

Clear Channel Outdoor Holdings, Inc.  
Form 10-Q  
July 23, 2014

**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, 2014

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

**1 32663**

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC.**

(Exact name of registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**86-0812139**

(I.R.S. Employer Identification No.)

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200 East Basse Road

78209

San Antonio, Texas

(Zip Code)

(Address of principal executive offices)

(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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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 16, 2014
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Class A Common Stock, \$.01 par value	44,621,953
Class B Common Stock, \$.01 par value	315,000,000

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC.**

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## PART I -- FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND  
SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

<i>(In thousands, except share data)</i>		June 30,		December 31,	
		2014		2013	
		(Unaudited)			
<b>CURRENT ASSETS</b>					
Cash and cash equivalents		\$ 225,974		\$ 314,545	
Accounts receivable, net of allowance of \$33,986 in 2014 and \$33,127 in 2013		741,682		710,529	
Prepaid expenses		142,900		145,021	
Other current assets		74,581		68,333	
	<b>Total Current Assets</b>	<b>1,185,137</b>		<b>1,238,428</b>	
<b>PROPERTY, PLANT AND EQUIPMENT</b>					
Structures, net		1,710,144		1,765,510	
Other property, plant and equipment, net		297,773		315,588	
<b>INTANGIBLE ASSETS AND GOODWILL</b>					
Indefinite-lived intangibles		1,067,891		1,067,783	
Other intangibles, net		456,006		487,926	
Goodwill		850,914		850,134	
<b>OTHER ASSETS</b>					
Due from Clear Channel Communications		950,172		879,108	
Other assets		151,757		154,915	
	<b>Total Assets</b>	<b>\$ 6,669,794</b>		<b>\$ 6,759,392</b>	
<b>CURRENT LIABILITIES</b>					
Accounts payable		\$ 69,909		\$ 85,882	
Accrued expenses		534,533		563,766	
Deferred income		151,856		107,943	
Current portion of long-term debt		15,062		15,999	
	<b>Total Current Liabilities</b>	<b>771,360</b>		<b>773,590</b>	
Long-term debt		4,919,635		4,919,377	
Deferred tax liability		629,850		656,150	
Other long-term liabilities		245,651		250,167	
Commitments and contingent liabilities (Note 5)					
<b>SHAREHOLDERS' EQUITY</b>					

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Noncontrolling interest		198,510		202,046
Preferred stock, \$.01 par value, 150,000,000 shares authorized, no shares issued and outstanding				
Class A common stock, \$.01 par value, 750,000,000 shares authorized, 44,731,645 and 44,117,843 shares issued in 2014 and 2013, respectively		448		441
Class B common stock, \$.01 par value, 600,000,000 shares authorized, 315,000,000 shares issued and outstanding		3,150		3,150
Additional paid-in capital		4,337,029		4,332,045
Accumulated deficit		(4,208,808)		(4,162,975)
Accumulated other comprehensive loss		(226,004)		(213,572)
Cost of shares held in treasury		(1,027)		(1,027)
	<b>Total Shareholders' Equity</b>			103,298
	<b>Total Liabilities and Shareholders' Equity</b>		\$	6,669,794
				\$
				6,759,392

See Notes to Consolidated Financial Statements

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(UNAUDITED)

<i>(In thousands, except per share data)</i>		Three Months Ended				Six Months Ended			
		June 30,		June 30,		June 30,		June 30,	
		2014	2013	2014	2013	2014	2013	2014	2013
Revenue		\$ 781,205	\$ 766,871	\$ 1,416,456	\$ 1,417,081				
Operating expenses:									
	Direct operating expenses (excludes depreciation and amortization)	413,144	399,558	794,657	785,749				
	Selling, general and administrative expenses (excludes depreciation and amortization)	140,271	133,020	273,221	272,581				
	Corporate expenses (excludes depreciation and amortization)	33,333	33,892	64,030	61,716				
	Depreciation and amortization	98,726	97,566	197,467	197,893				
	Other operating income, net	247	3,697	2,901	5,800				
Operating income		95,978	106,532	89,982	104,942				
Interest expense		88,212	88,063	177,473	176,156				
Interest income on Due from Clear Channel Communications		15,227	12,496	29,900	24,416				
Equity in earnings (loss) of nonconsolidated affiliates		327	169	(409)	(316)				
Other income (expense), net		11,983	(310)	13,880	(1,217)				
Income (loss) before income taxes		35,303	30,824	(44,120)	(48,331)				
Income tax benefit (expense)		24,820	(12,094)	7,875	(7,088)				
Consolidated net income (loss)		60,123	18,730	(36,245)	(55,419)				
	Less amount attributable to noncontrolling interest	9,086	9,822	9,588	9,951				
Net income (loss) attributable to the Company		\$ 51,037	\$ 8,908	\$ (45,833)	\$ (65,370)				
Other comprehensive income (loss), net of tax:									
	Foreign currency translation adjustments	(12,025)	(21,111)	(16,562)	(45,136)				
	Unrealized gain (loss) on marketable securities	(405)	241	679	216				
	Other adjustments to comprehensive income (loss)	-	-	-	(998)				
Other comprehensive income (loss)		(12,430)	(20,870)	(15,883)	(45,918)				
Comprehensive income (loss)		38,607	(11,962)	(61,716)	(111,288)				
	Less amount attributable to noncontrolling interest	(554)	(6,737)	(3,451)	(6,830)				

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Comprehensive income (loss) attributable to the Company	\$	39,161		\$	(5,225)		\$	(58,265)		\$	(104,458)
Net income (loss) attributable to the Company per common share:											
Basic	\$	0.14		\$	0.02		\$	(0.13)		\$	(0.19)
Weighted average common shares outstanding – Basic		358,453			357,501			358,425			357,427
Diluted	\$	0.14		\$	0.02		\$	(0.13)		\$	(0.19)
Weighted average common shares outstanding – Diluted		359,832			358,766			358,425			357,427
Dividends declared per share	\$	-		\$	-		\$	-		\$	-

See Notes to Consolidated Financial Statements



## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

<i>(In thousands)</i>		Six Months Ended June 30,			
		2014		2013	
<b>Cash flows from operating activities:</b>					
Consolidated net loss		\$	(36,245)	\$	(55,419)
<b>Reconciling items:</b>					
	Depreciation and amortization		197,467		197,893
	Deferred taxes		(27,723)		(29,491)
	Provision for doubtful accounts		4,143		3,459
	Share-based compensation		4,250		3,995
	Gain on sale of operating assets		(2,901)		(5,800)
	Amortization of deferred financing charges and note discounts, net		4,325		4,261
	Other reconciling items, net		(14,212)		1,236
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:					
	(Increase) decrease in accounts receivable		(33,857)		33,199
	Increase in deferred income		43,277		13,463
	Decrease in accrued expenses		(30,071)		(43,399)
	Decrease in accounts payable		(18,495)		(23,251)
	Changes in other operating assets and liabilities		(9,432)		3,729
Net cash provided by operating activities			80,526		103,875
<b>Cash flows from investing activities:</b>					
	Purchases of property, plant and equipment		(92,967)		(80,105)
	Purchases of other operating assets		(175)		(480)
	Proceeds from disposal of assets		6,888		9,586
	Change in other, net		(1,305)		(585)
Net cash used for investing activities			(87,559)		(71,584)
<b>Cash flows from financing activities:</b>					
	Draws on credit facilities		820		637
	Payments on credit facilities		(1,675)		(1,344)
	Payments on long-term debt		(23)		(4,788)
	Payments to repurchase noncontrolling interests		-		(61,143)
	Dividends and other payments to noncontrolling interests		(9,673)		(4,476)
	Net transfers to Clear Channel Communications		(71,045)		(121,662)
	Change in other, net		695		1,030

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Net cash used for financing activities		(80,901)			(191,746)
Effect of exchange rate changes on cash		(637)			(3,819)
Net decrease in cash and cash equivalents		(88,571)			(163,274)
Cash and cash equivalents at beginning of period		314,545			561,979
Cash and cash equivalents at end of period	\$	225,974		\$	398,705

See Notes to Consolidated Financial Statements

## **CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**

### **NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(UNAUDITED)**

#### **NOTE 1 – BASIS OF PRESENTATION**

##### **Preparation of Interim Financial Statements**

The accompanying consolidated financial statements were prepared by Clear Channel Outdoor Holdings, Inc. (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 are not necessarily 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 2013 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, Clear Channel Communications, Inc. (“Clear Channel Communications”). 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 percent to 50 percent of the voting common stock or otherwise exercises significant influence over operating and financial policies of the Company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process. Certain prior-period amounts have been reclassified to conform to the 2014 presentation.

##### **Adoption of New Accounting Standards**

During the first quarter of 2014, the Company adopted the Financial Accounting Standards Board's (“FASB”) ASU No. 2013-04, *Obligations Resulting from Joint and Several Liability Arrangements for Which the Total Amount of the Obligation Is Fixed at the Reporting Date*. This update provides guidance for the recognition, measurement and disclosure of obligations resulting from joint and several liability arrangements for which the total amount of the obligation within the scope of this guidance is fixed at the reporting date. The amendments are effective for fiscal years (and interim periods within) beginning after December 15, 2013 and are to be applied retrospectively to all prior periods presented for such obligations that exist at the beginning of an entity’s fiscal year of adoption. The adoption of this guidance did not have a material effect on the Company’s consolidated financial statements.

During the first quarter of 2014, the Company adopted the FASB's ASU No. 2013-05, *Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity of an Investment in a Foreign Entity*. The amendments are effective prospectively for the fiscal years (and interim periods within) beginning after December 15, 2013 and provide clarification guidance for the release of the cumulative translation adjustment under current U.S. GAAP. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

During the first quarter of 2014, the Company adopted the FASB's ASU No. 2013-11, *Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists*. This update requires unrecognized tax benefits to be offset against a deferred tax asset for a net operating loss carryforward, similar tax loss or tax credit carryforward in certain situations. The amendments are effective prospectively for the fiscal years (and interim periods within) beginning after December 15, 2013. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements

During the second quarter of 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers*. This new standard provides guidance for the recognition, measurement and disclosure of revenue resulting from contracts with customers and will supersede virtually all of the current revenue recognition guidance under U.S. GAAP. The standard is effective for the first interim period within annual reporting periods beginning after December 15, 2016. The Company is currently evaluating the impact of the provisions of this new standard on its financial position and results of operations.

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 2 – 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 at June 30, 2014 and December 31, 2013, respectively:

<i>(In thousands)</i>	June 30, 2014		December 31, 2013	
Structures	\$	3,064,825	\$	3,021,152
Less: accumulated depreciation		1,354,681		1,255,642
Structures, net	\$	1,710,144	\$	1,765,510
Land, buildings and improvements	\$	211,154	\$	213,670
Furniture and other equipment		161,791		147,768
Construction in progress		69,358		83,891
		442,303		445,329
Less: accumulated depreciation		144,530		129,741
Other property, plant and equipment, net	\$	297,773	\$	315,588

**Indefinite-lived Intangible Assets**

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

**Other Intangible Assets**

Other intangible assets include definite-lived intangible assets and permanent easements. The Company's definite-lived intangible assets consist primarily of 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.

