

Edgar Filing: Clear Channel Outdoor Holdings, Inc. - Form 10-Q

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)

☒ 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 (I.R.S. Employer Identification No.)  
incorporation or organization)

20880 Stone Oak Parkway 78258  
San Antonio, Texas  
(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 ☒ 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 ☒ 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 ☒ Non-accelerated filer ☐ Smaller reporting company ☐  
Emerging growth company ☐

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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 ☒

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                  |

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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 and per share data)                                                                                                        | June 30,<br>2018<br>(Unaudited) | December 31,<br>2017 |
|--------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------|----------------------|
| <b>CURRENT ASSETS</b>                                                                                                                                  |                                 |                      |
| 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              |
| <b>PROPERTY, PLANT AND EQUIPMENT</b>                                                                                                                   |                                 |                      |
| Structures, net                                                                                                                                        | 1,084,611                       | 1,180,882            |
| Other property, plant and equipment, net                                                                                                               | 204,130                         | 214,147              |
| <b>INTANGIBLE ASSETS AND GOODWILL</b>                                                                                                                  |                                 |                      |
| Indefinite-lived intangibles                                                                                                                           | 977,152                         | 977,152              |
| Other intangibles, net                                                                                                                                 | 262,816                         | 273,862              |
| Goodwill                                                                                                                                               | 708,477                         | 714,043              |
| <b>OTHER ASSETS</b>                                                                                                                                    |                                 |                      |
| 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         |
| <b>CURRENT LIABILITIES</b>                                                                                                                             |                                 |                      |
| 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)                                                                                                        |                                 |                      |
| <b>STOCKHOLDERS' DEFICIT</b>                                                                                                                           |                                 |                      |
| 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 )           |

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|                                                                         |              |              |
|-------------------------------------------------------------------------|--------------|--------------|
| 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

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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<br>June 30, |            | Six Months Ended<br>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

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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:

|                                      | December 31, 2017 |            |             |
|--------------------------------------|-------------------|------------|-------------|
| (In thousands)                       | As<br>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:

|                                                                    | Three Months Ended June 30,<br>2017 |            |           |
|--------------------------------------------------------------------|-------------------------------------|------------|-----------|
| (In thousands)                                                     | As<br>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)

| (In thousands)                                                     | Six Months Ended June 30, 2017 |            |           |
|--------------------------------------------------------------------|--------------------------------|------------|-----------|
|                                                                    | As<br>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.



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:

|                           | Three Months   |         | Six Months     |         |
|---------------------------|----------------|---------|----------------|---------|
|                           | Ended June 30, |         | Ended June 30, |         |
| (In thousands)            | 2018           | 2017    | 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,<br>2018 | December<br>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

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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).

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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<sup>(1)</sup> International<sup>(1)</sup> 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           | —          | —       | —          |

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|                     |            |            |              |
|---------------------|------------|------------|--------------|
| 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 |

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<sup>(1)</sup> 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:

| (In thousands)                                     | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|----------------------------------------------------|--------------------------------|-----------|------------------------------|-----------|
|                                                    | 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 |

| (In thousands)                                                     | Three Months Ended<br>June 30, |           | Six Months Ended<br>June 30, |           |
|--------------------------------------------------------------------|--------------------------------|-----------|------------------------------|-----------|
|                                                                    | 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.

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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,<br>2018 | December 31,<br>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.



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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, 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    |



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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,<br>2018 | December 31,<br>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 <sup>(1)</sup>   | —                | —                    |
| 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         |

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

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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;



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• 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

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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

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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

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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.

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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<br>Ended June 30, |            | Six Months Ended<br>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.

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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<br>Company | Noncontrolling<br>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.



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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, |            |
|---------------------------------------------------------------------|-----------------------------|-----------|---------------------------|------------|
|                                                                     | 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 <sup>(1)</sup> | 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 )  |

Outstanding equity awards of 6.7 million and 6.3 million for the three months ended June 30, 2018 and 2017, <sup>(1)</sup> 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.

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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<br>and other<br>reconciling<br>items | Consolidated |
|----------------------------------------------|-----------|---------------|------------------------------------------------|--------------|
| Three Months Ended June 30, 2018             |           |               |                                                |              |
| Revenue                                      | \$299,922 | \$ 412,058    | \$ —                                           | \$ 711,980   |
| Direct operating expenses                    | 130,313   | 242,623       | —                                              | 372,936      |
| Selling, general and administrative expenses | 47,824    | 77,465        | —                                              | 125,289      |
| Corporate expenses                           | —         | —             | 37,928                                         | 37,928       |
| Depreciation and amortization                | 43,123    | 38,683        | 961                                            | 82,767       |
| Other operating income, net                  | —         | —             | 929                                            | 929          |
| Operating income (loss)                      | \$78,662  | \$ 53,287     | \$ (37,960 )                                   | \$ 93,989    |
| Capital expenditures                         | \$11,481  | \$ 20,294     | \$ 868                                         | \$ 32,643    |
| Share-based compensation expense             | \$—       | \$ —          | \$ 1,519                                       | \$ 1,519     |
| Three Months Ended June 30, 2017             |           |               |                                                |              |
| Revenue                                      | \$300,191 | \$ 372,128    | \$ —                                           | \$ 672,319   |
| Direct operating expenses                    | 133,033   | 219,715       | —                                              | 352,748      |
| Selling, general and administrative expenses | 49,439    | 76,459        | —                                              | 125,898      |
| Corporate expenses                           | —         | —             | 35,340                                         | 35,340       |
| Depreciation and amortization                | 42,854    | 34,095        | 1,341                                          | 78,290       |
| Other operating income, net                  | —         | —             | 7,829                                          | 7,829        |
| Operating income (loss)                      | \$74,865  | \$ 41,859     | \$ (28,852 )                                   | \$ 87,872    |
| Capital expenditures                         | \$25,817  | \$ 36,934     | \$ 3,984                                       | \$ 66,735    |
| Share-based compensation expense             | \$—       | \$ —          | \$ 1,900                                       | \$ 1,900     |

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| (In thousands)                               | Americas  | International | Corporate<br>and other<br>reconciling<br>items | Consolidated |
|----------------------------------------------|-----------|---------------|------------------------------------------------|--------------|
| Six Months Ended June 30, 2018               |           |               |                                                |              |
| Revenue                                      | \$555,769 | \$ 754,922    | \$ —                                           | \$ 1,310,691 |
| Direct operating expenses                    | 255,186   | 479,352       | —                                              | 734,538      |
| Selling, general and administrative expenses | 96,774    | 155,923       | —                                              | 252,697      |
| Corporate expenses                           | —         | —             | 73,363                                         | 73,363       |
| Depreciation and amortization                | 87,627    | 77,248        | 1,952                                          | 166,827      |
| Other operating income, net                  | —         | —             | 875                                            | 875          |
| Operating income (loss)                      | \$116,182 | \$ 42,399     | \$ (74,440 )                                   | \$ 84,141    |
| Capital expenditures                         | \$24,388  | \$ 35,566     | \$ 1,361                                       | \$ 61,315    |
| Share-based compensation expense             | \$—       | \$ —          | \$ 3,625                                       | \$ 3,625     |
| Six Months Ended June 30, 2017               |           |               |                                                |              |
| Revenue                                      | \$560,537 | \$ 656,508    | \$ —                                           | \$ 1,217,045 |
| Direct operating expenses                    | 263,684   | 418,722       | —                                              | 682,406      |
| Selling, general and administrative expenses | 99,817    | 141,855       | —                                              | 241,672      |
| Corporate expenses                           | —         | —             | 69,880                                         | 69,880       |
| Depreciation and amortization                | 85,670    | 67,247        | 2,867                                          | 155,784      |
| Other operating income, net                  | —         | —             | 40,440                                         | 40,440       |
| Operating income (loss)                      | \$111,366 | \$ 28,684     | \$ (32,307 )                                   | \$ 107,743   |
| Capital expenditures                         | \$39,405  | \$ 59,274     | \$ 4,400                                       | \$ 103,079   |
| Share-based compensation expense             | \$—       | \$ —          | \$ 4,259                                       | \$ 4,259     |

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NOTE 11 – 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, 2018  |                   |                        |                            |                |              |
|-----------------------------------------------------------|----------------|-------------------|------------------------|----------------------------|----------------|--------------|
|                                                           | Parent Company | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations   | Consolidated |
| Cash and cash equivalents                                 | \$1,598        | \$—               | \$16,932               | \$153,780                  | \$—            | \$172,310    |
| Accounts receivable, net of allowance                     | —              | —                 | 196,781                | 441,285                    | —              | 638,066      |
| Intercompany receivables                                  | —              | 783,638           | 2,876,183              | 73,391                     | (3,733,212)    | —            |
| Prepaid expenses                                          | 238            | 1,522             | 64,417                 | 66,286                     | —              | 132,463      |
| Other current assets                                      | 25,961         | —                 | 2,262                  | 33,277                     | —              | 61,500       |
| Total Current Assets                                      | 27,797         | 785,160           | 3,156,575              | 768,019                    | (3,733,212)    | 1,004,339    |
| Structures, net                                           | —              | —                 | 627,071                | 457,540                    | —              | 1,084,611    |
| Other property, plant and equipment, net                  | —              | —                 | 113,349                | 90,781                     | —              | 204,130      |
| Indefinite-lived intangibles                              | —              | —                 | 977,152                | —                          | —              | 977,152      |
| Other intangibles, net                                    | —              | —                 | 241,625                | 21,191                     | —              | 262,816      |
| Goodwill                                                  | —              | —                 | 507,819                | 200,658                    | —              | 708,477      |
| Due from iHeartCommunications                             | 154,758        | —                 | —                      | —                          | —              | 154,758      |
| Intercompany notes receivable                             | 182,026        | 5,096,572         | 4,901                  | 16,273                     | (5,299,772)    | —            |
| Other assets                                              | 277,899        | 74,554            | 1,289,408              | 70,876                     | (1,587,968)    | 124,769      |
| Total Assets                                              | \$642,480      | \$5,956,286       | \$6,917,900            | \$1,625,338                | \$(10,620,952) | \$4,521,052  |
| Accounts payable                                          | \$—            | \$—               | \$32,321               | \$73,048                   | \$—            | \$105,369    |
| Intercompany payable                                      | 2,876,183      | —                 | 857,029                | —                          | (3,733,212)    | —            |
| Accrued expenses                                          | (23,393)       | 2,666             | 108,595                | 404,852                    | —              | 492,720      |
| Deferred income                                           | —              | —                 | 44,238                 | 56,205                     | —              | 100,443      |
| Current portion of long-term debt                         | —              | —                 | 214                    | 215                        | —              | 429          |
| Total Current Liabilities                                 | 2,852,790      | 2,666             | 1,042,397              | 534,320                    | (3,733,212)    | 698,961      |
| Long-term debt                                            | —              | 4,898,230         | 3,771                  | 370,098                    | —              | 5,272,099    |
| Intercompany notes payable                                | —              | 16,273            | 5,039,420              | 244,079                    | (5,299,772)    | —            |
| Due to iHeartCommunications, post iHeart Chapter 11 Cases | 3,519          | —                 | —                      | —                          | —              | 3,519        |
| Deferred tax liability                                    | (34,138)       | 853               | 446,664                | (47,473)                   | —              | 365,906      |
| Other long-term liabilities                               | 594            | —                 | 139,829                | 119,096                    | —              | 259,519      |
| Total stockholders' equity (deficit)                      | (2,180,285)    | 1,038,264         | 245,819                | 405,218                    | (1,587,968)    | (2,078,952)  |
| Total Liabilities and Stockholders' Equity (Deficit)      | \$642,480      | \$5,956,286       | \$6,917,900            | \$1,625,338                | \$(10,620,952) | \$4,521,052  |



