class A and Class B stockholders of record at the closing of business on January 19, 2018, in an aggregate amount equal to $30.0 million. iHeartCommunications received approximately 89.5%, or approximately $26.8 million, of the proceeds of the dividend through its wholly-owned subsidiaries. The remaining approximately 10.5% of the proceeds of the dividend, or approximately $3.2 million, was paid to the Company's public stockholders.

20

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

COMPUTATION OF LOSS PER SHARE

(In thousands, except per share data)	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
NUMERATOR:				
Net loss attributable to the Company – common shares	$(50,383)	$(7,352)	$(178,805)	$(38,080)
DENOMINATOR:				
Weighted average common shares outstanding - basic	361,708	361,131	361,612	360,944
Weighted average common shares outstanding - diluted[(1)]	361,708	361,131	361,612	360,944
Net loss attributable to the Company per common share:				
Basic	$(0.14)	$(0.02)	$(0.49)	$(0.11)
Diluted	$(0.14)	$(0.02)	$(0.49)	$(0.11)

(1) Outstanding equity awards of 6.7 million and 6.3 million for the three months ended June 30, 2018 and 2017, respectively, and 6.7 million and 6.3 million for the six months ended June 30, 2018 and 2017, respectively, were not included in the computation of diluted earnings per share because to do so would have been antidilutive.

NOTE 9 — OTHER INFORMATION

Other Comprehensive Income (Loss)

There was no change in deferred income tax liabilities resulting from adjustments to comprehensive income (loss) for the three and six months ended June 30, 2018 and 2017.

NOTE 10 – 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 and the International segment primarily includes operations in Europe, Asia and Latin America. 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.

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

The Company re-evaluated its segment reporting and determined that its Latin American operations should be managed by its International leadership team. As a result, beginning on January 1, 2018, the operations of Latin America are no longer reflected within the Company’s Americas segment and are included in the results of its International segment. Accordingly, the Company has recast the corresponding segment disclosures for prior periods to include Latin America within the International segment. The following table presents the Company's reportable segment results for the three and six months ended June 30, 2018 and 2017:

(In thousands)	Americas	International	Corporate and other reconciling items	Consolidated
Three Months Ended June 30, 2018				
Revenue	$299,922	$ 412,058	$ —	$ 711,980
Direct operating expenses	130,313	242,623	—	