The following table presents the gross carrying amount and accumulated amortization for each major class of other intangible assets at June 30, 2014 and December 31, 2013, respectively:

<i>(In thousands)</i>	June 30, 2014				December 31, 2013			
	Gross Carrying Amount		Accumulated Amortization		Gross Carrying Amount		Accumulated Amortization	
Transit, street furniture and other contractual rights	\$	777,431	\$	(497,061)	\$	777,521	\$	(464,548)
Permanent easements		174,597		-		173,753		-
Other		2,826		(1,787)		2,832		(1,632)
Total	\$	954,854	\$	(498,848)	\$	954,106	\$	(466,180)

Total amortization expense related to definite-lived intangible assets for the three months ended June 30, 2014 and 2013 was \$17.0 million and \$17.4 million, respectively. Total amortization expense related to definite-lived intangible assets for the six months ended June 30, 2014 and 2013 was \$34.1 million and \$36.0 million, respectively.

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

The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets.

<i>(In thousands)</i>		
2015	\$	53,385
2016		43,442
2017		33,110
2018		24,665
2019		18,250

**Goodwill**

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

<i>(In thousands)</i>		Americas		International		Total	
Balance as of December 31, 2012		\$	571,932	\$	290,316	\$	862,248
	Impairment		-		(10,684)		(10,684)
	Foreign currency		-		(974)		(974)
	Dispositions		-		(456)		(456)
Balance as of December 31, 2013			571,932	\$	278,202	\$	850,134
	Foreign currency		-		780		780
Balance as of June 30, 2014		\$	571,932	\$	278,982	\$	850,914

**NOTE 3 – LONG-TERM DEBT**

Long-term debt at June 30, 2014 and December 31, 2013, respectively, consisted of the following:

<i>(In thousands)</i>		June 30, 2014		December 31, 2013	
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

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Clear Channel Worldwide Holdings Senior Subordinated Notes:				
	7.625% Series A Senior Subordinated Notes Due 2020		275,000	275,000
	7.625% Series B Senior Subordinated Notes Due 2020		1,925,000	1,925,000
Senior revolving credit facility due 2018			-	-
Other debt			16,169	17,133
Original issue discount			(6,472)	(6,757)
Total debt			4,934,697	4,935,376
Less: current portion			15,062	15,999
Total long-term debt		\$	4,919,635	\$ 4,919,377

The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$5.3 billion and \$5.1 billion at June 30, 2014 and December 31, 2013, 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.



**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 4 – SUPPLEMENTAL DISCLOSURES****Income Tax Benefit (Expense)**

The Company's income tax benefit (expense) for the three and six months ended June 30, 2014 and 2013, respectively, consisted of the following components:

<i>(In thousands)</i>	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Current tax benefit (expense)	\$	19,563	\$	(18,550)	\$	(19,848)	\$	(36,579)
Deferred tax benefit		5,257		6,456		27,723		29,491
Income tax benefit (expense)	\$	24,820	\$	(12,094)	\$	7,875	\$	(7,088)

The effective tax rates for the three and six months ended June 30, 2014 were (70.3)% and 17.8%, respectively. The effective rates were primarily impacted by the Company's inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years. In addition, the effective tax rates were impacted by the timing and mix of earnings in the various jurisdictions in which the Company operates.

The effective tax rates for the three and six months ended June 30, 2013 were 39.2% and (14.7)%, respectively. The effective rates for the three and six months ended June 30, 2013 were primarily impacted by the Company's inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years.

**Supplemental Cash Flow Information**

During the six months ended June 30, 2014 and 2013, cash paid for interest and income taxes, net of income tax refunds of \$0.2 million and \$1.2 million, respectively, was as follows:

<i>(In thousands)</i>	Six Months Ended June 30,	
	2014	2013

Interest	\$	176,217		\$	174,401
Income taxes		16,823			24,712

**NOTE 5 – COMMITMENTS, CONTINGENCIES AND GUARANTEES**

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; employment and benefits related claims; governmental fines; and tax disputes.

***Los Angeles Litigation***

In 2008, Summit Media, LLC, one of the Company's competitors, sued the City of Los Angeles (the "City"), Clear Channel Outdoor, Inc. and CBS Outdoor in Los Angeles Superior Court (Case No. BS116611) challenging the validity of a settlement agreement that had been entered into in November 2006 among the parties. Pursuant to the settlement agreement, Clear Channel Outdoor, Inc. had taken down existing billboards and converted 83 existing signs from static displays to digital displays pursuant to modernization permits issued through an administrative process of the City. The Los Angeles Superior Court ruled in January 2010 that the settlement agreement constituted an ultra vires act of the City and nullified its existence, but did not invalidate the modernization permits issued to Clear Channel Outdoor, Inc. and CBS. All parties appealed the ruling by the Los Angeles Superior Court to the

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

Court of Appeal for the State of California, Second Appellate District, Division 8. On December 10, 2012, the Court of Appeal issued an order upholding the Superior Court's finding that the settlement agreement was ultra vires and remanding the case to the Superior Court for the purpose of invalidating the modernization permits issued to Clear Channel Outdoor, Inc. and CBS for the digital displays that were the subject of the settlement agreement. On January 22, 2013, Clear Channel Outdoor, Inc. filed a petition with the California Supreme Court requesting its review of the matter, and the Supreme Court denied that petition on February 27, 2013. On April 12, 2013, the Los Angeles Superior Court invalidated 82 digital modernization permits issued to Clear Channel Outdoor, Inc. (77 of which displays were operating at the time of the ruling) and 13 issued to CBS and ordered that the companies turn off the electrical power to affected digital displays by the close of business on April 15, 2013. Clear Channel Outdoor, Inc. has complied with the order. On April 16, 2013, the Court conducted further proceedings during which it held that it was not invalidating two additional digital modernization permits that Clear Channel Outdoor, Inc. had secured through a special zoning plan and confirmed that its April 12 order invalidated only digital modernization permits – no other types of permits the companies may have secured for the signs at issue. Summit Media, LLC filed a further motion requesting that the Court order the demolition of the 82 sign structures on which the now-invalidated digital signs operated, as well as the invalidation of several other permits for traditional signs allegedly issued under the settlement agreement. At a hearing held on November 22, 2013, the Court denied Summit Media, LLC's demolition motion by allowing the 82 sign structures and their LED faces to remain intact, thus allowing Clear Channel Outdoor, Inc. to seek permits under the existing City sign code to either wrap the LED faces with vinyl or convert the LED faces to traditional static signs. The Court further confirmed the invalidation of all permits issued under the settlement agreement. In anticipation of this order, Clear Channel Outdoor, Inc. had removed six static billboard facings solely permitted under the settlement agreement. At a hearing held on January 21, 2014, the Court denied Summit Media, LLC's motion for attorney's fees on the basis that Summit Media, LLC had a substantial financial interest in the outcome of the litigation and, therefore, was not entitled to fees under California's private attorney general statute. On March 12, 2014, Summit Media, LLC filed notices of appeal of the orders denying Summit Media, LLC's fee petition and denying in part Summit Media, LLC's demolition motion.

**Guarantees**

As of June 30, 2014, the Company had \$65.8 million in letters of credit outstanding, of which \$0.2 million of letters of credit were cash secured. Additionally, as of June 30, 2014, Clear Channel Communications had outstanding commercial standby letters of credit and surety bonds of \$1.5 million and \$42.7 million, respectively, held on behalf of the Company. These letters of credit and surety bonds relate to various operational matters, including insurance, bid and performance bonds, as well as other items. Letters of credit in the amount of \$2.0 million are collateral in support of surety bonds and these amounts would only be drawn under the letter of credit in the event the associated surety bonds were funded and the Company did not honor its reimbursement obligation to the issuers.

In addition, as of June 30, 2014, the Company had outstanding bank guarantees of \$59.5 million related to international subsidiaries, of which \$15.8 million were backed by cash collateral.

## **NOTE 6 – RELATED PARTY TRANSACTIONS**

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

Included in the accounts are the net activities resulting from day-to-day cash management services provided by Clear Channel Communications. As a part of these services, the Company maintains collection bank accounts swept daily into accounts of Clear Channel Communications (after satisfying the funding requirements of the Trustee Accounts under the Clear Channel Worldwide Holdings, Inc. (“CCWH”) senior notes and the CCWH subordinated notes). In return, Clear Channel Communications funds the Company’s controlled disbursement accounts as checks or electronic payments are presented for payment. The Company’s claim in relation to cash transferred from its concentration account is on an unsecured basis and is limited to the balance of the “Due from Clear Channel Communications” account. At June 30, 2014 and December 31, 2013, the asset recorded in “Due from Clear Channel Communications” on the consolidated balance sheets was \$950.2 million and \$879.1 million, respectively.

The net interest income for the three months ended June 30, 2014 and 2013 was \$15.2 million and \$12.5 million, respectively. The net interest income for the six months ended June 30, 2014 and 2013 was \$29.9 million and \$24.4 million, respectively. At June 30, 2014 and December 31, 2013, the fixed interest rate on the “Due from Clear Channel Communications” account was 6.5%, which is equal to the fixed interest rate on the CCWH senior notes.

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**

**(UNAUDITED)**

The Company provides advertising space on its billboards for radio stations owned by Clear Channel Communications. For the three months ended June 30, 2014 and 2013, the Company recorded \$1.1 million and \$0.1 million, respectively, in revenue for these advertisements. For the six months ended June 30, 2014 and 2013, the Company recorded \$2.1 million and \$0.2 million, respectively, in revenue for these advertisements.

Under the Corporate Services Agreement between Clear Channel Communications and the Company, Clear Channel Communications 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 Clear Channel Communications based on headcount, revenue or other factors on a pro rata basis. For the three months ended June 30, 2014 and 2013, the Company recorded \$7.1 million and \$9.3 million, respectively, as a component of corporate expenses for these services. For the six months ended June 30, 2014 and 2013, the Company recorded \$16.3 million and \$18.7 million, respectively, as a component of corporate expenses for these services.

Pursuant to the Tax Matters Agreement between Clear Channel Communications and the Company, the operations of the Company are included in a consolidated federal income tax return filed by Clear Channel Communications. 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 Clear Channel Communications 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 financial reporting bases and tax bases 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 Clear Channel Communications' employee benefit plans, including employee medical insurance and a 401(k) retirement benefit plan. These costs are recorded as a component of selling, general and administrative expenses and were approximately \$2.7 million and \$2.7 million for the three months ended June 30, 2014 and 2013, respectively. For the six months

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ended June 30, 2014 and 2013, the Company recorded approximately \$5.3 million and \$5.4 million, respectively, as a component of selling, general and administrative expenses for these services.