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

| (In thousands)                                       | December 31, 2017 |                      |                           |                               |                |              |
|------------------------------------------------------|-------------------|----------------------|---------------------------|-------------------------------|----------------|--------------|
|                                                      | Parent<br>Company | Subsidiary<br>Issuer | Guarantor<br>Subsidiaries | Non-Guarantor<br>Subsidiaries | Eliminations   | Consolidated |
| Cash and cash equivalents                            | \$2,212           | \$—                  | \$22,841                  | \$119,066                     | \$—            | \$144,119    |
| Accounts receivable, net of allowance                | —                 | —                    | 192,493                   | 466,970                       | —              | 659,463      |
| Intercompany receivables                             | —                 | 785,075              | 2,924,888                 | 88,053                        | (3,798,016)    | —            |
| Prepaid expenses                                     | 291               | 3,433                | 50,028                    | 58,124                        | —              | 111,876      |
| Other current assets                                 | 25,441            | —                    | 2,552                     | 30,721                        | —              | 58,714       |
| Total Current Assets                                 | 27,944            | 788,508              | 3,192,802                 | 762,934                       | (3,798,016)    | 974,172      |
| Structures, net                                      | —                 | —                    | 675,443                   | 505,439                       | —              | 1,180,882    |
| Other property, plant and equipment, net             | —                 | —                    | 119,856                   | 94,291                        | —              | 214,147      |
| Indefinite-lived intangibles                         | —                 | —                    | 977,152                   | —                             | —              | 977,152      |
| Other intangibles, net                               | —                 | —                    | 248,674                   | 25,188                        | —              | 273,862      |
| Goodwill                                             | —                 | —                    | 507,820                   | 206,223                       | —              | 714,043      |
| Due from iHeartCommunications                        | 211,990           | —                    | —                         | —                             | —              | 211,990      |
| Intercompany notes receivable                        | 182,026           | 5,087,742            | 12,437                    | 16,273                        | (5,298,478)    | —            |
| Other assets                                         | 447,152           | 111,432              | 1,335,346                 | 70,897                        | (1,840,293)    | 124,534      |
| Total Assets                                         | \$869,112         | \$5,987,682          | \$7,069,530               | \$1,681,245                   | \$(10,936,787) | \$4,670,782  |
| Accounts payable                                     | \$—               | \$—                  | \$7,592                   | \$80,368                      | \$—            | \$87,960     |
| Intercompany payable                                 | 2,924,888         | —                    | 873,128                   | —                             | (3,798,016)    | —            |
| Accrued expenses                                     | 1,167             | (1,315)              | 91,325                    | 418,624                       | —              | 509,801      |
| Deferred income                                      | —                 | —                    | 25,278                    | 33,900                        | —              | 59,178       |
| Current portion of long-term debt                    | —                 | —                    | 115                       | 458                           | —              | 573          |
| Total Current Liabilities                            | 2,926,055         | (1,315)              | 997,438                   | 533,350                       | (3,798,016)    | 657,512      |
| Long-term debt                                       | —                 | 4,895,104            | 1,820                     | 369,229                       | —              | 5,266,153    |
| Intercompany notes payable                           | —                 | 16,273               | 5,046,119                 | 236,086                       | (5,298,478)    | —            |
| Deferred tax liability                               | (93,111)          | 853                  | 466,827                   | (56,462)                      | —              | 318,107      |
| Other long-term liabilities                          | 1,157             | —                    | 140,272                   | 145,875                       | —              | 287,304      |
| Total stockholders' equity (deficit)                 | (1,964,989)       | 1,076,767            | 417,054                   | 453,167                       | (1,840,293)    | (1,858,294)  |
| Total Liabilities and Stockholders' Equity (Deficit) | \$869,112         | \$5,987,682          | \$7,069,530               | \$1,681,245                   | \$(10,936,787) | \$4,670,782  |



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

| (In thousands)                                      | Three Months Ended June 30, 2018 |                   |                        |                            |              |              |   |
|-----------------------------------------------------|----------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|---|
|                                                     | Parent Company                   | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations | Consolidated |   |
| Revenue                                             | \$—                              | \$—               | \$ 297,866             | \$ 414,114                 | \$—          | \$ 711,980   |   |
| Operating expenses:                                 |                                  |                   |                        |                            |              |              |   |
| Direct operating expenses                           | —                                | —                 | 128,880                | 244,056                    | —            | 372,936      |   |
| Selling, general and administrative expenses        | —                                | —                 | 47,553                 | 77,736                     | —            | 125,289      |   |
| Corporate expenses                                  | (803                             | ) —               | 27,822                 | 10,909                     | —            | 37,928       |   |
| Depreciation and amortization                       | —                                | —                 | 43,831                 | 38,936                     | —            | 82,767       |   |
| Other operating income (expense), net               | 9                                | —                 | 937                    | (17                        | ) —          | 929          |   |
| Operating income                                    | 812                              | —                 | 50,717                 | 42,460                     | —            | 93,989       |   |
| Interest (income) expense, net                      | (8                               | ) 88,143          | 430                    | 8,422                      | —            | 96,987       |   |
| Interest income on Due from iHeartCommunications    | 210                              | —                 | —                      | —                          | —            | 210          |   |
| Intercompany interest income                        | 4,240                            | 90,246            | 5,490                  | —                          | (99,976      | ) —          |   |
| Intercompany interest expense                       | 210                              | 242               | 94,486                 | 5,038                      | (99,976      | ) —          |   |
| Equity in loss of nonconsolidated affiliates        | (47,422                          | ) (28,838         | ) (30,089              | ) (263                     | ) 106,606    | (6           | ) |
| Other income (expense), net                         | (416                             | ) —               | 208                    | (35,188                    | ) —          | (35,396      | ) |
| Loss before income taxes                            | (42,778                          | ) (26,977         | ) (68,590              | ) (6,451                   | ) 106,606    | (38,190      | ) |
| Income tax benefit (expense)                        | (9,095                           | ) (2,666          | ) 21,168               | (14,160                    | ) —          | (4,753       | ) |
| Consolidated net loss                               | (51,873                          | ) (29,643         | ) (47,422              | ) (20,611                  | ) 106,606    | (42,943      | ) |
| Less amount attributable to noncontrolling interest | —                                | —                 | —                      | 7,440                      | —            | 7,440        |   |
| Net loss attributable to the Company                | \$(51,873)                       | \$(29,643         | ) \$(47,422            | ) \$(28,051                | ) \$ 106,606 | \$(50,383    | ) |
| Other comprehensive income (loss), net of tax:      |                                  |                   |                        |                            |              |              |   |
| Foreign currency translation adjustments            | —                                | —                 | (1,296                 | ) (17,324                  | ) —          | (18,620      | ) |
| Equity in subsidiary comprehensive loss             | (11,066                          | ) (2,921          | ) (9,770               | ) —                        | 23,757       | —            |   |
| Comprehensive loss                                  | (62,939                          | ) (32,564         | ) (58,488              | ) (45,375                  | ) 130,363    | (69,003      | ) |
| Less amount attributable to noncontrolling interest | —                                | —                 | —                      | (7,919                     | ) —          | (7,919       | ) |
| Comprehensive loss attributable to the Company      | \$(62,939)                       | \$(32,564         | ) \$(58,488            | ) \$(37,456                | ) \$ 130,363 | \$(61,084    | ) |

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

| (In thousands)                                          | Three Months Ended June 30, 2017 |                   |                        |                            |              | Consolidated |
|---------------------------------------------------------|----------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|
|                                                         | Parent Company                   | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations |              |
| Revenue                                                 | \$—                              | \$—               | \$291,000              | \$381,319                  | \$—          | \$672,319    |
| Operating expenses:                                     |                                  |                   |                        |                            |              |              |
| Direct operating expenses                               | —                                | —                 | 126,650                | 226,098                    | —            | 352,748      |
| 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                 | 40,855                     | —            | 87,872       |
| 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 )               | 38,307                     | (31,130 )    | 17,669       |
| Income tax benefit (expense)                            | (2,169 )                         | 3,394             | (3,939 )               | (15,676 )                  | —            | (18,390 )    |
| Consolidated net income (loss)                          | (4,777 )                         | 20,575            | (8,020 )               | 22,631                     | (31,130 )    | (721 )       |
| Less amount attributable to noncontrolling interest     | —                                | —                 | —                      | 6,631                      | —            | 6,631        |
| Net income (loss) attributable to the Company           | \$(4,777 )                       | \$20,575          | \$(8,020 )             | \$16,000                   | \$(31,130 )  | \$(7,352 )   |
| Other comprehensive income (loss), net of tax:          |                                  |                   |                        |                            |              |              |
| Foreign currency translation adjustments                | —                                | —                 | 320                    | 20,367                     | —            | 20,687       |
| Unrealized holding gain on marketable securities        | —                                | —                 | —                      | 159                        | —            | 159          |
| Equity in subsidiary comprehensive income               | 15,651                           | 16,818            | 15,331                 | —                          | (47,800 )    | —            |
| Comprehensive income                                    | 10,874                           | 37,393            | 7,631                  | 36,526                     | (78,930 )    | 13,494       |
| Less amount attributable to noncontrolling interest     | —                                | —                 | —                      | 5,852                      | —            | 5,852        |
| Comprehensive income attributable to the Company        | \$10,874                         | \$37,393          | \$7,631                | \$30,674                   | \$(78,930 )  | \$7,642      |

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

| (In thousands)                                          | Six Months Ended June 30, 2018 |                   |                        |                            |              | Consolidated |
|---------------------------------------------------------|--------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|
|                                                         | Parent Company                 | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations |              |
| Revenue                                                 | \$—                            | \$—               | \$551,529              | \$ 759,162                 | \$—          | \$ 1,310,691 |
| Operating expenses:                                     |                                |                   |                        |                            |              |              |
| Direct operating expenses                               | —                              | —                 | 252,225                | 482,313                    | —            | 734,538      |
| Selling, general and administrative expenses            | —                              | —                 | 96,276                 | 156,421                    | —            | 252,697      |
| Corporate expenses                                      | 2,256                          | —                 | 51,744                 | 19,363                     | —            | 73,363       |
| Depreciation and amortization                           | —                              | —                 | 89,059                 | 77,768                     | —            | 166,827      |
| Other operating income (expense), net                   | (95 )                          | —                 | 337                    | 633                        | —            | 875          |
| Operating income (loss)                                 | (2,351 )                       | —                 | 62,562                 | 23,930                     | —            | 84,141       |
| Interest (income) expense, net                          | (10 )                          | 176,312           | 818                    | 17,131                     | —            | 194,251      |
| Interest income on Due from iHeartCommunications        | 210                            | —                 | —                      | —                          | —            | 210          |
| Intercompany interest income                            | 8,386                          | 180,474           | 10,787                 | —                          | (199,647 )   | —            |
| Intercompany interest expense                           | 210                            | 459               | 188,860                | 10,118                     | (199,647 )   | —            |
| Equity in earnings (loss) of nonconsolidated affiliates | (162,356 )                     | (33,857 )         | (34,878 )              | (390 )                     | 231,663      | 182          |
| Other income (expense), net                             | —                              | —                 | 1,849                  | (17,792 )                  | —            | (15,943 )    |
| Loss before income taxes                                | (156,311 )                     | (30,154 )         | (149,358 )             | (21,501 )                  | 231,663      | (125,661 )   |
| Income tax expense                                      | (22,494 )                      | (5,328 )          | (12,998 )              | (9,300 )                   | —            | (50,120 )    |
| Consolidated net loss                                   | (178,805 )                     | (35,482 )         | (162,356 )             | (30,801 )                  | 231,663      | (175,781 )   |
| Less amount attributable to noncontrolling interest     | —                              | —                 | —                      | 3,024                      | —            | 3,024        |
| Net loss attributable to the Company                    | \$(178,805 )                   | \$(35,482 )       | \$(162,356 )           | \$ (33,825 )               | \$ 231,663   | \$(178,805 ) |
| Other comprehensive income (loss), net of tax:          |                                |                   |                        |                            |              |              |
| Foreign currency translation adjustments                | —                              | —                 | (1,226 )               | (10,612 )                  | —            | (11,838 )    |
| Equity in subsidiary comprehensive income               | (9,155 )                       | (3,298 )          | (7,929 )               | —                          | 20,382       | —            |
| Comprehensive loss                                      | (187,960 )                     | (38,780 )         | (171,511 )             | (44,437 )                  | 252,045      | (190,643 )   |
| Less amount attributable to noncontrolling interest     | —                              | —                 | —                      | (2,683 )                   | —            | (2,683 )     |
| Comprehensive loss attributable to the Company          | \$(187,960 )                   | \$(38,780 )       | \$(171,511 )           | \$ (41,754 )               | \$ 252,045   | \$(187,960 ) |

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

| (In thousands)                                          | Six Months Ended June 30, 2017 |                   |                        |                            |              | Consolidated |
|---------------------------------------------------------|--------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|
|                                                         | Parent Company                 | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations |              |
| Revenue                                                 | \$—                            | \$—               | \$ 543,986             | \$ 673,059                 | \$—          | \$ 1,217,045 |
| Operating expenses:                                     |                                |                   |                        |                            |              |              |
| Direct operating expenses                               | —                              | —                 | 251,542                | 430,864                    | —            | 682,406      |
| 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      |
| Other operating income (expense), net                   | (206 )                         | —                 | 33,650                 | 6,996                      | —            | 40,440       |
| Operating income (loss)                                 | (7,576 )                       | —                 | 96,991                 | 18,328                     | —            | 107,743      |
| 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 )              | 9,388                      | 48,898       | (36,891 )    |
| Income tax benefit (expense)                            | (4,317 )                       | 2,287             | 17,666                 | (12,189 )                  | —            | 3,447        |
| Consolidated net loss                                   | (33,778 )                      | (5,107 )          | (40,656 )              | (2,801 )                   | 48,898       | (33,444 )    |
| Less amount attributable to noncontrolling interest     | —                              | —                 | —                      | 4,636                      | —            | 4,636        |
| Net loss attributable to the Company                    | \$(33,778)                     | \$(5,107 )        | \$(40,656 )            | \$(7,437 )                 | \$ 48,898    | \$(38,080 )  |
| Other comprehensive income (loss), net of tax:          |                                |                   |                        |                            |              |              |
| Foreign currency translation adjustments                | —                              | —                 | 94                     | 30,170                     | —            | 30,264       |
| Unrealized holding gain on marketable securities        | —                              | —                 | —                      | 102                        | —            | 102          |
| Reclassification adjustments                            | —                              | —                 | —                      | (1,644 )                   | —            | (1,644 )     |
| Equity in subsidiary comprehensive income               | 26,126                         | 22,017            | 26,032                 | —                          | (74,175 )    | —            |
| Comprehensive income (loss)                             | (7,652 )                       | 16,910            | (14,530 )              | 21,191                     | (25,277 )    | (9,358 )     |
| Less amount attributable to noncontrolling interest     | —                              | —                 | —                      | 3,329                      | —            | 3,329        |
| Comprehensive income (loss) attributable to the Company | \$(7,652 )                     | \$ 16,910         | \$(14,530 )            | \$ 17,862                  | \$(25,277 )  | \$(12,687 )  |

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

| (In thousands)                                                                                | Six Months Ended June 30, 2018 |                   |                        |                            |              | Consolidated |
|-----------------------------------------------------------------------------------------------|--------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|
|                                                                                               | Parent Company                 | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations |              |
| Cash flows from operating activities:                                                         |                                |                   |                        |                            |              |              |
| Consolidated net loss                                                                         | \$(178,805)                    | \$(35,482)        | \$(162,356)            | \$(30,801)                 | \$231,663    | \$(175,781)  |
| Reconciling items:                                                                            |                                |                   |                        |                            |              |              |
| Depreciation and amortization                                                                 | —                              | —                 | 89,059                 | 77,768                     | —            | 166,827      |
| Deferred taxes                                                                                | 58,972                         | —                 | (20,163)               | 7,692                      | —            | 46,501       |
| Provision for doubtful accounts                                                               | —                              | —                 | 1,719                  | 1,598                      | —            | 3,317        |
| Amortization of deferred financing charges and note discounts, net                            | —                              | 4,424             | —                      | 869                        | —            | 5,293        |
| Share-based compensation                                                                      | —                              | —                 | 3,026                  | 599                        | —            | 3,625        |
| Gain on disposal of operating assets, net                                                     | —                              | —                 | (336)                  | (779)                      | —            | (1,115)      |
| Equity in (earnings) loss of nonconsolidated affiliates                                       | 162,356                        | 33,857            | 34,878                 | 390                        | (231,663)    | (182)        |
| Foreign exchange transaction (gain) loss                                                      | —                              | —                 | (49)                   | 14,584                     | —            | 14,535       |
| Other reconciling items, net                                                                  | —                              | —                 | 241                    | (1,157)                    | —            | (916)        |
| Changes in operating assets and liabilities, net of effects of acquisitions and dispositions: |                                |                   |                        |                            |              |              |
| (Increase) decrease in accounts receivable                                                    | —                              | —                 | (6,008)                | 13,850                     | —            | 7,842        |
| (Increase) decrease in prepaids and other current assets                                      | 54                             | 1,912             | (15,386)               | (11,803)                   | —            | (25,223)     |
| Increase (decrease) in accrued expenses                                                       | (24,438)                       | 3,981             | 17,068                 | (27,399)                   | —            | (30,788)     |
| Increase (decrease) in accounts payable                                                       | —                              | —                 | 24,729                 | (5,270)                    | —            | 19,459       |
| Increase in accrued interest                                                                  | —                              | —                 | 80                     | 408                        | —            | 488          |
| Increase in deferred income                                                                   | —                              | —                 | 17,547                 | 25,244                     | —            | 42,791       |
| Changes in other operating assets and liabilities                                             | (1,981)                        | —                 | 2,655                  | (11,479)                   | —            | (10,805)     |
| Net cash provided by (used for) operating activities                                          | \$16,158                       | \$8,692           | \$(13,296)             | \$54,314                   | \$—          | \$65,868     |
| Cash flows from investing activities:                                                         |                                |                   |                        |                            |              |              |
| Purchases of property, plant and equipment                                                    | —                              | —                 | (25,582)               | (35,733)                   | —            | (61,315)     |
| Proceeds from disposal of assets                                                              | —                              | —                 | 2,408                  | 632                        | —            | 3,040        |
| Purchases of other operating assets                                                           | —                              | —                 | —                      | (35)                       | —            | (35)         |
| Increase in intercompany notes receivable, net                                                | —                              | (8,829)           | —                      | —                          | 8,829        | —            |
| Dividends from subsidiaries                                                                   | —                              | —                 | 1,111                  | —                          | (1,111)      | —            |
| Change in other, net                                                                          | —                              | —                 | (3)                    | 50                         | —            | 47           |
| Net cash used for investing activities                                                        | \$—                            | \$(8,829)         | \$(22,066)             | \$(35,086)                 | \$7,718      | \$(58,263)   |

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Cash flows from financing activities:

|                                                                 |          |          |          |           |         |           |   |
|-----------------------------------------------------------------|----------|----------|----------|-----------|---------|-----------|---|
| Payments on long-term debt                                      | —        | —        | (84      | ) (232    | ) —     | (316      | ) |
| Net transfers to iHeartCommunications                           | 60,751   | —        | —        | —         | —       | 60,751    |   |
| Dividends and other payments to noncontrolling interests        | —        | —        | —        | (211      | ) —     | (211      | ) |
| Dividends paid                                                  | (30,624  | ) —      | —        | (1,111    | ) 1,111 | (30,624   | ) |
| Increase in intercompany notes payable, net                     | —        | —        | —        | 8,829     | (8,829  | ) —       |   |
| Intercompany funding                                            | (45,677  | ) 1,435  | 29,537   | 14,705    | —       | —         |   |
| Change in other, net                                            | (702     | ) (1,298 | ) —      | —         | —       | (2,000    | ) |
| Net cash provided by (used for) financing activities            | (16,252  | ) 137    | 29,453   | 21,980    | (7,718  | ) 27,600  |   |
| Effect of exchange rate changes on cash                         | —        | —        | —        | (4,319    | ) —     | (4,319    | ) |
| Net increase (decrease) in cash and cash equivalents            | (94      | ) —      | (5,909   | ) 36,889  | —       | 30,886    |   |
| Cash, cash equivalents and restricted cash at beginning of year | 27,653   | —        | 22,841   | 137,816   | —       | 188,310   |   |
| Cash, cash equivalents and restricted cash at end of year       | \$27,559 | \$—      | \$16,932 | \$174,705 | \$—     | \$219,196 |   |

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

| (In thousands)                                                                                | Six Months Ended June 30, 2017 |                   |                        |                            |              | Consolidated |
|-----------------------------------------------------------------------------------------------|--------------------------------|-------------------|------------------------|----------------------------|--------------|--------------|
|                                                                                               | Parent Company                 | Subsidiary Issuer | Guarantor Subsidiaries | Non-Guarantor Subsidiaries | Eliminations |              |
| Cash flows from operating activities:                                                         |                                |                   |                        |                            |              |              |
| Consolidated net loss                                                                         | \$(33,778)                     | \$(5,107 )        | \$(40,656 )            | \$(2,801 )                 | \$48,898     | \$(33,444 )  |
| 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 sale of operating and fixed assets                                                    | —                              | —                 | (33,662 )              | (7,935 )                   | —            | (41,597 )    |
| Equity in loss of nonconsolidated affiliates                                                  | 40,656                         | 926               | 6,712                  | 805                        | (48,898 )    | 201          |
| Foreign exchange transaction (gain) loss                                                      | —                              | —                 | 73                     | (12,782 )                  | —            | (12,709 )    |
| Other reconciling items, net                                                                  | —                              | —                 | (2,597 )               | (771 )                     | —            | (3,368 )     |
| 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 )              | (4,178 )                   | —            | (15,379 )    |
| 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                    | 6,453                      | —            | 6,993        |
| Net cash provided by (used for) operating activities                                          | \$8,411                        | \$(61,841 )       | \$33,400               | \$946                      | \$—          | \$(19,084 )  |
| 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                                                                          | —                              | —                 | —                      | (214 )                     | —            | (214 )       |
| Net cash provided by (used for) investing activities                                          | \$—                            | \$(80 )           | \$13,962               | \$(53,708 )                | \$(5,443 )   | \$(45,269 )  |
| Cash flows from financing activities:                                                         |                                |                   |                        |                            |              |              |
| Draws on credit facilities                                                                    | —                              | —                 | —                      | 3,125                      | —            | 3,125        |
| Payments on credit facilities                                                                 | —                              | —                 | —                      | (761 )                     | —            | (761 )       |

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|                                                                 |           |        |          |            |        |         |       |            |          |   |
|-----------------------------------------------------------------|-----------|--------|----------|------------|--------|---------|-------|------------|----------|---|
| Payments on long-term debt                                      | —         | —      | (47      | )          | (301   | )       | —     | (348       | )        |   |
| Net transfers from iHeartCommunications                         | (43,109   | )      | —        | —          | —      | —       | —     | (43,109    | )        |   |
| Dividends and other payments from 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    | )      | (44,168 | )     | —          | (382,085 | ) |
| Cash, cash equivalents and restricted cash at beginning of year | 300,285   | —      | 61,542   | 201,322    | —      | —       | —     | 563,149    |          |   |
| Cash, cash equivalents and restricted cash at end of year       | \$ 14,070 | \$ —   | \$ 9,840 | \$ 157,154 | \$ —   | \$ —    | \$ —  | \$ 181,064 |          |   |

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

### Format of Presentation

Management's discussion and analysis of our financial condition and results of operations ("MD&A") should be read in conjunction with the consolidated financial statements and related footnotes contained in Item 1 of this Quarterly Report on Form 10-Q. Our discussion is presented on both a consolidated and segment basis. All references in this Quarterly Report on Form 10-Q to "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"). Our Americas and International segments provide outdoor advertising services in their respective geographic regions using various digital and traditional display types. Certain prior period amounts have been reclassified to conform to the 2018 presentation.