**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 7 – SHAREHOLDERS’ EQUITY AND COMPREHENSIVE LOSS**

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 shareholders’ equity attributable to the Company and the noncontrolling interests of subsidiaries in which the Company has a majority, but not total ownership interest:

<i>(In thousands)</i>	The Company		Noncontrolling		Consolidated	
	\$		\$		\$	
Balances at January 1, 2014	\$	(41,938)	\$	202,046	\$	160,108
Net income (loss)		(45,833)		9,588		(36,245)
Dividends and other payments to noncontrolling interests		-		-		-
Foreign currency translation adjustments		(13,111)		(3,451)		(16,562)
Unrealized holding gain on marketable securities		679		-		679
Other adjustments to comprehensive loss		-		-		-
Other, net		4,991		(9,673)		(4,682)
Balances at June 30, 2014	\$	(95,212)	\$	198,510	\$	103,298
Balances at January 1, 2013	\$	198,155	\$	247,934	\$	446,089
Net income (loss)		(65,370)		9,951		(55,419)
Foreign currency translation adjustments		(38,306)		(6,830)		(45,136)
Unrealized holding gain on marketable securities		216		-		216
Other adjustments to comprehensive loss		(998)		-		(998)
Other, net		2,306		(8,835)		(6,529)
Balances at June 30, 2013	\$	96,003	\$	242,220	\$	338,223

On July 21, 2014, in accordance with the terms of its charter, a committee of the Company’s board of directors (1) provided notice of its intent to demand \$175 million outstanding under the revolving promissory note with Clear Channel Communications on August 11, 2014 and (2) declared a special cash dividend in aggregate amount equal to \$175 million, the payment of which is conditioned upon the satisfaction by Clear Channel Communications of such demand, payable on August 11, 2014 to the Company’s stockholders of record as of August 4, 2014. Following satisfaction of the demand, the balance outstanding under the note will be reduced by \$175 million.





**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 8 – 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 Canada, and the International segment primarily includes operations in Europe, Asia, Australia 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.

The following table presents the Company’s reportable segment results for the three and six months ended June 30, 2014 and 2013:

<i>(In thousands)</i>						Corporate and other				
		Americas		International		reconciling items			Consolidated	
<b>Three months ended June 30, 2014</b>										
Revenue	\$	319,147		\$	462,058	\$	-		\$	781,205
Direct operating expenses		139,734			273,410		-			413,144
Selling, general and administrative expenses		52,420			87,851		-			140,271
Corporate expenses		-			-		33,333			33,333
Depreciation and amortization		47,523			50,214		989			98,726
Other operating income, net		-			-		247			247
Operating income (loss)	\$	79,470		\$	50,583	\$	(34,075)		\$	95,978
Capital expenditures	\$	17,190		\$	36,269	\$	880		\$	54,339
Share-based compensation expense	\$	-		\$	-	\$	2,240		\$	2,240
<b>Three months ended June 30, 2013</b>										
Revenue	\$	335,025		\$	431,846	\$	-		\$	766,871
Direct operating expenses		141,813			257,745		-			399,558

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Selling, general and administrative expenses		55,121		77,899		-		133,020
Corporate expenses		-		-		33,892		33,892
Depreciation and amortization		47,041		49,930		595		97,566
Other operating income, net		-		-		3,697		3,697
Operating income (loss)	\$	91,050		\$ 46,272		\$ (30,790)		\$ 106,532
Capital expenditures	\$	16,756		\$ 22,792		\$ 1,116		\$ 40,664
Share-based compensation expense	\$	-		\$ -		\$ 2,334		\$ 2,334
<b>Six Months Ended June 30, 2014</b>								
Revenue	\$	587,904		\$ 828,552		\$ -		\$ 1,416,456
Direct operating expenses		273,022		521,635		-		794,657
Selling, general and administrative expenses		103,532		169,689		-		273,221
Corporate expenses		-		-		64,030		64,030
Depreciation and amortization		95,121		100,658		1,688		197,467
Other operating income, net		-		-		2,901		2,901
Operating income (loss)	\$	116,229		\$ 36,570		\$ (62,817)		\$ 89,982
Capital expenditures	\$	29,410		\$ 61,355		\$ 2,202		\$ 92,967
Share-based compensation expense	\$	-		\$ -		\$ 4,250		\$ 4,250
<b>Six Months Ended June 30, 2013</b>								
Revenue	\$	621,486		\$ 795,595		\$ -		\$ 1,417,081
Direct operating expenses		278,704		507,045		-		785,749
Selling, general and administrative expenses		109,493		163,088		-		272,581
Corporate expenses		-		-		61,716		61,716
Depreciation and amortization		95,726		100,923		1,244		197,893
Other operating income, net		-		-		5,800		5,800
Operating income (loss)	\$	137,563		\$ 24,539		\$ (57,160)		\$ 104,942
Capital expenditures	\$	29,651		\$ 48,700		\$ 1,754		\$ 80,105
Share-based compensation expense	\$	-		\$ -		\$ 3,995		\$ 3,995



**CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)****(UNAUDITED)****NOTE 9 – 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 CCWH (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):

<i>(In thousands)</i>	As of June 30, 2014						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Cash and cash equivalents	\$ 35,121	\$ -	\$ 7,203	\$ 183,650	\$ -	\$ 225,974	
Accounts receivable, net of allowance	-	-	216,108	525,574	-	741,682	
Intercompany receivables	-	189,985	1,604,536	-	(1,794,521)	-	
Prepaid expenses	1,327	-	63,297	78,276	-	142,900	
Other current assets	65	6,850	22,108	45,558	-	74,581	
<b>Total Current Assets</b>	<b>36,513</b>	<b>196,835</b>	<b>1,913,252</b>	<b>833,058</b>	<b>(1,794,521)</b>	<b>1,185,137</b>	
Structures, net	-	-	1,100,054	610,090	-	1,710,144	
Other property, plant and equipment, net	-	-	161,635	136,138	-	297,773	
Indefinite-lived intangibles	-	-	1,055,890	12,001	-	1,067,891	
Other intangibles, net	-	-	335,459	120,547	-	456,006	
Goodwill	-	-	571,932	278,982	-	850,914	
Due from Clear Channel Communications	950,172	-	-	-	-	950,172	
Intercompany notes receivable	182,026	4,996,551	-	-	(5,178,577)	-	
Other assets	346,863	853,396	1,355,744	63,847	(2,468,093)	151,757	
<b>Total Assets</b>	<b>\$ 1,515,574</b>	<b>\$ 6,046,782</b>	<b>\$ 6,493,966</b>	<b>\$ 2,054,663</b>	<b>\$ (9,441,191)</b>	<b>\$ 6,669,794</b>	

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Accounts payable	\$ -	\$ -	\$ 6,422	\$ 63,487	\$ -	\$ 69,909
Intercompany payable	1,601,604	-	189,985	2,932	(1,794,521)	-
Accrued expenses	534	(1,130)	94,029	441,100	-	534,533
Deferred income	-	-	61,388	90,468	-	151,856
Current portion of long-term debt	-	-	53	15,009	-	15,062
<b>Total Current Liabilities</b>	1,602,138	(1,130)	351,877	612,996	(1,794,521)	771,360
Long-term debt	-	4,918,528	1,107	-	-	4,919,635
Intercompany notes payable	-	-	5,034,451	144,126	(5,178,577)	-
Deferred tax liability	186	85	614,501	15,078	-	629,850
Other long-term liabilities	-	-	145,104	100,547	-	245,651
Total shareholders' equity	(86,750)	1,129,299	346,926	1,181,916	(2,468,093)	103,298
<b>Total Liabilities and Shareholders' Equity</b>	\$ 1,515,574	\$ 6,046,782	\$ 6,493,966	\$ 2,054,663	\$ (9,441,191)	\$ 6,669,794

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

<i>(In thousands)</i>		As of December 31, 2013						
		Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Cash and cash equivalents	\$	83,185	\$ -	\$ 5,885	\$ 225,475	\$ -	\$ 314,545	
Accounts receivable, net of allowance		-	-	207,753	502,776	-	710,529	
Intercompany receivables		-	186,659	1,592,228	-	(1,778,887)	-	
Prepaid expenses		1,390	-	72,006	71,625	-	145,021	
Other current assets		3	6,850	20,333	41,147	-	68,333	
<b>Total Current Assets</b>		84,578	193,509	1,898,205	841,023	(1,778,887)	1,238,428	
Structures, net		-	-	1,142,094	623,416	-	1,765,510	
Other property, plant and equipment, net		-	-	178,149	137,439	-	315,588	
Indefinite-lived intangibles		-	-	1,055,728	12,055	-	1,067,783	
Other intangibles, net		-	-	344,178	143,748	-	487,926	
Goodwill		-	-	571,932	278,202	-	850,134	
Due from Clear Channel Communications		879,108	-	-	-	-	879,108	
Intercompany notes receivable		182,026	5,002,517	-	-	(5,184,543)	-	
Other assets		408,083	871,363	1,373,504	61,626	(2,559,661)	154,915	
<b>Total Assets</b>	\$	1,553,795	\$ 6,067,389	\$ 6,563,790	\$ 2,097,509	\$ (9,523,091)	\$ 6,759,392	
Accounts payable	\$	-	\$ -	\$ 11,742	\$ 74,140	\$ -	\$ 85,882	
Intercompany payable		1,586,370	-	186,659	5,858	(1,778,887)	-	
Accrued expenses		725	1,342	105,909	455,790	-	563,766	
Deferred income		-	-	42,591	65,352	-	107,943	
		-	-	47	15,952	-	15,999	

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Current portion of long-term debt									
<b>Total Current Liabilities</b>	1,587,095	1,342	346,948	617,092	(1,778,887)	773,590			
Long-term debt	-	4,918,243	1,134	-	-	4,919,377			
Intercompany notes payable	-	-	5,025,497	159,046	(5,184,543)	-			
Deferred tax liability	175	85	638,141	17,749	-	656,150			
Other long-term liabilities	-	-	143,925	106,242	-	250,167			
Total shareholders' equity	(33,475)	1,147,719	408,145	1,197,380	(2,559,661)	160,108			
<b>Total Liabilities and Shareholders' Equity</b>	\$ 1,553,795	\$ 6,067,389	\$ 6,563,790	\$ 2,097,509	\$ (9,523,091)	\$ 6,759,392			

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Three Months Ended June 30, 2014						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Revenue	\$ -	\$ -	\$ 295,190	\$ 486,015	\$ -	\$ 781,205	
Operating expenses:							
Direct operating expenses	-	-	123,377	289,767	-	413,144	
Selling, general and administrative expenses	-	-	48,493	91,778	-	140,271	
Corporate expenses	2,769	-	16,016	14,548	-	33,333	
Depreciation and amortization	-	-	47,466	51,260	-	98,726	
Other operating income (expense), net	(142)	-	814	(425)	-	247	
Operating income (loss)	(2,911)	-	60,652	38,237	-	95,978	
Interest (income) expense, net	(2)	88,069	430	(285)	-	88,212	
Interest income on Due from Clear Channel Communications	15,227	-	-	-	-	15,227	
Intercompany interest income	3,883	85,210	15,437	-	(104,530)	-	
Intercompany interest expense	15,227	-	89,093	210	(104,530)	-	
Loss on marketable securities	-	-	-	-	-	-	
Equity in earnings (loss) of nonconsolidated affiliates	48,365	27,708	27,500	(33)	(103,213)	327	
Other income (expense), net	2,074	-	(307)	10,216	-	11,983	



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Income (loss) before income taxes	51,413	24,849	13,759	48,495	(103,213)	35,303
Income tax benefit (expense)	(376)	898	34,607	(10,309)	-	24,820
Consolidated net income (loss)	51,037	25,747	48,366	38,186	(103,213)	60,123
Less amount attributable to noncontrolling interest	-	-	-	9,086	-	9,086
Net income (loss) attributable to the Company	\$ 51,037	\$ 25,747	\$ 48,366	\$ 29,100	\$ (103,213)	\$ 51,037
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	-	-	1,084	(13,109)	-	(12,025)
Unrealized gain on marketable securities	-	-	-	(405)	-	(405)
Other adjustments to comprehensive income	-	-	-	-	-	-
Equity in subsidiary comprehensive income	(11,876)	(13,530)	(12,960)	-	38,366	-
Comprehensive income (loss)	39,161	12,217	36,490	15,586	(64,847)	38,607
Less amount attributable to noncontrolling interest	-	-	-	(554)	-	(554)
Comprehensive income (loss) attributable to the Company	\$ 39,161	\$ 12,217	\$ 36,490	\$ 16,140	\$ (64,847)	\$ 39,161

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Three Months Ended June 30, 2013						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Revenue	\$ -	\$ -	\$ 311,421	\$ 455,450	\$ -	\$ 766,871	
Operating expenses:							
Direct operating expenses	-	-	126,759	272,799	-	399,558	
Selling, general and administrative expenses	-	-	51,017	82,003	-	133,020	
Corporate expenses	3,266	-	17,189	13,437	-	33,892	
Depreciation and amortization	-	-	46,531	51,035	-	97,566	
Other operating income (expense), net	(120)	-	2,777	1,040	-	3,697	
Operating income (loss)	(3,386)	-	72,702	37,216	-	106,532	
Interest (income) expense, net	(40)	88,066	356	(319)	-	88,063	
Interest income on Due from Clear Channel Communications	12,496	-	-	-	-	12,496	
Intercompany interest income	3,808	85,140	12,496	(37)	(101,407)	-	
Intercompany interest expense	12,601	-	88,829	(23)	(101,407)	-	
Equity in earnings (loss) of nonconsolidated affiliates	8,687	17,802	19,300	(293)	(45,327)	169	
Other income (expense), net	-	-	(5,573)	5,263	-	(310)	
	9,044	14,876	9,740	42,491	(45,327)	30,824	

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Income (loss) before income taxes													
Income tax benefit (expense)	(136)	1,953	(1,053)	(12,858)	-	(12,094)							
Consolidated net income (loss)	8,908	16,829	8,687	29,633	(45,327)	18,730							
Less amount attributable to noncontrolling interest	-	-	-	9,822	-	9,822							
Net income (loss) attributable to the Company	\$ 8,908	\$ 16,829	\$ 8,687	\$ 19,811	\$ (45,327)	\$ 8,908							
Other comprehensive income (loss), net of tax:													
Foreign currency translation adjustments	283	-	(7,637)	(13,757)	-	(21,111)							
Unrealized gain on marketable securities	-	-	-	241	-	241							
Equity in subsidiary comprehensive income	(14,416)	(7,400)	(6,924)	-	28,740	-							
Comprehensive income (loss)	(5,225)	9,429	(5,874)	6,295	(16,587)	(11,962)							
Less amount attributable to noncontrolling interest	-	-	(145)	(6,592)	-	(6,737)							
Comprehensive income (loss) attributable to the Company	\$ (5,225)	\$ 9,429	\$ (5,729)	\$ 12,887	\$ (16,587)	\$ (5,225)							

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Six Months Ended June 30, 2014						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Revenue	\$ -	\$ -	\$ 543,687	\$ 872,769	\$ -	\$ 1,416,456	
Operating expenses:							
Direct operating expenses	-	-	243,137	551,520	-	794,657	
Selling, general and administrative expenses	-	-	96,131	177,090	-	273,221	
Corporate expenses	6,054	-	32,729	25,247	-	64,030	
Depreciation and amortization	-	-	94,544	102,923	-	197,467	
Other operating income (expense), net	(270)	-	3,303	(132)	-	2,901	
Operating income (loss)	(6,324)	-	80,449	15,857	-	89,982	
Interest (income) expense, net	(7)	176,130	957	393	-	177,473	
Interest income on Due from Clear Channel Communications	29,900	-	-	-	-	29,900	
Intercompany interest income	7,743	170,425	30,337	-	(208,505)	-	
Intercompany interest expense	29,900	-	178,168	437	(208,505)	-	
Loss on marketable securities	-	-	-	-	-	-	
Equity in earnings (loss) of nonconsolidated affiliates	(48,788)	(21)	(480)	(1,292)	50,172	(409)	
Other income (expense), net	2,074	-	3,874	7,932	-	13,880	

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Income (loss) before income taxes	(45,288)	(5,726)	(64,945)	21,667	50,172	(44,120)
Income tax benefit (expense)	(545)	1,806	16,157	(9,543)	-	7,875
Consolidated net income (loss)	(45,833)	(3,920)	(48,788)	12,124	50,172	(36,245)
Less amount attributable to noncontrolling interest	-	-	-	9,588	-	9,588
Net income (loss) attributable to the Company	\$ (45,833)	\$ (3,920)	\$ (48,788)	\$ 2,536	\$ 50,172	\$ (45,833)
Other comprehensive income (loss), net of tax:						
Foreign currency translation adjustments	-	21	2,012	(18,595)	-	(16,562)
Unrealized gain on marketable securities	-	-	-	679	-	679
Other adjustments to comprehensive loss	-	-	-	-	-	-
Equity in subsidiary comprehensive income (loss)	(12,432)	(14,521)	(14,444)	-	41,397	-
Comprehensive income (loss)	(58,265)	(18,420)	(61,220)	(15,380)	91,569	(61,716)
Less amount attributable to noncontrolling interest	-	-	-	(3,451)	-	(3,451)
Comprehensive income (loss) attributable to the Company	\$ (58,265)	\$ (18,420)	\$ (61,220)	\$ (11,929)	\$ 91,569	\$ (58,265)

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Six Months Ended June 30, 2013						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Revenue	\$ -	\$ -	\$ 576,584	\$ 840,497	\$ -	\$ 1,417,081	
Operating expenses:							
Direct operating expenses	-	-	249,255	536,494	-	785,749	
Selling, general and administrative expenses	-	-	101,639	170,942	-	272,581	
Corporate expenses	6,490	3	32,784	22,439	-	61,716	
Depreciation and amortization	-	-	94,771	103,122	-	197,893	
Other operating income (expense), net	(240)	-	5,023	1,017	-	5,800	
Operating income (loss)	(6,730)	(3)	103,158	8,517	-	104,942	
Interest (income) expense, net	(104)	176,108	624	(472)	-	176,156	
Interest income on Due from Clear Channel Communications	24,416	-	-	-	-	24,416	
Intercompany interest income	7,482	170,315	24,416	1	(202,214)	-	
Intercompany interest expense	24,642	-	177,530	42	(202,214)	-	
Equity in earnings (loss) of nonconsolidated affiliates	(65,764)	(13,118)	(11,576)	(1,278)	91,420	(316)	
Other income (expense), net	-	-	(8,634)	7,417	-	(1,217)	
	(65,134)	(18,914)	(70,790)	15,087	91,420	(48,331)	

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Income (loss) before income taxes													
Income tax benefit (expense)	(236)	3,030	5,026	(14,908)	-	(7,088)							
Consolidated net income (loss)	(65,370)	(15,884)	(65,764)	179	91,420	(55,419)							
Less amount attributable to noncontrolling interest	-	-	-	9,951	-	9,951							
Net income (loss) attributable to the Company	\$ (65,370)	\$ (15,884)	\$ (65,764)	\$ (9,772)	\$ 91,420	\$ (65,370)							
Other comprehensive income (loss), net of tax:													
Foreign currency translation adjustments	(31)	(11)	(5,700)	(39,394)	-	(45,136)							
Unrealized gain on marketable securities	-	-	-	216	-	216							
Other adjustments to comprehensive income (loss)	-	-	-	(998)	-	(998)							
Equity in subsidiary comprehensive income (loss)	(39,057)	(33,390)	(33,357)	-	105,804	-							
Comprehensive income (loss)	(104,458)	(49,285)	(104,821)	(49,948)	197,224	(111,288)							
Less amount attributable to noncontrolling interest	-	-	-	(6,830)	-	(6,830)							
Comprehensive income (loss) attributable to the Company	\$ (104,458)	\$ (49,285)	\$ (104,821)	\$ (43,118)	\$ 197,224	\$ (104,458)							





## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Six Months Ended June 30, 2014							
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated		
<b>Cash flows from operating activities:</b>								
Consolidated net income (loss)	\$ (45,833)	\$ (3,920)	\$ (48,788)	\$ 12,124	\$ 50,172		\$ (36,245)	
Reconciling items:								
Depreciation and amortization	-	-	94,544	102,923	-		197,467	
Deferred taxes	11	-	(24,520)	(3,214)	-		(27,723)	
Provision for doubtful accounts	-	-	1,485	2,658	-		4,143	
Share-based compensation	-	-	2,738	1,512	-		4,250	
(Gain) loss on sale of operating assets	270	-	(3,303)	132	-		(2,901)	
Amortization of deferred financing charges and note discounts, net	-	3,709	616	-	-		4,325	
Other reconciling items, net	48,788	21	432	(13,281)	(50,172)		(14,212)	
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:								
Decrease in accounts receivable	-	-	(11,199)	(22,658)	-		(33,857)	
Increase in deferred income	-	-	18,823	24,454	-		43,277	
Increase (decrease) in accrued expenses	(191)	(2,473)	(11,880)	(15,527)	-		(30,071)	
	-	21	(5,339)	(13,177)	-		(18,495)	

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Decrease in accounts payable													
Changes in other operating assets and liabilities	(270)	-	9,027	(18,189)	-	(9,432)							
Net cash provided by (used for) operating activities	2,775	(2,642)	22,636	57,757	-	80,526							
<b>Cash flows from investing activities:</b>													
Purchases of property, plant and equipment	-	-	(29,771)	(63,196)	-	(92,967)							
Purchases of other operating assets	-	-	(369)	194	-	(175)							
Proceeds from disposal of assets	-	-	6,267	621	-	6,888							
Decrease in Intercompany notes receivable, net	-	-	-	-	-	-							
Dividends from subsidiaries	-	-	-	-	-	-							
Change in other, net	-	15,230	(10)	(1,295)	(15,230)	(1,305)							
Net cash provided by (used for) investing activities	-	15,230	(23,883)	(63,676)	(15,230)	(87,559)							
<b>Cash flows from financing activities:</b>													
Draws on credit facilities	-	-	-	820	-	820							
Payments on credit facilities	-	-	-	(1,675)	-	(1,675)							
Proceeds from long-term debt	-	-	-	-	-	-							
Payments on long-term debt	-	-	(23)	-	-	(23)							
Payments to repurchase noncontrolling interests	-	-	-	-	-	-							
Decrease in intercompany notes payable, net	-	-	-	(15,230)	15,230	-							
Net transfers to Clear Channel Communications	(71,045)	-	-	-	-	(71,045)							
Intercompany funding	19,508	(12,588)	2,591	(9,511)	-	-							