We manage our operating segments by focusing primarily on their operating income, while Corporate expenses, Other operating income (expense), net, Interest expense, Interest income on the Revolving Promissory Note issued by iHeartCommunications to the Company (the "Due from iHeartCommunications Note"), Equity in earnings (loss) of nonconsolidated affiliates, Other income, net and Income tax benefit (expense) are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

Management typically monitors our businesses by reviewing the average rates, average revenue per display, occupancy and inventory levels of each of our display types by market. Our advertising revenue is derived from selling advertising space on the displays we own or operate in key markets worldwide, consisting primarily of billboards, street furniture and transit displays. Part of our long-term strategy is to pursue the technology of digital displays, including flat screens, LCDs and LEDs, as additions to traditional methods of displaying our clients' advertisements. We are currently installing these technologies in certain markets, both domestically and internationally.

Advertising revenue for our segments is highly correlated to changes in gross domestic product ("GDP") as advertising spending has historically trended in line with GDP, both domestically and internationally. Internationally, our results are impacted by fluctuations in foreign currency exchange rates as well as economic conditions in the foreign markets in which we have operations.

We re-evaluated our segment reporting and determined that our Latin American operations should be managed by our International leadership team. As such, beginning January 1, 2018, our Latin American operations are included in our International segment. Accordingly, we 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, we identified corrections associated with VAT obligations in our International business. For further details, refer to Note 1 to our consolidated financial statements included in this Quarterly Report on Form 10-Q. Accordingly, we have revised the prior period financial statements presented herein to reflect these corrections. "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-Q is based on the revised financial results for the three and six months ended June 30, 2017.

### Executive Summary

The key developments that impacted our business during the three months ended June 30, 2018 are summarized below:

Consolidated revenue increased \$39.7 million during the three months ended June 30, 2018 compared to the same period of 2017. Excluding a \$22.5 million impact from movements in foreign exchange rates, consolidated revenue increased \$17.2 million during the three months ended June 30, 2018 compared to the same period of 2017, primarily due to revenue growth from our International segment.

On June 1, 2018, CCO, a subsidiary of ours, 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.

Revenues and expenses “excluding the impact of foreign exchange movements” in this MD&A are presented because management believes that viewing certain financial results without the impact of fluctuations in foreign currency rates facilitates period to period comparisons of business performance and provides useful information to investors.

Revenues and expenses

“excluding the impact of foreign exchange movements” are calculated by converting the current period’s revenues and expenses in local currency to U.S. dollars using average foreign exchange rates for the prior period.

## RESULTS OF OPERATIONS

### Consolidated Results of Operations

The comparison of our historical results of operations for the three and six months ended June 30, 2018 to the three and six months ended June 30, 2017 is as follows:

| (In thousands)                                                                        | Three Months Ended<br>June 30, |            |             | Six Months Ended<br>June 30, |             |             |
|---------------------------------------------------------------------------------------|--------------------------------|------------|-------------|------------------------------|-------------|-------------|
|                                                                                       | 2018                           | 2017       | %<br>Change | 2018                         | 2017        | %<br>Change |
| Revenue                                                                               | \$711,980                      | \$672,319  | 5.9%        | \$1,310,691                  | \$1,217,045 | 7.7%        |
| Operating expenses:                                                                   |                                |            |             |                              |             |             |
| Direct operating expenses (excludes depreciation and amortization)                    | 372,936                        | 352,748    | 5.7%        | 734,538                      | 682,406     | 7.6%        |
| Selling, general and administrative expenses (excludes depreciation and amortization) | 125,289                        | 125,898    | (0.5)%      | 252,697                      | 241,672     | 4.6%        |
| Corporate expenses (excludes depreciation and amortization)                           | 37,928                         | 35,340     | 7.3%        | 73,363                       | 69,880      | 5.0%        |
| Depreciation and amortization                                                         | 82,767                         | 78,290     | 5.7%        | 166,827                      | 155,784     | 7.1%        |
| Other operating income, net                                                           | 929                            | 7,829      |             | 875                          | 40,440      |             |
| Operating income                                                                      | 93,989                         | 87,872     | 7.0%        | 84,141                       | 107,743     | (21.9)%     |
| 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 income (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 ) |             |

### Consolidated Revenue

Consolidated revenue increased \$39.7 million during the three months ended June 30, 2018 compared to the same period of 2017. Excluding the \$22.5 million impact from movements in foreign exchange rates, consolidated revenue increased \$17.2 million during the three months ended June 30, 2018 compared to the same period of 2017. The increase in consolidated revenue is due to revenue growth from our International business, driven by growth across several countries, offset by lower revenue from our Americas outdoor business as a result of the sale of our business in Canada in 2017, which generated revenues of \$6.4 million in the second quarter of 2017.

Consolidated revenue increased \$93.6 million during the six months ended June 30, 2018 compared to the same period of 2017. Excluding the \$57.3 million impact from movements in foreign exchange rates, consolidated revenue increased \$36.3 million during the six months ended June 30, 2018 compared to the same period of 2017. The increase in consolidated revenue is due to revenue growth from our International business, driven by growth in several countries, partially offset by lower revenue from our Americas business as a result of the sale of our business in Canada in 2017, which generated \$11.1 million in revenue in the six months ended June 30, 2017.



#### Consolidated Direct Operating Expenses

Consolidated direct operating expenses increased \$20.2 million during the three months ended June 30, 2018 compared to the same period of 2017. Excluding the \$13.7 million impact from movements in foreign exchange rates, consolidated direct operating expenses increased \$6.5 million during the three months ended June 30, 2018 compared to the same period of 2017. Higher direct operating expenses in our International business, due to revenue growth in various countries was partially offset by lower direct operating expenses in our Americas outdoor business as a result of the sale of our business in Canada in 2017.

Consolidated direct operating expenses increased \$52.1 million during the six months ended June 30, 2018 compared to the same period of 2017. Excluding the \$38.4 million impact from movements in foreign exchange rates, consolidated direct operating expenses increased \$13.7 million during the six months ended June 30, 2018 compared to the same period of 2017. Higher direct operating expenses in our International business was partially offset by lower direct operating expenses in our Americas outdoor business, primarily as a result of the sale of our business in Canada in 2017.

#### Consolidated Selling, General and Administrative (“SG&A”) Expenses

Consolidated SG&A expenses decreased \$0.6 million during the three months ended June 30, 2018 compared to the same period of 2017. Excluding the \$4.3 million impact from movements in foreign exchange rates, consolidated SG&A expenses decreased \$4.9 million during the three months ended June 30, 2018 compared to the same period of 2017. SG&A expenses were lower primarily due to the sale of our Canadian outdoor market, partially offset by higher expenses in China.

Consolidated SG&A expenses increased \$11.0 million during the six months ended June 30, 2018 compared to the same period of 2017. Excluding the \$12.4 million impact from movements in foreign exchange rates, consolidated SG&A expenses decreased \$1.4 million during the six months ended June 30, 2018 compared to the same period of 2017. SG&A expenses were lower in our Americas outdoor business as a result of the sale of our business in Canada in 2017.

#### Corporate Expenses

Corporate expenses increased \$2.6 million during the three months ended June 30, 2018 compared to the same period of 2017 primarily due to consultant costs related to the investigations in China and Italy, partially offset by a decrease in management fees.

Corporate expenses increased \$3.5 million during the six months ended June 30, 2018 compared to the same period of 2017. Excluding the \$1.4 million impact from movements in foreign exchange rates, corporate expenses increased \$2.1 million during the six months ended June 30, 2018 compared to the same period of 2017 primarily due to consultant costs related to the investigations in China and Italy, partially offset by a decrease in management fees.

#### Depreciation and Amortization

Depreciation and amortization increased \$4.5 million during the three months ended June 30, 2018 compared to the same period in 2017, primarily due to capital expenditures and the impact from movements in foreign exchange rates, partially offset by assets becoming fully depreciated or fully amortized.

Depreciation and amortization increased \$11.0 million during the six months ended June 30, 2018 compared to the same period in 2017, primarily due to capital expenditures and the impact from movements in foreign exchange rates, partially offset by assets becoming fully depreciated or fully amortized.

#### Other Operating Income, Net

Other operating income, net was \$0.9 million and \$0.9 million for the three and six months ended June 30, 2018, respectively.

Other operating income, net was \$7.8 million and \$40.4 million for the three and six months ended June 30, 2017, respectively, primarily due to the sale in the first quarter of 2017 of the Americas' Indianapolis market for certain assets in Atlanta, Georgia, plus \$43.1 million in cash, net of closing costs, resulting in a net gain of \$28.9 million and the \$6.8 million gain recognized on the sale of our ownership interest in a joint venture in Belgium during the second quarter of 2017.

#### Interest Expense

Interest expense increased \$2.4 million and \$7.0 million during the three and six months ended June 30, 2018, respectively, compared to the same periods of 2017, primarily due to the issuance by Clear Channel International B.V.

("CCIBV"), our indirect

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subsidiary, of \$150.0 million in aggregate principal amount of 8.75% Senior Notes due 2020 as additional notes under the indenture governing CCIBV's existing 8.75% Senior Notes due 2020 during the third quarter of 2017.

#### Interest Income on Due to/from iHeartCommunications, Net

Interest income on Due to/from iHeartCommunications, net decreased \$15.2 million and \$30.0 million during the three and six months ended June 30, 2018, respectively, compared to the same periods of 2017 as we ceased recording interest income on the pre-petition balance due from iHeartCommunications as the collectability of the interest was not considered probable. See Note 6 to our Consolidated Financial Statements located in Part I of this Quarterly Report on Form 10-Q.

#### Other Income (Expense), Net

Other expense, net of \$35.4 million and \$15.9 million recognized in the three and six months ended June 30, 2018 related primarily to net foreign exchange losses recognized in connection with intercompany notes denominated in foreign currencies.