Dividends and other payments to noncontrolling interests	-	-	-	(9,673)	-	(9,673)
Change in other, net	698	-	(3)	-	-	695
Net cash used for financing activities	(50,839)	(12,588)	2,565	(35,269)	15,230	(80,901)
Effect of exchange rate changes on cash	-	-	-	(637)	-	(637)
Net increase (decrease) in cash and cash equivalents	(48,064)	-	1,318	(41,825)	-	(88,571)
Cash and cash equivalents at beginning of period	83,185	-	5,885	225,475	-	314,545
Cash and cash equivalents at end of period	\$ 35,121	\$ -	\$ 7,203	\$ 183,650	\$ -	\$ 225,974

## CLEAR CHANNEL OUTDOOR HOLDINGS, INC. AND SUBSIDIARIES

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(UNAUDITED)

(In thousands)	Six Months Ended June 30, 2013						
	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
<b>Cash flows from operating activities:</b>							
Consolidated net income (loss)	\$ (65,370)	\$ (15,884)	\$ (65,764)	\$ 179	\$ 91,420	\$ (55,419)	
Reconciling items:							
Depreciation and amortization	-	-	94,771	103,122	-	197,893	
Deferred taxes	-	-	(19,690)	(9,801)	-	(29,491)	
Provision for doubtful accounts	-	-	2,004	1,455	-	3,459	
Share-based compensation	-	-	2,435	1,560	-	3,995	
(Gain) loss on sale of operating assets	240	-	(5,023)	(1,017)	-	(5,800)	
Amortization of deferred financing charges and note discounts, net	-	3,691	570	-	-	4,261	
Other reconciling items, net	65,764	13,118	12,849	925	(91,420)	1,236	
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:							
Decrease in accounts receivable	-	-	30,165	3,034	-	33,199	
Increase (decrease) in deferred income	-	-	(6,813)	20,276	-	13,463	
Increase (decrease) in accrued expenses	(260)	72,042	(69,166)	(46,015)	-	(43,399)	
Decrease in accounts payable	-	(11)	(10,369)	(17,664)	4,793	(23,251)	

Changes in other operating assets and liabilities	554	-	2,784	391	-	3,729
Net cash provided by (used for) operating activities	928	72,956	(31,247)	56,445	4,793	103,875
<b>Cash flows from investing activities:</b>						
Purchases of property, plant and equipment	-	-	(31,201)	(48,904)	-	(80,105)
Purchases of businesses and other operating assets	-	-	(480)	-	-	(480)
Proceeds from disposal of assets	-	-	4,782	4,804	-	9,586
Decrease in intercompany notes receivable, net	-	15,559	-	-	(15,559)	-
Dividends from subsidiaries	1,153	-	-	-	(1,153)	-
Change in other, net	-	-	-	(585)	-	(585)
Net cash provided by (used for) investing activities	1,153	15,559	(26,899)	(44,685)	(16,712)	(71,584)
<b>Cash flows from financing activities:</b>						
Draws on credit facilities	-	-	-	637	-	637
Payments on credit facilities	-	-	-	(1,344)	-	(1,344)
Payments on long-term debt	-	-	(64)	(4,724)	-	(4,788)
Payments to repurchase noncontrolling interests	-	-	-	(61,143)	-	(61,143)
Decrease in intercompany notes payable, net	-	-	-	(15,559)	15,559	-
Net transfers to Clear Channel Communications	(121,662)	-	-	-	-	(121,662)
Intercompany funding	44,872	(88,515)	59,445	(15,802)	-	-
Dividends and other payments to noncontrolling	-	-	-	(5,629)	1,153	(4,476)

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interests									
Change in other, net	878	-	152	-	-	1,030			
Net cash provided by (used for) financing activities	(75,912)	(88,515)	59,533	(103,564)	16,712	(191,746)			
Effect of exchange rate changes on cash	-	-	(1)	(3,818)	-	(3,819)			
Net increase (decrease) in cash and cash equivalents	(73,831)	-	1,386	(95,622)	4,793	(163,274)			
Cash and cash equivalents at beginning of period	207,411	-	-	359,361	(4,793)	561,979			
Cash and cash equivalents at end of period	\$ 133,580	\$ -	\$ 1,386	\$ 263,739	\$ -	\$ 398,705			

## **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. 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 period amounts have been reclassified to conform to the 2014 presentation.

We manage our operating segments primarily focusing on their operating income, while Corporate expenses, Other operating income (expense), net, Interest expense, Interest income on Due from Clear Channel Communications, 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 and economic conditions in the foreign markets in which we have operations.

### **Executive Summary**

The key developments in our business for the three months ended June 30, 2014 are summarized below:

- Consolidated revenue increased \$14.3 million including an increase of \$10.5 million from movements in foreign exchange during the three months ended June 30, 2014 compared to the same period of 2013. Excluding foreign exchange impacts, consolidated revenue increased \$3.8 million over the comparable three-month period of

2013.

- Americas revenue decreased \$15.9 million including a decrease of \$0.8 million from movements in foreign exchange during the three months ended June 30, 2014 compared to the same period of 2013. Excluding foreign exchange impacts, revenue decreased \$15.1 million over the comparable three-month period of 2013 primarily driven by lower spending by national accounts and lower airport revenues.
- International revenue increased \$30.2 million including an increase of \$11.3 million from movements in foreign exchange during the three months ended June 30, 2014 compared to the same period of 2013. Excluding foreign exchange impacts, revenue increased \$18.9 million over the comparable three-month period of 2013 primarily driven by growth from new contracts in western Europe and growth in emerging markets.
- During the second quarter of 2014, we spent \$8.9 million on strategic revenue and efficiency initiatives to realign and improve our on-going business operations—an increase of \$1.3 million compared to the second quarter of 2013.



**RESULTS OF OPERATIONS****Consolidated Results of Operations**

The comparison of our results of operations for the three and six months ended June 30, 2014 to the three and six months ended June 30, 2013 is as follows:

<i>(In thousands)</i>		Three Months Ended			Six Months Ended		
		June 30,		%	June 30,		%
		2014	2013	Change	2014	2013	Change
Revenue		\$ 781,205	\$ 766,871	1.9%	\$ 1,416,456	\$ 1,417,081	(0.0%)
Operating expenses:							
	Direct operating expenses (excludes depreciation and amortization)	413,144	399,558	3.4%	794,657	785,749	1.1%
	Selling, general and administrative expenses (excludes depreciation and amortization)	140,271	133,020	5.5%	273,221	272,581	0.2%
	Corporate expenses (excludes depreciation and amortization)	33,333	33,892	(1.6%)	64,030	61,716	3.7%
	Depreciation and amortization	98,726	97,566	1.2%	197,467	197,893	(0.2%)
	Other operating income, net	247	3,697	(93.3%)	2,901	5,800	(50.0%)
Operating income		95,978	106,532	(9.9%)	89,982	104,942	(14.3%)
Interest expense		88,212	88,063		177,473	176,156	
Interest income on Due from Clear Channel							
	Communications	15,227	12,496		29,900	24,416	
Equity in earnings (loss) of nonconsolidated affiliates		327	169		(409)	(316)	
		11,983	(310)		13,880	(1,217)	

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Other income (expense), net										
Income (loss) before income taxes		35,303		30,824			(44,120)		(48,331)	
Income tax expense (benefit)		24,820		(12,094)			7,875		(7,088)	
Consolidated net income (loss)		60,123		18,730			(36,245)		(55,419)	
Less amount attributable to noncontrolling interest										
		9,086		9,822			9,588		9,951	
Net income (loss) attributable to the Company	\$	51,037	\$	8,908			\$ (45,833)		\$ (65,370)	

**Consolidated Revenue**

Our consolidated revenue during the second quarter of 2014 increased \$14.3 million including an increase of \$10.5 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated revenue increased \$3.8 million. Americas revenue decreased \$15.9 million including negative movements in foreign exchange of \$0.8 million compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas revenue decreased \$15.1 million primarily driven by lower spending by national accounts and the nonrenewal of certain airport contracts. Our International revenue increased \$30.2 million including positive movements in foreign exchange of \$11.3 million compared to the same period of 2013. Excluding the impact of foreign exchange movements, International revenue increased \$18.9 million primarily driven by growth from new contracts in western Europe and growth in emerging markets.

Our consolidated revenue decreased \$0.6 million including an increase of \$11.0 million from movements in foreign exchange during the first six months of 2014 compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated revenue decreased \$11.6 million. Americas revenue decreased \$33.6 million including negative movements in foreign exchange of \$1.8 million compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas revenue decreased \$31.8 million primarily driven by lower revenues in our Los Angeles market as a result of the impact of litigation, and lower revenues generated by national accounts and the nonrenewal of certain airport contracts. Our International revenue increased \$33.0 million including positive movements in foreign exchange of \$12.7 million compared to the same period of 2013.

Excluding the impact of foreign exchange movements, International revenue increased \$20.3 million primarily driven by growth resulting from new contracts and from growth in emerging markets, partially offset by declines in certain countries.

### ***Consolidated Direct Operating Expenses***

Consolidated direct operating expenses during the second quarter of 2014 increased \$13.6 million including an increase of \$6.7 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated direct operating expenses increased \$6.9 million. Direct operating expenses in our Americas segment decreased \$2.1 million including a decrease of \$0.6 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas segment decreased \$1.5 million, primarily due to lower variable site lease expenses resulting from lower revenues. Direct operating expenses in our International segment increased \$15.7 million including an increase of \$7.3 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our International segment increased \$8.4 million along with increased revenues primarily as a result of variable costs associated with new contracts.

Consolidated direct operating expenses during the first six months of 2014 increased \$8.9 million including an increase of \$7.1 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated direct operating expenses increased \$1.8 million. Direct operating expenses in our Americas segment decreased \$5.7 million including a decrease of \$1.4 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas segment decreased \$4.3 million, primarily due to lower variable site lease expenses related to the decrease in digital and traditional revenues, as well as lower site lease expense resulting from the nonrenewal of certain airport contracts. Direct operating expenses in our International segment increased \$14.6 million including an increase of \$8.5 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our International segment increased \$6.1 million primarily as a result of variable costs associated with new contracts.

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

Consolidated SG&A expenses during the second quarter of 2014 increased \$7.3 million including an increase of \$2.1 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated SG&A expenses increased \$5.2 million. SG&A expenses decreased \$2.7 million in our Americas segment including a decrease of \$0.1 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas SG&A expenses decreased \$2.6 million primarily due to lower commission expense in connection with lower revenues and lower legal costs related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q. Our International SG&A expenses increased \$10.0 million including an increase of \$2.2 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our International segment increased \$7.8 million compared to the same period of 2013 primarily due to

higher compensation related to higher revenues and litigation expenses.

Consolidated SG&A expenses during the first six months of 2014 increased \$0.6 million including an increase of \$1.5 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, consolidated SG&A expenses decreased \$0.9 million. SG&A expenses decreased \$6.0 million in our Americas segment including a decrease of \$0.2 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our Americas segment decreased \$5.8 million primarily due to lower commission expense in connection with lower revenues and lower legal costs related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q. Our International SG&A expenses increased \$6.6 million including a \$1.7 million increase due to the effects of movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our International segment increased \$4.9 million primarily due to higher compensation in connection with higher revenues, as well as higher litigation expenses.

### ***Corporate Expenses***

Corporate expenses decreased \$0.6 million during the second quarter of 2014 compared to the same period of 2013. Corporate expenses increased \$2.3 million during the first six months of 2014 compared to the same period of 2013 primarily due to higher compensation expense.

### ***Revenue and Efficiency Initiatives***

Included in the amounts for direct operating expenses, SG&A and corporate expenses discussed above are expenses of \$8.9 million and \$13.1 million incurred in connection with our strategic revenue and efficiency initiatives during the three and six months ended June 30, 2014, respectively. The costs were incurred to improve revenue growth, enhance yield, reduce costs, and

organize each business to maximize performance and profitability. These costs consist primarily of consolidation of locations and positions, severance related to workforce initiatives, consulting expenses, and other costs incurred in connection with improving our businesses. These costs are expected to provide benefits in future periods as the initiative results are realized.

Of these costs during the second quarter of 2014, \$0.9 million are reported within direct operating expenses, \$2.0 million are reported within SG&A and \$6.0 million are reported within corporate expense. In the second quarter of 2013, such costs totaled \$1.9 million, \$1.4 million and \$4.4 million, respectively. Of these costs during the six months ended June 30, 2014, \$2.1 million are reported within direct operating expenses, \$3.2 million are reported within SG&A and \$7.7 million are reported within corporate expense compared to \$4.4 million, \$5.5 million and \$4.5 million, respectively, in the same period of 2013.

#### ***Depreciation and Amortization***

Depreciation and amortization increased \$1.2 million and decreased \$0.4 million during the three and six months ended June 30, 2014, respectively, compared to the same periods of 2013. The increase during the three months ended June 30, 2014 was primarily due to increased depreciation in our Americas segment related to depreciation of digital bulletins. The decrease for the first six months of 2014 is primarily due to lower accelerated depreciation as a result of disposals made in that period compared to the same period of 2013.

#### ***Other Operating Income, Net***

Other operating income of \$0.2 million and \$2.9 million for the second quarter and first six months of 2014, respectively, primarily related to the proceeds from the disposal of operating and fixed assets.

Other operating income of \$3.7 million and \$5.8 million for the second quarter and first six months of 2013, respectively, primarily related to the proceeds from the disposal of operating and fixed assets.

#### ***Interest Income on Due From Clear Channel Communications***

Interest income increased \$2.7 million and \$5.5 million during the three and six months ended June 30, 2014, respectively, compared to the same periods of 2013 due to the higher outstanding balance of the Due from Clear Channel Communications account.

#### ***Income Tax Benefit (Expense)***

Our operations are included in a consolidated income tax return filed by CC Media Holdings, Inc. (“CC Media Holdings”). 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, 2014 were (70.3)% and 17.8%, respectively. The effective rates were primarily impacted by our inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future years. In addition, the effective tax rates were impacted by the timing and mix of earnings in the various jurisdictions in which we operate.

Our effective tax rates for the three and six months ended June 30, 2013 were 39.2% and (14.7)%, respectively. The effective rates for the three and six months ended June 30, 2013 were primarily impacted by our inability to record tax benefits on tax losses in certain foreign jurisdictions due to the uncertainty of the ability to utilize those losses in future periods.

## Americas Results of Operations

Our Americas operating results were as follows:

<i>(In thousands)</i>	Three Months Ended June 30,			%	Six Months Ended June 30,			%
	2014		2013		Change	2014		
Revenue	\$ 319,147		\$ 335,025	(5%)	\$ 587,904		\$ 621,486	(5%)
Direct operating expenses	139,734		141,813	(1%)	273,022		278,704	(2%)
SG&A expenses	52,420		55,121	(5%)	103,532		109,493	(5%)
Depreciation and amortization	47,523		47,041	1%	95,121		95,726	(1%)
Operating income	\$ 79,470		\$ 91,050	(13%)	\$ 116,229		\$ 137,563	(16%)

### *Three Months*

Our Americas revenue decreased \$15.9 million including negative movements in foreign exchange of \$0.8 million during the second quarter of 2014 compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas revenue decreased \$15.1 million primarily driven by lower national account revenues, the nonrenewal of certain airport contracts, and lower revenues in our Los Angeles market as a result of the impact of litigation as discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q. Lower spending by national accounts negatively impacted rates for our billboards and posters.

Direct operating expenses decreased \$2.1 million including a decrease of \$0.6 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas segment decreased \$1.5 million primarily due to lower variable site lease expenses resulting from lower revenues and also from lower site lease expense due to the nonrenewal of certain airport contracts. SG&A expenses decreased \$2.7 million including a decrease of \$0.1 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our Americas segment decreased \$2.6 million primarily due to lower commission expense in connection with lower revenues, as well as lower legal expenses related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q.

### *Six Months*

Our Americas revenue decreased \$33.6 million including negative movements in foreign exchange of \$1.8 million during the six months ended June 30, 2014 compared to the same period of 2013. Excluding the impact of foreign exchange movements, Americas revenue decreased \$31.8 million driven primarily by lower revenues in our Los Angeles market as a result of the impact of litigation as discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q, as well as lower spending by national accounts and the nonrenewal of certain airport contracts.

Direct operating expenses decreased \$5.7 million including a decrease of \$1.4 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, direct operating expenses in our Americas segment decreased \$4.3 million primarily due to reduced variable site lease expenses related to our digital and traditional billboards and posters resulting from lower revenue and lower site lease expense resulting from the nonrenewal of certain airport contracts. SG&A expenses decreased \$6.0 million including a decrease of \$0.2 million from movements in foreign exchange compared to the same period of 2013. Excluding the impact of foreign exchange movements, SG&A expenses in our Americas segment decreased \$5.8 million primarily due to lower commission expense in connection with lower revenues and lower legal costs related to the Los Angeles litigation discussed further in Item 1 of Part II of this Quarterly Report on Form 10-Q.



## International Results of Operations

Our International operating results were as follows:

<i>(In thousands)</i>	Three Months Ended June 30,			%	Change	Six Months Ended June 30,			%	Change
	2014		2013			2014		2013		
Revenue	\$ 462,058		\$ 431,846	7%		\$ 828,552		\$ 795,595	4%	
Direct operating expenses	273,410		257,745	6%		521,635		507,045	3%	
SG&A expenses	87,851		77,899	13%		169,689		163,088	4%	
Depreciation and amortization	50,214		49,930	1%		100,658		100,923	(0%)	
Operating income	\$ 50,583		\$ 46,272	9%		\$ 36,570		\$ 24,539	49%	

### *Three Months*

International revenue increased \$30.2 million during the second quarter of 2014 compared to the same period of 2013, including an increase of \$11.3 million from movements in foreign exchange. Excluding the impact of foreign exchange movements, revenues increased \$18.9 million. The increase was primarily driven by revenue growth in western Europe including Italy, due to a new airport contract in Rome, as well as other countries such as Sweden, France and the UK. Revenue in emerging markets also increased, including in Brazil where revenue growth was driven by digital advertising and the FIFA World Cup, and in China as a result of new contracts.

Direct operating expenses increased \$15.7 million including an increase of \$7.3 million from movements in foreign exchange during the second quarter of 2014. Excluding the impact of movements in foreign exchange, direct operating expenses increased \$8.4 million primarily driven by costs related to new contracts, including the Rome airport contract. SG&A expenses increased \$10.0 million including an increase of \$2.2 million from movements in foreign exchange during the second quarter of 2014. Excluding the impact of movements in foreign exchange, SG&A expenses increased \$7.8 million primarily due to higher compensation related to higher revenues, as well as higher legal expenses.

### *Six Months*

International revenue increased \$33.0 million during the six months ended June 30, 2014 compared to the same period of 2013, including an increase of \$12.7 million from movements in foreign exchange. Excluding the impact of foreign exchange movements, revenues increased \$20.3 million. The increase was primarily driven by revenue growth in western Europe including Italy, due to a new airport contract in Rome, as well as the UK, France and other countries. Revenue in emerging markets including China and Brazil also increased due to new contracts and in connection with the FIFA World Cup.

Direct operating expenses increased \$14.6 million including an increase of \$8.5 million from movements in foreign exchange during the first six months of 2014. Excluding the impact of movements in foreign exchange, direct operating expenses increased \$6.1 million, resulting from variable costs related to new contracts, including the Rome airport in Italy, and new contracts in France and China. SG&A expenses increased \$6.6 million including an increase of \$1.7 million from movements in foreign exchange during the first six months of 2014. Excluding the impact of movements in foreign exchange, SG&A expenses increased \$4.9 million primarily due to compensation related to higher revenue, as well as higher legal expenses.

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

<i>(In thousands)</i>	Three Months Ended June 30,				Six Months Ended June 30,			
	2014		2013		2014		2013	
Americas	\$	79,470	\$	91,050	\$	116,229	\$	137,563
International		50,583		46,272		36,570		24,539
Corporate expenses <sup>(1)</sup>		(34,322)		(34,487)		(65,718)		(62,960)
Other operating income, net		247		3,697		2,901		5,800
Consolidated operating income	\$	95,978	\$	106,532	\$	89,982	\$	104,942

<sup>(1)</sup> Corporate expenses include expenses related to Americas and International as well as overall executive, administrative and support functions.

### Share-Based Compensation Expense

Share-based compensation payments are recorded in corporate expenses and were \$2.2 million and \$2.3 million for the three months ended June 30, 2014 and 2013, respectively, and \$4.2 million and \$4.0 million for the six months ended June 30, 2014 and 2013, respectively.

As of June 30, 2014, there was \$21.2 million of total 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 three years. In addition, as of June 30, 2014, there was \$0.6 million of unrecognized compensation cost related to unvested share-based compensation arrangements that will vest based on market, performance and service conditions. This cost will be recognized when it becomes probable that the performance condition will be satisfied.

## LIQUIDITY AND CAPITAL RESOURCES

### Cash Flows

The following discussion highlights our cash flow activities during the six months ended June 30, 2014 and 2013.

<i>(In thousands)</i>		Six Months Ended June 30,			
		2014		2013	
Cash provided by (used for):					
	Operating activities	\$	80,526	\$	103,875
	Investing activities		(87,559)		(71,584)
	Financing activities		(80,901)		(191,746)

### *Operating Activities*

Our consolidated net loss, adjusted for \$165.3 million of non-cash items, resulted in positive cash flows of \$129.1 million during the six months ended June 30, 2014. Our consolidated net loss, adjusted for \$175.6 million of non-cash items, provided positive cash flows of \$120.1 million during the six months ended June 30, 2013. Cash provided by operating activities during the six months ended June 30, 2014 was \$80.5 million compared to \$103.9 million during the six months ended June 30, 2013. The decrease in cash provided by operating activities was driven primarily by an increase in accounts receivable.