Other income, net of \$8.8 million and \$12.6 million recognized in the three and six months ended June 30, 2017 related primarily to net foreign exchange gains recognized in connection with intercompany notes denominated in foreign currencies.

#### Income Tax Expense

Our operations are included in a consolidated income tax return filed by iHeartMedia. However, for our financial statements, our provision for income taxes was computed as if we file separate consolidated federal income tax returns with our subsidiaries.

The effective tax rates for the three and six months ended June 30, 2018 were (12.4)% and (39.9)%, respectively. 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%, respectively. 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. In addition, we were unable to record benefits on losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future periods.

#### Americas Outdoor Advertising Results of Operations

Our Americas outdoor operating results were as follows:

| (In thousands)                | Three Months Ended June 30, |           |          | Six Months Ended June 30, |           |          |
|-------------------------------|-----------------------------|-----------|----------|---------------------------|-----------|----------|
|                               | 2018                        | 2017      | % Change | 2018                      | 2017      | % Change |
| Revenue                       | \$299,922                   | \$300,191 | (0.1)%   | \$555,769                 | \$560,537 | (0.9)%   |
| Direct operating expenses     | 130,313                     | 133,033   | (2.0)%   | 255,186                   | 263,684   | (3.2)%   |
| SG&A expenses                 | 47,824                      | 49,439    | (3.3)%   | 96,774                    | 99,817    | (3.0)%   |
| Depreciation and amortization | 43,123                      | 42,854    | 0.6%     | 87,627                    | 85,670    | 2.3%     |
| Operating income              | \$78,662                    | \$74,865  | 5.1%     | \$116,182                 | \$111,366 | 4.3%     |

Three Months

Americas revenue decreased \$0.3 million during the three months ended June 30, 2018 compared to the same period of 2017. The decrease in revenue was due to a \$6.4 million decrease in revenue resulting from the sale of our Canadian outdoor business during the third quarter of 2017. The decrease in revenue was partially offset by an increase in digital and print revenue.

Americas direct operating expenses decreased \$2.7 million during the three months ended June 30, 2018 compared to the same period of 2017. The decrease was driven by a \$4.5 million decrease in direct operating expenses resulting from the sale of our Canadian outdoor market, partially offset by higher site lease expenses. Americas SG&A expenses decreased \$1.6 million

during the three months ended June 30, 2018 compared to the same period of 2017 primarily due to a \$1.3 million decrease in SG&A expenses resulting from the sale of our Canadian outdoor market.

#### Six Months

Americas outdoor revenue decreased \$4.8 million during the six months ended June 30, 2018 compared to the same period of 2017. The decrease in revenue was due to an \$11.1 million decrease in revenue resulting from the sale of our Canadian outdoor business during the third quarter of 2017 and a decrease in airport revenue. The decrease in revenue was partially offset by an increase in digital and print revenue.

Americas outdoor direct operating expenses decreased \$8.5 million during the six months ended June 30, 2018 compared to the same period of 2017. The decrease was driven by an \$8.4 million decrease in direct operating expenses resulting from the sale of our Canadian outdoor market, partially offset by higher fixed site lease expenses. Americas outdoor SG&A expenses decreased \$3.0 million during the six months ended June 30, 2018 compared to the same period of 2017 primarily due to a \$2.8 million decrease in SG&A expenses resulting from the sale of our Canadian outdoor market.

#### International Outdoor Advertising Results of Operations

Our International operating results were as follows:

| (In thousands)                | Three Months Ended June 30, |           | %     | Six Months Ended June 30, |           | %     |
|-------------------------------|-----------------------------|-----------|-------|---------------------------|-----------|-------|
|                               | 2018                        | 2017      |       | 2018                      | 2017      |       |
| Revenue                       | \$412,058                   | \$372,128 | 10.7% | \$754,922                 | \$656,508 | 15.0% |
| Direct operating expenses     | 242,623                     | 219,715   | 10.4% | 479,352                   | 418,722   | 14.5% |
| SG&A expenses                 | 77,465                      | 76,459    | 1.3%  | 155,923                   | 141,855   | 9.9%  |
| Depreciation and amortization | 38,683                      | 34,095    | 13.5% | 77,248                    | 67,247    | 14.9% |
| Operating income              | \$53,287                    | \$41,859  | 27.3% | \$42,399                  | \$28,684  | 47.8% |

#### Three Months

International revenue increased \$39.9 million during the three months ended June 30, 2018 compared to the same period of 2017. Excluding the \$22.5 million impact from movements in foreign exchange rates, International revenue increased \$17.4 million during the three months ended June 30, 2018 compared to the same period of 2017. The increase in revenue is due to growth in multiple countries, including Sweden, China, Spain and Switzerland, primarily from new deployments and digital expansion.

International direct operating expenses increased \$22.9 million during the three months ended June 30, 2018 compared to the same period of 2017. Excluding the \$13.7 million impact from movements in foreign exchange rates, International direct operating expenses increased \$9.2 million during the three months ended June 30, 2018 compared to the same period of 2017. The increase was due to higher site lease expenses related to new contracts in countries experiencing revenue growth. International SG&A expenses increased \$1.0 million during the three months ended June 30, 2018 compared to the same period of 2017. Excluding the \$4.3 million impact from movements in foreign exchange rates, International SG&A expenses decreased \$3.3 million during the three months ended June 30, 2018 compared to the same period of 2017. The decrease in SG&A expenses was primarily due to lower expenses in China, partially offset by higher expenses in Sweden.

#### Six Months

International revenue increased \$98.4 million during the six months ended June 30, 2018 compared to the same period of 2017. Excluding the \$57.3 million impact from movements in foreign exchange rates, International revenue increased \$41.1 million during the six months ended June 30, 2018 compared to the same period of 2017. The increase in revenue is due to growth in multiple countries, including China, Sweden, Spain and Switzerland, primarily from new deployments and digital expansion.

International direct operating expenses increased \$60.6 million during the six months ended June 30, 2018 compared to the same period of 2017. Excluding the \$38.4 million impact from movements in foreign exchange rates, International direct operating expenses increased \$22.2 million during the six months ended June 30, 2018 compared to the same period of 2017. The increase was driven by higher site lease expenses related to new contracts in countries experiencing revenue growth. International SG&A expenses increased \$14.1 million during the six months ended June 30, 2018 compared to the same period of 2017. Excluding

the \$12.5 million impact from movements in foreign exchange rates, International SG&A expenses increased \$1.6 million during the six months ended June 30, 2018 compared to the same period of 2017. The increase in SG&A expenses was primarily due to higher expenses in Sweden and Belgium, partially offset by lower expenses in China.

#### Reconciliation of Segment Operating Income to Consolidated Operating Income

| (In thousands)                     | Three Months   |           | Six Months Ended |           |
|------------------------------------|----------------|-----------|------------------|-----------|
|                                    | Ended June 30, |           | June 30,         |           |
|                                    | 2018           | 2017      | 2018             | 2017      |
| Americas advertising               | \$78,662       | \$74,865  | \$116,182        | 111,366   |
| International advertising          | 53,287         | 41,859    | 42,399           | 28,684    |
| Other operating income, net        | 929            | 7,829     | 875              | 40,440    |
| Corporate and other <sup>(1)</sup> | (38,889 )      | (36,681 ) | (75,315 )        | (72,747 ) |
| Consolidated operating income      | \$93,989       | \$87,872  | \$84,141         | \$107,743 |

(1) Corporate and other includes expenses related to Americas and International as well as overall executive, administrative and support functions.

#### Share-Based Compensation Expense

We have granted restricted stock, restricted stock units and options to purchase shares of our Class A common stock to certain key individuals under our equity incentive plans. Certain employees receive equity awards pursuant to our equity incentive plans. As of June 30, 2018, there was \$9.8 million of unrecognized compensation cost related to unvested share-based compensation arrangements that will vest based on service conditions. This cost is expected to be recognized over a weighted average period of approximately 2.4 years.

Share-based compensation expenses are recorded in corporate expenses and were \$1.5 million and \$1.9 million for the three months ended June 30, 2018 and 2017, respectively, and \$3.6 million and \$4.3 million for the six months ended June 30, 2018 and 2017, respectively.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

The following discussion highlights cash flow activities during the six months ended June 30, 2018 and 2017:

| (In thousands)               | Six Months Ended |             |
|------------------------------|------------------|-------------|
|                              | June 30,         |             |
|                              | 2018             | 2017        |
| Cash provided by (used for): |                  |             |
| Operating activities         | \$65,868         | \$(19,084 ) |
| Investing activities         | \$(58,263 )      | \$(45,269 ) |
| Financing activities         | \$27,600         | \$(323,978) |

#### Operating Activities

Cash provided by operating activities was \$65.9 million during the six months ended June 30, 2018 compared to \$19.1 million of cash used for operating activities during the six months ended June 30, 2017. The increase in cash provided by operating activities is primarily attributed to changes in working capital balances, particularly accounts receivable, accounts payable and accrued expenses, which were affected by the timing of payments. Cash paid for interest for the six months ended June 30, 2018 and June 30, 2017 was \$187.3 million and \$183.4 million, respectively.

#### Investing Activities

Cash used for investing activities of \$58.3 million during the six months ended June 30, 2018 primarily reflected our capital expenditures of \$61.3 million. We spent \$24.4 million in our Americas segment primarily related to the construction of new advertising structures, such as digital boards, \$35.5 million in our International segment primarily

related to street furniture and transit advertising structures, including digital displays, and \$1.4 million in Corporate primarily related to equipment and software purchases.

Cash used for investing activities of \$45.3 million during the six months ended June 30, 2017 primarily reflected our capital expenditures of \$103.1 million, partially offset by net cash proceeds from the disposal of assets including proceeds of \$43.1 million from the sale of our outdoor Indianapolis market. We spent \$39.4 million in our Americas segment primarily related to the construction of new advertising structures such as digital displays, \$59.3 million in our International segment primarily related to street furniture and transit advertising structures and \$4.4 million in Corporate primarily related to equipment and software purchases.

#### Financing Activities

Cash provided by financing activities of \$27.6 million during the six months ended June 30, 2018 primarily reflected net transfers of \$60.8 million in cash from iHeartCommunications, which represents the activity in the “Due from iHeartCommunications” account, partially offset by cash dividends paid of \$30.6 million.

Cash used for financing activities of \$324.0 million during the six months ended June 30, 2017 primarily reflected a cash dividend of \$282.5 million and net transfers of \$43.1 million in cash to iHeartCommunications, which represents the activity in the “Due from iHeartCommunications” account.

#### Anticipated Cash Requirements

Our primary sources of liquidity are cash on hand, cash flow from operations, the cash from the intercompany arrangement with iHeartCommunications described below and borrowing capacity under our receivables based credit facility. As of June 30, 2018, we had \$172.3 million of cash on our balance sheet, including \$153.8 million of cash held outside the U.S. by our subsidiaries, a portion of which is held by non-wholly owned subsidiaries or is otherwise subject to certain restrictions and not readily accessible to us. We have the ability and intent to indefinitely reinvest the undistributed earnings of consolidated subsidiaries based outside of the United States, except that excess cash from our foreign operations may be transferred to our operations in the United States if needed to fund operations in the United States, subject to the foreseeable cash needs of our foreign operations and the mutual agreement of us and iHeartCommunications. If any excess cash held by our foreign subsidiaries is needed to fund operations in the United States, we could presently repatriate available funds without a requirement to accrue or pay U.S. taxes. This is a result of significant deficits, as calculated for tax law purposes, in our foreign earnings and profits, which gives us flexibility to make future cash distributions as non-taxable returns of capital.