Non-cash items affecting our net loss include depreciation and amortization, deferred taxes, provision for doubtful accounts, share-based compensation, gain on disposal of operating assets, amortization of deferred financing charges and note discounts, net and other reconciling items, net as presented on the face of the consolidated statement of cash

flows.

***Investing Activities***

Cash used for investing activities of \$87.6 million during the six months ended June 30, 2014 reflected capital expenditures of \$93.0 million. We spent \$29.4 million in our Americas segment primarily related to the construction of new advertising structures such as digital displays, \$61.4 million in our International segment primarily related to billboard and street furniture advertising structures and \$2.2 million by Corporate. Partially offsetting cash used for investing activities were proceeds from sales of operating and fixed assets.

Cash used for investing activities of \$71.6 million during the six months ended June 30, 2013 primarily reflected capital expenditures of \$80.1 million. We spent \$29.6 million in our Americas segment primarily related to the construction of new advertising structures such as digital displays, \$48.7 million in our International segment primarily related to billboard and street furniture, and the renewal of existing contracts, and \$1.8 million by Corporate. Partially offsetting cash used for investing activities were proceeds from sales of operating and fixed assets.

***Financing Activities***

Cash used for financing activities of \$80.9 million for the six months ended June 30, 2014 primarily reflected net transfers of \$71.0 million in cash to Clear Channel Communications, which represents the activity in the "Due from Clear Channel Communications" account. Other cash used for financing activities included payments to noncontrolling interests of \$9.7 million.

Cash used for financing activities of \$191.7 million for the six months ended June 30, 2013 primarily reflected net transfers of \$121.7 million in cash to Clear Channel Communications, which represents the activity in the "Due from Clear Channel

Communications” account. Other cash used for financing activities included payments to repurchase noncontrolling interests of \$61.1 million.

### **Anticipated Cash Requirements**

Our primary source of liquidity is cash on hand, cash flow from operations, senior revolving credit facility and the revolving promissory note with Clear Channel Communications. Based on our current and anticipated levels of operations and conditions in our markets, we believe that cash on hand, cash flows from operations, any available borrowing capacity under the senior revolving credit facility and borrowing capacity under or repayment of amounts outstanding under the revolving promissory note with Clear Channel Communications will enable us to meet our working capital, capital expenditure, debt service and other funding requirements, including the debt service on the CCWH Senior Notes and the CCWH Subordinated Notes and dividends, for at least the next 12 months. In addition, we were in compliance with the covenants contained in our material financing agreements as of June 30, 2014. We believe our long-term plans, which include promoting outdoor media spending and capitalizing on our diverse geographic and product opportunities, including 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 and there can be no assurance that we will be able to maintain compliance with these covenants. In addition, our ability to comply with these covenants may be affected by events beyond our control, including prevailing economic, financial and industry conditions. At June 30, 2014, we had \$226.0 million of cash on our balance sheet, with \$183.6 million in consolidated cash balances held outside the U.S. by our subsidiaries, all of which is readily convertible into other foreign currencies including the U.S. dollar. We disclose in Item 8 of our Form 10-K within Note 1, Summary of Significant Accounting Policies, that our policy is to permanently reinvest the earnings of our non-U.S. subsidiaries as these earnings are generally redeployed in those jurisdictions for operating needs and continued functioning of their businesses. We have the ability and intent to indefinitely reinvest the undistributed earnings of consolidated subsidiaries based outside of the United States. If any excess cash held by our foreign subsidiaries were 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 current and historic deficits in our foreign earnings and profits, which gives us flexibility to make future cash distributions as non-taxable returns of capital.

As described in “Promissory Notes with Clear Channel Communications” below, our board of directors has established a committee for the specific purpose monitoring the revolving promissory note with Clear Channel Communications. On July 21, 2014, in accordance with the terms of its charter, the committee (i) provided notice of its intent to demand \$175 million outstanding under the note on August 11, 2014 and (ii) declared a special cash dividend in aggregate amount equal to \$175 million, the payment of which is conditioned upon the satisfaction by Clear Channel Communications of such demand, payable on August 11, 2014 to our stockholders of record as of August 4, 2014. Following satisfaction of the demand, the balance outstanding under the note will be reduced by \$175 million. As of June 30, 2014, the outstanding balance of the note was \$950.2 million.

Furthermore, in its Quarterly Report on Form 10-Q filed with the SEC on July 23, 2014, Clear Channel Communications stated that it was in compliance with the covenants contained in its material financing agreements as of June 30, 2014. Clear Channel Communications similarly stated in such Quarterly Report that its anticipated results

are also subject to significant uncertainty and there can be no assurance that actual results will be in compliance with the covenants. Moreover, Clear Channel Communications stated in such Quarterly Report that its ability to comply with the covenants in its material financing agreements may be affected by events beyond its control, including prevailing economic, financial and industry conditions. As discussed therein, the breach of any covenants set forth in Clear Channel Communications' financing agreements would result in a default thereunder, and an event of default would permit the lenders under a defaulted financing agreement to declare all indebtedness thereunder to be due and payable prior to maturity. Moreover, as discussed therein, the lenders under the receivables-based credit facility under Clear Channel Communications' senior secured credit facilities would have the option to terminate their commitments to make further extensions of credit thereunder. In addition, Clear Channel Communications stated in such Quarterly Report that if Clear Channel Communications is unable to repay its obligations under any secured credit facility, the lenders could proceed against any assets that were pledged to secure such facility. Finally, Clear Channel Communications stated in such Quarterly Report that a default or acceleration under any of its material financing agreements could cause a default under other obligations that are subject to cross-default and cross-acceleration provisions. If Clear Channel Communications were to become insolvent, we would be an unsecured creditor of Clear Channel Communications. In such event, we would be treated the same as other unsecured creditors of Clear Channel Communications and, if we were not entitled to the cash previously transferred to Clear Channel Communications, or could not obtain such cash on a timely basis, we could experience a liquidity shortfall.

For so long as Clear Channel Communications maintains significant control over us, a deterioration in the financial condition of Clear Channel Communications could have the effect of increasing our borrowing costs or impairing our access to capital markets. As of June 30, 2014, Clear Channel Communications had \$798.4 million recorded as "Cash and cash equivalents" on its consolidated balance sheets, of which \$226.0 million was held by us and our subsidiaries.

Our ability to fund our working capital, capital expenditures, debt service and other obligations depends on our future operating performance and cash from operations and other liquidity-generating transactions. If our future operating performance does not meet our expectations or our plans materially change in an adverse manner or prove to be materially inaccurate, we may need additional financing. We may not be able to secure any such additional financing on terms favorable to us or at all.

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

### Sources of Capital

As of June 30, 2014 and December 31, 2013, we had the following debt outstanding, cash and cash equivalents and amounts due from Clear Channel Communications:

<i>(In millions)</i>		June 30, 2014		December 31, 2013	
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
Other debt			16.2		17.1
Original issue discount			(6.5)		(6.7)
Total debt			4,934.7		4,935.4
	Less: Cash and cash equivalents		226.0		314.5
	Less: Due from Clear Channel Communications		950.2		879.1
		\$	3,758.5	\$	3,741.8

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 Clear Channel Communications*

We maintain accounts that represent net amounts due to or from Clear Channel Communications, which is recorded as “Due from/to Clear Channel Communications” on our consolidated balance sheets. The accounts represent our revolving promissory note issued by us to Clear Channel Communications and the revolving promissory note issued by Clear Channel Communications to us (the “Due from CCU 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 accounts accrue interest pursuant to the terms of the promissory notes and are generally payable on demand or when they mature on December 15, 2017. Included in the accounts are the net activities resulting from day-to-day cash management

services provided by Clear Channel Communications. 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. At June 30, 2014 and December 31, 2013, the asset recorded in "Due from Clear Channel Communications" on our consolidated balance sheet was \$950.2 million and \$879.1 million, respectively. At June 30, 2014, we had no borrowings under the cash management note to Clear Channel Communications.

The Due from CCU Note previously was the subject of litigation. Pursuant to the terms of the settlement of that litigation, our board of directors established a committee for the specific purpose of monitoring the Due from CCU Note. That committee has the non-exclusive authority, pursuant to the terms of its charter, to demand payments under the Due from CCU Note under certain specified circumstances tied to Clear Channel Communications' liquidity or the amount outstanding under the Due from CCU Note as long as we make a simultaneous dividend equal to the amount so demanded. On July 21, 2014, in accordance with the terms of its charter, the committee (i) provided notice of its intent to demand \$175 million outstanding under the Due from CCU Note on August 11, 2014 and (ii) declared a special cash dividend in aggregate amount equal to \$175 million, the payment of which is conditioned upon the satisfaction by Clear Channel Communications of such demand, payable on August 11, 2014 to our stockholders of record as of August 4, 2014. Following satisfaction of the demand, the balance outstanding under the Due from CCU Note will be reduced by \$175 million.

The net interest income for the six months ended June 30, 2014 and 2013 was \$29.9 million and \$24.4 million, respectively. At June 30, 2014 and December 31, 2013, the fixed interest rate on the Due from CCU Note was 6.5%, which is equal to the fixed interest rate on the CCWH senior notes. On October 23, 2013, in accordance with the terms of the settlement of derivative litigation previously filed by our stockholders, the interest rate on the Due from CCU Note was amended such that if the outstanding balance on



the Due from CCU Note exceeds \$1.0 billion and under certain other circumstances tied to Clear Channel Communications' liquidity, the rate will be variable but will in no event be less than 6.5% nor greater than 20%.

Our working capital requirements and capital for general corporate purposes, including acquisitions and capital expenditures, may be provided to us by Clear Channel Communications, in its sole discretion, pursuant to a revolving promissory note issued by us to Clear Channel Communications or pursuant to repayment of the Due from CCU Note. If we are unable to obtain financing from Clear Channel Communications, we may 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 at some future date. As stated above, we may be unable to successfully obtain additional debt or equity financing on satisfactory terms or at all.

As long as Clear Channel Communications maintains a significant interest in us, pursuant to the Master Agreement between Clear Channel Communications and us, Clear Channel Communications 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 Clear Channel Communications, 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 Clear Channel Communications.

#### ***Clear Channel Worldwide Holdings Senior Notes***

As of June 30, 2014, 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, Clear Channel Outdoor, Inc. ("CCOI") and certain of our direct and indirect subsidiaries.

The Series A CCWH Senior Notes indenture and 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. In order to incur (i) additional indebtedness under this test, 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 (ii) additional indebtedness that is subordinated to the CCWH Senior Notes under this test, our debt to adjusted EBITDA ratios (as defined by the indentures) must not be lower than 7.0:1 for total debt. The indentures contain certain other exceptions that allow us to incur additional indebtedness. The Series B CCWH Senior 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 ratios (as defined by the indentures) are lower than 7.0:1 and 5.0:1 for total debt and senior debt, respectively. The Series A CCWH Senior Notes indenture does not limit our ability to pay dividends. The Series B CCWH Senior Notes indenture contains certain 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 revolving promissory note issued by Clear Channel Communications to us.