Our primary uses of liquidity are for our working capital, capital expenditure, debt service, special dividend and other funding requirements. At June 30, 2018, we had debt maturities totaling \$0.3 million, \$0.3 million and \$2,575.3 million in 2018, 2019 and 2020, respectively. A substantial amount of our cash requirements are for debt service obligations. During the six months ended June 30, 2018, we spent \$187.3 million of cash on interest on our debt. We anticipate having approximately \$376.3 million of cash interest payment obligations in 2018. Our significant interest payment obligations reduce our financial flexibility, make us more vulnerable to changes in operating performance and economic downturns generally, reduce our liquidity over time and could negatively affect our ability to obtain additional financing in the future.

Based on our current and anticipated levels of operations and conditions in our markets, we believe that cash on hand, cash flows from operations, cash from the intercompany arrangement with iHeartCommunications described below and borrowing capacity under our receivables based credit facility will enable us to meet our working capital, capital expenditure, debt service, special dividend and other funding requirements, including the debt service on the CCWH Senior Notes, the CCWH Subordinated Notes and the CCIBV Senior Notes, for at least the next 12 months. We believe our long-term plans, which include promoting outdoor media spending, capitalizing on our diverse geographic and product opportunities and the continued deployment of digital displays, will enable us to continue generating cash flows from operations sufficient to meet our liquidity and funding requirements long term. However, our anticipated results are subject to significant uncertainty. Our ability to fund our working capital, capital expenditures, debt service, special dividend and other obligations depends on our future operating performance, cash from operations and our ability to manage our liquidity if our business is separated from iHeartCommunications as contemplated by the iHeart RSA described below under “--Promissory Notes with iHeartCommunications.”

Historically, our cash management arrangement with iHeartCommunications has been our only committed external source of liquidity. If our business is separated from iHeartCommunications, we will no longer have iHeartCommunications available to support our cash management function and our liquidity, and we will be dependent upon our ability to generate cash or obtain additional financing to meet our liquidity needs. If we are unable

to obtain financing from iHeartCommunications under the intercompany arrangement described below or pursuant to any recoveries under the Due from iHeartCommunications Note upon consummation of the iHeart Chapter 11 Cases, we will likely need to obtain additional financing from banks or other lenders, or through public offerings or private placements of debt or equity, strategic relationships or other arrangements in the future. There can be no assurance that financing alternatives will be available in sufficient amounts or on terms acceptable to us in the future due to market conditions, our financial condition, our liquidity constraints, our lack of history operating as a company independent from iHeartCommunications or other factors, many of which are beyond our control. Even if financing alternatives are available

to us, we may not find them suitable or at comparable interest rates to the indebtedness being refinanced, and our annual cash interest payment obligations could increase further. In addition, the terms of our existing or future debt agreements may restrict us from securing financing on terms that are available to us at that time. In addition to the need to refinance our various indebtedness at or before maturity, if we are unable to generate sufficient cash through our operations, we could face substantial liquidity problems, which could have a material adverse effect on our financial condition and on our ability to meet our obligations.

iHeartCommunications provides the day-to-day cash management services for our cash activities and balances in the U.S. We do not have any material committed external sources of capital other than iHeartCommunications, and iHeartCommunications is not required to provide us with funds to finance our working capital or other cash requirements. We have no access to the cash transferred from us to iHeartCommunications under the cash management arrangement. Before the filing of the iHeart Chapter 11 Cases (as defined below), the net amount due to us from iHeartCommunications under this cash management arrangement was represented by the Due from iHeartCommunications Note. 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, filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "iHeart Chapter 11 Cases"). Pursuant to an order entered by the Bankruptcy Court, as of March 14, 2018, the balance of the Due from iHeartCommunications Note immediately prior to the commencement of the iHeart Chapter 11 Cases was 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 iHeart Communications Note. The Bankruptcy Court entered an order to allow iHeartCommunications to continue to provide the day-to-day cash management services for us during the iHeart Chapter 11 Cases and we expect it to continue to do so until such arrangements are addressed through the iHeart Chapter 11 Cases. As of June 30, 2018, we owed \$3.5 million to iHeartCommunications under this intercompany arrangement with iHeartCommunications.

We are an unsecured creditor of iHeartCommunications with respect to amounts owed under the Due from iHeartCommunications Note. We cannot predict at this time the outcome of iHeartCommunications' efforts to restructure its indebtedness in the iHeart Chapter 11 Cases. While the treatment of the Due from iHeartCommunications Note in the iHeart Chapter 11 Cases has not yet been determined, we do not expect to recover the full balance of the now-frozen Due from iHeartCommunications Note upon the implementation of any plan of reorganization that is ultimately accepted by the requisite vote of creditors and approved by the Bankruptcy Court. See "--Promissory Notes with iHeartCommunications" below for a discussion of the current balance of and expected recovery under the Due from iHeartCommunications Note. If we do not recognize the expected recovery under the Due from iHeartCommunications Note, or if we cannot generate sufficient liquidity from our operations or other sources on a timely basis, we could experience a liquidity shortfall. In addition, any repayments that we 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.

On January 24, 2018, we made a demand for repayment of \$30.0 million outstanding under the Due from iHeartCommunications Note and simultaneously paid a special cash dividend of \$30.0 million.

iHeartCommunications received approximately 89.5%, or approximately \$26.8 million, of the proceeds of the dividend through its wholly-owned subsidiaries, with the remaining approximately 10.5%, or approximately \$3.2 million, of the proceeds of the dividend paid to our public stockholders. The payment of this special dividend reduced the balance owed to us under the Due from iHeartCommunications Note and thereby reduced the amount of cash available to us for future working capital, capital expenditure, debt service and other funding requirements.

We were in compliance with the covenants contained in our material financing agreements as of June 30, 2018.

We frequently evaluate strategic opportunities both within and outside our existing lines of business. We expect from time to time to dispose of certain businesses and may pursue acquisitions. These dispositions or acquisitions could be material.



## Sources of Capital

As of June 30, 2018 and December 31, 2017, we had the following debt outstanding, cash and cash equivalents, amounts due (to)/from iHeartCommunications:

| (In millions)                                                       | June 30,<br>2018 | December 31,<br>2017 |
|---------------------------------------------------------------------|------------------|----------------------|
| Clear Channel Worldwide Holdings Senior Notes due 2022              | \$2,725.0        | \$ 2,725.0           |
| Clear Channel Worldwide Holdings Senior Subordinated Notes due 2020 | 2,200.0          | 2,200.0              |
| Receivables Based Credit Facility due 2023 <sup>(1)</sup>           | —                | —                    |
| Clear Channel International B.V. Senior Notes due 2020              | 375.0            | 375.0                |
| Other debt                                                          | 4.2              | 2.4                  |
| Original issue discount                                             | (0.5 )           | (0.2 )               |
| Long-term debt fees                                                 | (31.2 )          | (35.5 )              |
| Total debt                                                          | 5,272.5          | 5,266.7              |
| Less: Cash and cash equivalents                                     | 172.3            | 144.1                |
| Less: Due from iHeartCommunications                                 | 154.8            | 212.0                |
| Less: Due to iHeartCommunications, post iHeart Chapter 11 Cases     | (3.5 )           | —                    |
|                                                                     | \$4,948.9        | \$ 4,910.6           |

(1) On June 1, 2018, CCO, a subsidiary of ours, refinanced our 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.

We may from time to time repay our outstanding debt or seek to purchase our outstanding equity securities. Such transactions, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

### Promissory Notes with iHeartCommunications

We maintain accounts that represent net amounts due to or from iHeartCommunications, which are recorded as “Due from iHeartCommunications” on our consolidated balance sheets. Before the filing of the iHeart Chapter 11 Cases, the accounts were represented by the revolving promissory note issued by us to iHeartCommunications (the Due to iHeartCommunications Note) and the revolving promissory note issued by iHeartCommunications to us (the Due from iHeartCommunications Note), in each case 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 revolving promissory notes were generally payable on demand and were scheduled to mature on May 15, 2019. Included in the accounts are the net activities resulting from day-to-day cash management services provided by iHeartCommunications. Such day-to-day cash management services relate only to our cash activities and balances in the U.S. and exclude any cash activities and balances of our non-U.S. subsidiaries.

Pursuant to an order entered by the Bankruptcy Court, as of March 14, 2018, the balance of the Due from iHeartCommunications Note was 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 an intercompany balance that accrues interest at a rate equal to the interest under the Due from iHeartCommunications Note. Our board of directors has established a special committee consisting of our independent directors to consider, review and negotiate certain transactions between iHeartCommunications and CCOH in connection with the iHeart Chapter 11 Cases, and discussions regarding the outcome of the Due from iHeartCommunications Note are ongoing. On March 16, 2018, iHeartMedia and the other Debtors and certain creditors and equity holders entered into a Restructuring Support Agreement (the “iHeart RSA”) with certain creditors and equityholders. The iHeart RSA contemplates that our business will be separated from iHeartCommunications at the conclusion of the iHeart Chapter 11 Cases and that the Due from iHeartCommunications Note will receive treatment in a form and substance acceptable to the Debtors, to us and to certain consenting senior creditors of iHeartCommunications, which treatment will be set forth in a plan of reorganization and approved by the Bankruptcy Court. We cannot predict at this time the

outcome of iHeartCommunications' efforts to restructure its indebtedness in the iHeart Chapter 11 Cases.

As of June 30, 2018, the principal amount outstanding under the Due from iHeartCommunications Note was \$1,031.7 million. While the treatment of the Due from iHeartCommunications Note in the iHeart Chapter 11 Cases has not yet been determined, we do not expect that we will be able to recover all of the amounts owed to us under the Due from iHeartCommunications Note upon the implementation of any plan of reorganization that is ultimately accepted by the requisite vote of creditors and approved by the Bankruptcy Court. As a result, we recognized a loss of \$855.6 million on the Due from iHeartCommunications Note during the fourth quarter of 2017 to reflect an estimated recoverable amount of the note, based on management's best estimate of the cash settlement amount. In addition, beginning January 1, 2018, we ceased recording interest income on the Due from iHeartCommunications Note, which amounted to \$21.3 million for the three months ended March 31, 2018, 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 on our consolidated balance sheet. The final settlement amount of the Due from iHeartCommunications Note is expected to be negotiated as part of iHeartCommunications' bankruptcy proceedings and may differ from the estimated recoverable amount of \$154.8 million as of June 30, 2018. As of June 30, 2018, we had no borrowings under the Due to iHeartCommunications Note, and we owed \$3.5 million to iHeartCommunications under the intercompany arrangement with iHeartCommunications approved by the Bankruptcy Court in the iHeart Chapter 11 Cases.

In accordance with the terms of the settlement for the derivative litigation filed by our stockholders regarding the Due from iHeartCommunications Note, as previously disclosed, we established a committee of our board of directors, consisting of our independent and disinterested directors, for the specific purpose of monitoring the Due from iHeartCommunications Note. This committee has the non-exclusive authority to demand payments under the Due from iHeartCommunications Note under certain specified circumstances tied to iHeartCommunications' liquidity or the amount outstanding under the Due from iHeartCommunications Note, as long as our board of directors declares a simultaneous dividend equal to the amount so demanded. The committee last made a demand under the Due from iHeartCommunications Note on August 11, 2014. As of July 31, 2018, the committee has the right, pursuant to the terms of the settlement of the derivative litigation, but not the obligation, to make a demand on the Due from iHeartCommunications Note. However, on account of the iHeart Chapter 11 Cases, the balance of the Due from iHeartCommunications Note is currently frozen and any payment pursuant to such demand would be subject to the approval of the Bankruptcy Court.

If we are unable to obtain financing from iHeartCommunications under the intercompany arrangement approved by the Bankruptcy Court in the iHeart Chapter 11 Cases or pursuant to any recoveries under the Due from iHeartCommunications Note upon consummation of the iHeart Chapter 11 Cases, we will likely need to obtain additional financing from banks or other lenders, or through public offerings or private placements of debt or equity, strategic relationships or other arrangements in the future. We may be unable to successfully obtain additional debt or equity financing on satisfactory terms or at all.

As long as the Master Agreement continues to govern the relationship between iHeartCommunications and us, iHeartCommunications will have the option to limit our ability to incur debt or issue equity securities, among other limitations, which could adversely affect our ability to meet our liquidity needs. Under the Master Agreement with iHeartCommunications, we are limited in our borrowings from third parties to no more than \$400.0 million at any one time outstanding, without the prior written consent of iHeartCommunications.

#### Clear Channel Worldwide Holdings Senior Notes

As of June 30, 2018, the CCWH senior notes represented \$2.7 billion aggregate principal amount of indebtedness outstanding, which consisted of \$735.75 million aggregate principal amount of 6.5% Series A Senior Notes due 2022 (the "Series A CCWH Senior Notes") and \$1,989.25 million aggregate principal amount of 6.5% Series B CCWH Senior Notes due 2022 (the "Series B CCWH Senior Notes" and, together with the Series A CCWH Senior Notes, the "CCWH Senior Notes"). The CCWH Senior Notes are guaranteed by us, CCO and certain of our direct and indirect subsidiaries.

The Series A CCWH Senior Notes indenture and the Series B CCWH Senior Notes indenture restrict our ability to incur additional indebtedness but permit us to incur additional indebtedness based on an incurrence test. Under this

test, in order to incur additional indebtedness, our debt to adjusted EBITDA ratios (as defined by the indentures) must be lower than 7.0:1 and 5.0:1 for total debt and senior debt, respectively, and in order to incur additional indebtedness that is subordinated to the CCWH Senior Notes, our debt to adjusted EBITDA ratios (as defined by the indentures) must be lower than 7.0:1. The indentures contain certain other exceptions that allow us to incur additional indebtedness. The Series B CCWH Senior Notes indenture also restricts our ability to pay dividends, but permits us to pay dividends from the proceeds of indebtedness or the proceeds from asset sales if our debt to adjusted EBITDA ratios (as defined by the indenture) are lower than 7.0:1 and 5.0:1 for total debt and senior debt, respectively. The Series B CCWH Senior Notes indenture also contains certain other exceptions that allow us to pay dividends, including (i) \$525.0 million of dividends made pursuant to general restricted payment baskets and (ii) dividends made using

proceeds received upon a demand by us of amounts outstanding under the Due from iHeartCommunications Note. We have used substantially all of the \$525.0 million general restricted payment baskets in the Series B CCWH Senior Notes indenture. The Series A CCWH Senior Notes indenture does not limit our ability to pay dividends.

Our consolidated leverage ratio, defined as total debt divided by EBITDA (as defined by the CCWH Senior Notes indentures) for the preceding four quarters was 8.7:1 as of June 30, 2018, and senior leverage ratio, defined as senior debt divided by EBITDA (as defined by the CCWH Senior Notes indentures) for the preceding four quarters was 4.5:1 as of June 30, 2018. As required by the definition of EBITDA in the CCWH Senior Notes indentures, our EBITDA for the preceding four quarters of \$610.7 million is calculated as operating income (loss) before depreciation, amortization, impairment charges and gains and losses on acquisitions and divestitures plus share-based compensation and is further adjusted for the following: (i) costs incurred in connection with severance, the closure and/or consolidation of facilities, retention charges, consulting fees and other permitted activities; (ii) extraordinary, non-recurring or unusual gains or losses or expenses; (iii) non-cash charges; and (iv) various other items. Because our consolidated leverage ratio exceeded the limit in the incurrence tests described above, we are not currently permitted to incur additional indebtedness using the incurrence test in the Series A CCWH Senior Notes indenture and the Series B CCWH Senior Notes indenture, and we are not currently permitted to pay dividends from the proceeds of indebtedness or the excess proceeds from asset sales under the Series B CCWH Senior Notes indenture. There are other exceptions in these indentures that allow us to incur additional indebtedness and pay dividends.

The following table reflects a reconciliation of EBITDA (as defined by the CCWH Senior Notes indentures) to operating income and net cash provided by operating activities for the four quarters ended June 30, 2018:

|                                                                                                                                                                                                                                              | Four<br>Quarters<br>Ended<br>June 30,<br>2018 |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------|
| (In millions)                                                                                                                                                                                                                                |                                               |
| EBITDA (as defined by the CCWH Senior Notes indentures)                                                                                                                                                                                      | \$ 610.7                                      |
| Less adjustments to EBITDA (as defined by the CCWH Senior Notes indentures):                                                                                                                                                                 |                                               |
| Costs incurred in connection with severance, the closure and/or consolidation of facilities, retention charges, consulting fees and other permitted activities                                                                               | (7.4 )                                        |
| Extraordinary, non-recurring or unusual gains or losses or expenses (as referenced in the definition of EBITDA in the CCWH Senior Notes indentures)                                                                                          | (23.9 )                                       |
| Non-cash charges                                                                                                                                                                                                                             | (10.1 )                                       |
| Other items                                                                                                                                                                                                                                  | (1.8 )                                        |
| Less: Depreciation and amortization, Impairment charges, Gains and losses on acquisitions and divestitures and Share-based compensation expense                                                                                              | (363.0 )                                      |
| Operating income                                                                                                                                                                                                                             | 204.5                                         |
| Plus: Depreciation and amortization, Impairment charges, Gain (loss) on disposal of operating and fixed assets and Share-based compensation expense                                                                                          | 361.3                                         |
| Less: Interest expense                                                                                                                                                                                                                       | (388.1 )                                      |
| Plus: Interest income on Due from iHeartCommunications                                                                                                                                                                                       | 38.9                                          |
| Less: Current income tax expense                                                                                                                                                                                                             | (14.6 )                                       |
| Plus: Other income, net                                                                                                                                                                                                                      | 0.9                                           |
| Adjustments to reconcile consolidated net loss to net cash provided by operating activities (including Provision for doubtful accounts, Amortization of deferred financing charges and note discounts, net and Other reconciling items, net) | 12.2                                          |
| Change in assets and liabilities, net of assets acquired and liabilities assumed                                                                                                                                                             | 18.6                                          |
| Net cash provided by operating activities                                                                                                                                                                                                    | \$ 233.7                                      |

Clear Channel Worldwide Holdings Senior Subordinated Notes

As of June 30, 2018, the CCWH Subordinated Notes represented \$2.2 billion aggregate principal amount of indebtedness outstanding, which consisted of \$275.0 million aggregate principal amount of 7.625% Series A Senior Subordinated Notes due 2020 (the "Series A CCWH Subordinated Notes") and \$1,925.0 million aggregate principal

amount of 7.625% Series B Senior Subordinated Notes due 2020 (the “Series B CCWH Subordinated Notes”).

The Series A CCWH Subordinated Notes indenture and the Series B CCWH Subordinated Notes indenture restrict our ability to incur additional indebtedness but permit us to incur additional indebtedness based on an incurrence test. In order to incur

additional indebtedness under this test, our debt to adjusted EBITDA ratio (as defined by the indentures) must be lower than 7.0:1. The indentures contain certain other exceptions that allow us to incur additional indebtedness. The Series B CCWH Subordinated Notes indenture also permits us to pay dividends from the proceeds of indebtedness or the proceeds from asset sales if our debt to adjusted EBITDA ratio (as defined by the indenture) is lower than 7.0:1. Because our debt to adjusted EBITDA ratio exceeded the thresholds in the indentures as of June 30, 2018, we are not currently permitted to incur additional indebtedness using the incurrence test in the Series A CCWH Subordinated Notes Indenture and the Series B CCWH Subordinated Notes indenture, and we are not currently permitted to pay dividends from the proceeds of indebtedness or the excess proceeds from asset sales under the Series B CCWH Subordinated Notes indenture. The Series B CCWH Subordinated Notes indenture contains certain other exceptions that allow us to incur indebtedness and pay dividends, including (i) \$525.0 million of dividends made pursuant to general restricted payment baskets and (ii) dividends made using proceeds received upon a demand by us of amounts outstanding under the Due from iHeartCommunications Note. We have used substantially all of the \$525.0 million general restricted payment baskets in the Series B CCWH Senior Notes indenture. The Series A CCWH Subordinated Notes indenture does not limit our ability to pay dividends.

#### Receivables Based Credit Facility Due 2023

On June 1, 2018, CCO, a subsidiary of ours, entered into a Credit Agreement, as parent borrower, with certain of its subsidiaries named therein, as subsidiary borrowers, Deutsche Bank AG New York Branch, as 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 our prior credit agreement, dated as of August 22, 2013, 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 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, 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;
- 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.

#### CCIBV Senior Notes

During the fourth quarter of 2015, CCIBV, an international subsidiary of ours, issued \$225.0 million aggregate principal amount outstanding of its 8.75% Senior Notes due 2020 ("CCIBV Senior Notes"). During the third quarter of 2017, CCIBV issued \$150.0 million in additional aggregate principal amount of 8.75% Senior Notes due 2020, bringing the total amount outstanding under the CCIBV Senior Notes as of June 30, 2018 to \$375.0 million.

The indenture governing the CCIBV Senior Notes contains covenants that limit CCIBV's ability and the ability of its restricted subsidiaries to, among other things: (i) pay dividends, redeem stock or make other distributions or investments; (ii) incur additional debt or issue certain preferred stock; (iii) transfer or sell assets; (iv) create liens on assets; (v) engage in certain transactions with affiliates; (vi) create restrictions on dividends or other payments by the restricted subsidiaries; and (vii) merge, consolidate or sell substantially all of CCIBV's assets.

#### Other Debt

Other debt consists primarily of capital leases and loans with international banks. As of June 30, 2018, approximately \$4.2 million was outstanding as other debt.

#### iHeartCommunications' Debt Covenants

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, filed voluntary petitions for relief under Chapter 11 of the United States Bankruptcy Code, in the United States Bankruptcy Court for the Southern District of Texas, Houston Division. The filing of the voluntary petitions triggered an event of default under the iHeartCommunications' senior credit facility and other debt agreements. The ability of iHeartCommunications' creditors to seek remedies to enforce their rights under such debt agreements is automatically stayed as a result of the filing of the iHeart Chapter 11 Cases, and the creditors' rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

#### Uses of Capital

##### Special Dividends

On January 24, 2018, we made a demand for repayment of \$30.0 million outstanding under the Due from iHeartCommunications Note and simultaneously paid a special cash dividend of \$30.0 million.

iHeartCommunications received approximately 89.5%, or approximately \$26.8 million, of the proceeds of the dividend through its wholly-owned subsidiaries, with the remaining approximately 10.5%, or approximately \$3.2 million, of the proceeds of the dividend 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. Future special cash dividends will be dependent upon, among other things, our having sufficient available cash.

#### Commitments, Contingencies and Guarantees

We are currently involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued our estimate of the probable costs for 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 our assumptions or the effectiveness of our strategies related to these proceedings. Please refer to "Legal Proceedings" in Part II, Item 1 of this Quarterly Report on Form 10-Q.

#### SEASONALITY

Typically, both our Americas and International segments experience their lowest financial performance in the first quarter of the calendar year, with International historically experiencing a loss from operations in that period. Our International segment typically experiences its strongest performance in the second and fourth quarters of the calendar year. We expect this trend to continue in the future. Due to this seasonality and certain other factors, the results for the interim periods may not be indicative of results for the full year.

#### MARKET RISK

We are exposed to market risks arising from changes in market rates and prices, including movements in equity security prices and foreign currency exchange rates.

On June 23, 2016, the United Kingdom (the "U.K.") held a referendum in which voters approved an exit of the U.K. from the European Union (the "E.U."), commonly referred to as "Brexit," and on March 29, 2017, the U.K. delivered formal notification of its intention to withdraw from the E.U. Our International segment is currently headquartered in the U.K. and transacts business in many key European markets including the U.K. The announcement of Brexit caused the British pound currency rate to weaken against the U.S. dollar. Further, Brexit may cause our U.K. customers to closely monitor their costs and reduce the amount they spend on advertising. Any of these or similar effects of Brexit could adversely impact our business, operating results, cash flows and financial condition.

### Foreign Currency Exchange Rate Risk

We have operations in countries throughout the world. Foreign operations are measured in their local currencies. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. We believe we mitigate a small portion of our exposure to foreign currency fluctuations with a natural hedge through borrowings in currencies other than the U.S. dollar. Our foreign operations reported net losses of \$21.3 million and \$29.0 million for the three and six months ended June 30, 2018, respectively. We estimate a 10% increase in the value of the U.S. dollar relative to foreign currencies would have decreased our net losses for the three and six months ended June 30, 2018 by \$2.1 million and \$2.9 million, respectively. A 10% decrease in the value of the U.S. dollar relative to foreign currencies during the three and six months ended June 30, 2018 would have increased our net losses for the same periods by corresponding amounts.

This analysis does not consider the implications that such currency fluctuations could have on the overall economic activity that could exist in such an environment in the U.S. or the foreign countries or on the results of operations of these foreign entities.

### Inflation

Inflation is a factor in the economies in which we do business and we continue to seek ways to mitigate its effect. Inflation has affected our performance in terms of higher costs for wages, salaries and equipment. Although the exact impact of inflation is indeterminable, we believe we have offset these higher costs by increasing the effective advertising rates of most of our outdoor display faces.

### CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Except for the historical information, this report contains various forward-looking statements which represent our expectations or beliefs concerning future events, including, without limitation, our future operating and financial performance, our ability to comply with the covenants in the agreements governing our indebtedness and the availability of capital and the terms thereof. Statements expressing expectations and projections with respect to future matters are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables which could impact our future performance. These statements are made on the basis of management's views and assumptions, as of the time the statements are made, regarding future events and performance. There can be no assurance, however, that management's expectations will necessarily come to pass. Actual future events and performance may differ materially from the expectations reflected in our forward-looking statements. We do not intend, nor do we undertake any duty, to update any forward-looking statements.

A wide range of factors could materially affect future developments and performance, including but not limited to: risks associated with weak or uncertain global economic conditions and their impact on the level of expenditures on advertising, including the effects of Brexit;

- our ability to service our debt obligations and to fund our operations and capital expenditures;

- industry conditions, including competition;

- our dependence on our management team and other key individuals;

- our ability to obtain key municipal concessions for our street furniture and transit products;

- fluctuations in operating costs;

- technological changes and innovations;

- shifts in population and other demographics;

- other general economic and political conditions in the United States and in other countries in which we currently do business, including those resulting from recessions, political events and acts or threats of terrorism or military conflicts;

- changes in labor conditions and management;

- the impact of future dispositions, acquisitions and other strategic transactions;

- legislative or regulatory requirements;



regulations and consumer concerns regarding privacy and data protection, and breaches of information security measures;

- restrictions on outdoor advertising of certain products;
- capital expenditure requirements;
- fluctuations in exchange rates and currency values;
- risks of doing business in foreign countries;
- the identification of a material weakness in our internal control over financial reporting;
  - our relationship with iHeartCommunications, including its ability to elect all of the members of our board of directors and its ability as our controlling stockholder to determine the outcome of matters submitted to our stockholders and certain additional matters governed by intercompany agreements between us;

the risks and uncertainties associated with the iHeart Chapter 11 Cases on us and iHeartCommunications, our primary direct or indirect external source of capital, which is operating as a “debtor-in-possession” under the jurisdiction of the Bankruptcy Court;

- the obligations and restrictions imposed on us by our agreements with iHeartCommunications;
- the risk that we may be unable to replace the services iHeartCommunications provides us in a timely manner or on comparable terms;
- the risk that the iHeart Chapter 11 Cases may result in unfavorable tax consequences for us and impair our ability to utilize our federal income tax net operating loss carryforwards in future years;
- the impact of our substantial indebtedness, including the effect of our leverage on our financial position and earnings;
- the ability of our subsidiaries to dividend or distribute funds to us in order for us to repay our debts;
- the restrictions contained in the agreements governing our indebtedness limiting our flexibility in operating our business;
- the effect of credit ratings downgrades; and
- certain other factors set forth in our other filings with the SEC.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative and is not intended to be exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

### ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Required information is presented under “Market Risk” within Item 2 of this Part I.

### ITEM 4. CONTROLS AND PROCEDURES

As required by Rule 13a-15(b) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), under the supervision and with the participation of management, including our Chief Executive Officer and our Chief Financial Officer, we have carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance that information we are required to disclose in reports that are filed or submitted under the Exchange Act is accumulated and communicated to our management, including our Chief Executive Officer and our Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure and is recorded, processed, summarized and reported within the time periods specified by the SEC. Based on that evaluation, although the Company continues to work to remediate the material weakness in internal control over financial reporting as described in our Annual Report on Form 10-K for the year ended December 31, 2017, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were not effective as of June 30, 2018 at the reasonable assurance level.

#### Changes in Internal Controls Over Financial Reporting

Under applicable SEC rules (Exchange Act Rules 13a-15(c) and 15d-15(c)), management is required to evaluate any change in internal control over financial reporting that occurred during each fiscal quarter that had materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

As explained in greater detail under Item 9A, Controls and Procedures, in our Annual Report on Form 10-K for the year ended December 31, 2017, we undertook a broad range of remedial procedures prior to July 31, 2018, the filing date of this report, to address the material weaknesses in our internal control over financial reporting identified as of December 31, 2017. Our efforts to improve our internal controls are ongoing and are focused on implementing additional controls to strengthen the cash management and reporting process at Clear Media Limited, our outdoor business in China. Therefore, while we determined, with the participation of our CEO and CFO, that there have been no changes in our internal control over financial reporting in the three months ended June 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, we continue to monitor the operation of these remedial measures through the date of this report.

For a more comprehensive discussion of the material weaknesses in internal control over financial reporting identified by management as of December 31, 2017, and the remedial measures undertaken to address these material weaknesses, investors are encouraged to review Item 9A, Controls and Procedures, in our Annual Report on Form 10-K for the year ended December 31, 2017.

## PART II -- OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

We currently 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 our assumptions or the effectiveness of our 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 our financial condition or results of operations.

Although we are involved in a variety of legal proceedings in the ordinary course of business, a large portion of our 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 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.

We advised both the United States Securities and Exchange Commission and the United States Department of Justice of the investigation at Clear Media Limited and are 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, we identified misstatements associated with VAT obligations related to our subsidiary in Italy. Upon identification of these misstatements, we undertook certain procedures, including a forensic investigation, which is ongoing. In addition, we 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 we 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 our estimates, and such differences may be material.

### ITEM 1A. RISK FACTORS

For information regarding our risk factors, please refer to Item 1A in our Annual Report on Form 10-K for the year ended December 31, 2017 (the "Annual Report"). There have not been any material changes in the risk factors disclosed in our Annual Report.

### ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table sets forth our purchases of shares of our Class A common stock made during the quarter ended June 30, 2018:

| Period | Total<br>Number of<br>Shares<br>Purchased <sup>(1)</sup> | Average<br>Price<br>Paid per<br>Share <sup>(1)</sup> | Total<br>Number of<br>Shares<br>Purchased<br>as Part of<br>Publicly | Maximum<br>Number (or<br>Approximate<br>Dollar Value)<br>of Shares that<br>May Yet Be |
|--------|----------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------------|
|--------|----------------------------------------------------------|------------------------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------------------------|

|                          |         |         | Announced<br>Plans or<br>Programs | Purchased<br>Under the<br>Plans or<br>Programs |   |
|--------------------------|---------|---------|-----------------------------------|------------------------------------------------|---|
| April 1 through April 30 | 67,019  | \$ 4.90 | —                                 | \$                                             | — |
| May 1 through May 31     | —       | —       | —                                 | —                                              |   |
| June 1 through June 30   | 76,405  | 4.70    | —                                 | —                                              |   |
| Total                    | 143,424 | \$ 4.79 | —                                 | \$                                             | — |

(1) The shares indicated consist of shares of our Class A common stock tendered by employees to us during the three months ended June 30, 2018 to satisfy the employees' tax withholding obligation in connection with the vesting and release of restricted shares, which are repurchased by us based on their fair market value on the date the relevant transaction occurs.

### ITEM 3. DEFAULTS UPON SENIOR SECURITIES

None.

### ITEM 4. MINE SAFETY DISCLOSURES

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Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

| Exhibit<br>Number | Description                                                                                                                                                                                                                                                                                                                                                                                           |
|-------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1              | <u>Credit Agreement, dated as of June 1, 2018, by and among Clear Channel Outdoor, Inc., the subsidiary borrowers party thereto, Deutsche Bank AG New York Branch, as administrative agent and swing line lender, and the other lenders from time to time party thereto (incorporated by reference to the Clear Channel Outdoor Holdings, Inc. Current Report on Form 8-K filed on June 6, 2018).</u> |
| 10.2              | <u>First Amendment to Credit Agreement, dated as of June 29, 2018, by and among Clear Channel Outdoor, Inc., the subsidiary borrowers party thereto, Deutsche Bank AG New York Branch, as administrative agent and swing line lender, and the other lenders from time to time party thereto.</u>                                                                                                      |
| 10.3              | <u>Amended and Restated Waiver and Consent No. 1, dated as of April 27, 2018, by and among Clear Channel Outdoor Holdings, Inc., as borrower, the lenders party thereto, and Deutsche Bank AG New York Branch, in its capacity as administrative agent.</u>                                                                                                                                           |
| 31.1*             | <u>Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>                                                                                                                                                                                                                       |
| 31.2*             | <u>Certification Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</u>                                                                                                                                                                                                                       |
| 32.1**            | <u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>                                                                                                                                                                                                                                                                        |
| 32.2**            | <u>Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</u>                                                                                                                                                                                                                                                                        |
| 101*              | Interactive Data Files.                                                                                                                                                                                                                                                                                                                                                                               |
| *                 | Filed herewith.                                                                                                                                                                                                                                                                                                                                                                                       |
| **                | Furnished herewith.                                                                                                                                                                                                                                                                                                                                                                                   |

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CLEAR CHANNEL OUTDOOR HOLDINGS, INC.

July 31, 2018 /s/ SCOTT D. HAMILTON  
Scott D. Hamilton  
Senior Vice President, Chief Accounting Officer and  
Assistant Secretary