Consolidated leverage ratio, defined as total debt divided by EBITDA (as defined by the CCWH Senior Notes indentures) for the preceding four quarters was 6.5:1 at June 30, 2014, 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 3.6:1 at June 30, 2014. As required by the definition of EBITDA in the CCWH Senior Notes indentures, our EBITDA for the preceding four quarters of \$762.9 million is calculated as operating income (loss) before depreciation, amortization, impairment charges and other operating income (expense), net, 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.

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, 2014:

		Four Quarters Ended	
<i>(In Millions)</i>		June 30, 2014	
	<b>EBITDA</b> (as defined by the CCWH Senior Notes indentures)	\$	762.9
	Less adjustments to EBITDA (as defined by the CCWH Senior Notes indentures):		
	Cost incurred in connection with severance, the closure and/or consolidation of facilities, retention charges, consulting fees, and other permitted activities		(37.9)
	Extraordinary, non-recurring or unusual gains or losses or expenses (as referenced in the definition of EBITDA in the CCWH Senior Notes indentures)		(17.0)
	Non-cash charges		(22.6)
	Other items		(6.4)
	Less: Depreciation and amortization, Impairment charges, Other operating income (expense), net, and Share-based compensation expense		(403.8)
	<b>Operating income</b>		275.2
	Plus: Depreciation and amortization, Impairment charges, Other operating income (expense), net, and Share-based compensation expense		403.8
	Less: Interest expense		(354.1)
	Plus: Interest income on Due from Clear Channel Communications		59.7
	Less: Current income tax benefit		(29.3)
	Plus: Other income, net		16.1
	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)		(1.0)
	Change in assets and liabilities, net of assets acquired and liabilities assumed		20.9

Net cash provided by operating activities	\$	391.3	
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### *Clear Channel Worldwide Holdings Senior Subordinated Notes*

As of June 30, 2014, CCWH Subordinated Notes represented \$2.2 billion of aggregate principal amount of indebtedness outstanding, which consist 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 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 ratios (as defined by the indentures) is lower than 7.0:1. The Series A CCWH Senior Subordinated Notes indenture does not limit our ability to pay dividends. The Series B CCWH Subordinated Notes indenture contains certain 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 revolving promissory note issued by Clear Channel Communications to us.

### *Senior Revolving Credit Facility Due 2018*

We have a five-year senior secured revolving credit facility with an aggregate principal amount of \$75.0 million. The revolving credit facility may be used for working capital, to issue letters of credit and for other general corporate purposes. At June 30, 2014, there were no amounts outstanding under the revolving credit facility, and \$63.3 million of letters of credit under the revolving credit facility, which reduce availability under the facility.

## ***Other Debt***

Other debt consists primarily of loans with international banks. At June 30, 2014, approximately \$16.2 million was outstanding as other debt.

### ***Clear Channel Communications' Debt Covenants***

The Clear Channel Communications' senior secured credit facility contains a significant financial covenant which requires Clear Channel Communications to comply on a quarterly basis with a financial covenant limiting the ratio of its consolidated secured debt, net of cash and cash equivalents, to consolidated EBITDA (as defined by Clear Channel Communications' senior secured credit facility) for the preceding four quarters. The maximum ratio under this financial covenant is currently set at 9.00:1 and reduces to 8.75:1 for the four quarters ended December 31, 2014. In its Quarterly Report on Form 10-Q filed with the SEC on July 23, 2014, Clear Channel Communications stated that it was in compliance with this covenant as of June 30, 2014.

### **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" within Part II 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.

### **Market Risk**

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

### **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 income of \$37.5 million and \$10.8 million for the three and six months ended June 30, 2014, respectively. We estimate a 10% increase in the value of the U.S. dollar relative to foreign currencies would have decreased our net income for the three months ended June 30, 2014 by \$3.8 million and we estimate that our net income for the six months ended June 30, 2014 would have decreased by \$1.1 million. A 10% decrease in the value of the U.S. dollar relative to foreign currencies during the three and six months ended June 30, 2014 would have increased our net income for the three and six months ended June 30, 2014 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 capital markets;
- 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;
- industry conditions, including competition;
- the level of expenditures on advertising;
- legislative or regulatory requirements;
- fluctuations in operating costs;
- technological changes and innovations;
- changes in labor conditions and management;
- capital expenditure requirements;
- risks of doing business in foreign countries;
- fluctuations in exchange rates and currency values;
- the outcome of pending and future litigation;
- taxes and tax disputes;
- changes in interest rates;
- shifts in population and other demographics;

- access to capital markets and borrowed indebtedness;
- our ability to implement our business strategies;
- the risk that we may not be able to integrate the operations of acquired businesses successfully;
- the risk that our cost savings initiatives may not be entirely successful or that any cost savings achieved from those initiatives may not persist;
- the impact of our substantial indebtedness, including the effect of our leverage on our financial position and earnings;
- our ability to generate sufficient cash from operations or other liquidity-generating transactions and our need to allocate significant amounts of our cash to make payments on our indebtedness, which in turn could reduce our financial flexibility and ability to fund other activities;
- our relationship with Clear Channel Communications, 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 impact of the above and similar factors on Clear Channel Communications, our primary direct or indirect external source of capital, which could have a significant need for capital in the future; and
- certain other factors set forth in our other filings with the Securities and Exchange Commission.

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**

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 our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 30, 2014 to ensure that information we are required to disclose in reports that are filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the





SEC and 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.

There were no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

## 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; employment and benefits related claims; governmental fines; and tax disputes.

### Los Angeles Litigation

In 2008, Summit Media, LLC, one of our competitors, sued the City of Los Angeles (the “City”), Clear Channel Outdoor, Inc. and CBS Outdoor in Los Angeles Superior Court (Case No. BS116611) challenging the validity of a settlement agreement that had been entered into in November 2006 among the parties. Pursuant to the settlement agreement, Clear Channel Outdoor, Inc. had taken down existing billboards and converted 83 existing signs from static displays to digital displays pursuant to modernization permits issued through an administrative process of the City. The Los Angeles Superior Court ruled in January 2010 that the settlement agreement constituted an ultra vires act of the City and nullified its existence, but did not invalidate the modernization permits issued to Clear Channel Outdoor, Inc. and CBS. All parties appealed the ruling by the Los Angeles Superior Court to the Court of Appeal for the State of California, Second Appellate District, Division 8. On December 10, 2012, the Court of Appeal issued an order upholding the Superior Court’s finding that the settlement agreement was ultra vires and remanding the case to the Superior Court for the purpose of invalidating the modernization permits issued to Clear Channel Outdoor, Inc. and CBS for the digital displays that were the subject of the settlement agreement. On January 22, 2013, Clear Channel Outdoor, Inc. filed a petition with the California Supreme Court requesting its review of the matter, and the Supreme Court denied that petition on February 27, 2013. On April 12, 2013, the Los Angeles Superior Court invalidated 82 digital modernization permits issued to Clear Channel Outdoor, Inc. (77 of which displays were operating at the time of the ruling) and 13 issued to CBS and ordered that the companies turn off the electrical power to affected digital displays by the close of business on April 15, 2013. Clear Channel Outdoor, Inc. has complied with the order. On April 16, 2013, the Court conducted further proceedings during which it held that it was not invalidating two additional digital modernization permits that Clear Channel Outdoor, Inc. had secured through a special zoning plan and confirmed that its April 12 order invalidated only digital modernization permits – no other types of permits the

companies may have secured for the signs at issue. Summit Media, LLC filed a further motion requesting that the Court order the demolition of the 82 sign structures on which the now-invalidated digital signs operated, as well as the invalidation of several other permits for traditional signs allegedly issued under the settlement agreement. At a hearing held on November 22, 2013, the Court denied Summit Media, LLC's demolition motion by allowing the 82 sign structures and their LED faces to remain intact, thus allowing Clear Channel Outdoor, Inc. to seek permits under the existing City sign code to either wrap the LED faces with vinyl or convert the LED faces to traditional static signs. The Court further confirmed the invalidation of all permits issued under the settlement agreement. In anticipation of this order, Clear Channel Outdoor, Inc. had removed six static billboard facings solely permitted under the settlement agreement. At a hearing held on January 21, 2014, the Court denied Summit Media, LLC's motion for attorney's fees on the basis that Summit Media, LLC had a substantial financial interest in the outcome of the litigation and, therefore, was not entitled to fees under California's private attorney general statute. On March 12, 2014, Summit Media, LLC filed notices of appeal of the orders denying Summit Media, LLC's fee petition and denying in part Summit Media, LLC's demolition motion.

### **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, 2013. There have not been any material changes in the risk factors disclosed in the Form 10-K.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table sets forth the purchases made during the quarter ended June 30, 2014 by or on behalf of us or an affiliated purchaser of shares of our Class A common stock registered pursuant to Section 12 of the Exchange Act:

Period	Total Number of Shares Purchased	Average Price Paid per Share		Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs		
		\$	-		\$	-	(1)
April 1 through April 30	-	\$	-	-		-	(1)
May 1 through May 31	-		-	-		-	(1)
June 1 through June 30	-		-	-		-	(1)
Total	-	\$	-	-	\$	82,934,423	(1)

(1) On August 9, 2010, Clear Channel Communications announced that its board of directors approved a stock purchase program under which Clear Channel Communications or its subsidiaries may purchase up to an aggregate of \$100 million of our Class A common stock and/or the Class A common stock of CC Media Holdings. No shares of our Class A common stock or CC Media Holdings' Class A common stock were purchased under the stock purchase program during the quarter ended June 30, 2014. During 2011, a subsidiary of Clear Channel Communications purchased \$16,372,690 of our Class A common stock (1,553,971 shares) in open market purchases. During 2012, a subsidiary of Clear Channel Communications purchased \$692,887 of the Class A common stock of CC Media Holdings (111,291 shares) under the stock purchase program. As a result of these purchases of shares of the Class A common stock of CC Media Holdings and our Class A common stock, an aggregate of \$82,934,423 remains available under the stock purchase program to purchase the Class A common stock of CC Media Holdings and/or our Class A common stock. The stock purchase program does not have a fixed expiration date and may be modified, suspended or terminated at any time at Clear Channel Communications' discretion.

**Item 3. Defaults Upon Senior Securities**

None.

**Item 4. Mine Safety Disclosures**

Not applicable.

Other Debt

**Item 5. Other Information**

None.

**ITEM 6. EXHIBITS**

<b>Exhibit</b>	
<b>Number</b>	<b>Description</b>
10.1	Employment Agreement by and between Clear Channel Management Services, Inc. and Scott D. Hamilton, dated May 20, 2014 (Incorporated by reference to Exhibit 10.1 to the CC Media Holdings, Inc. Current Report on Form 8-K filed on June 25, 2014).
11*	Statement re: Computation of Income (Loss) Per Share.
31.1*	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.
31.2*	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.
32.1**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101*	Interactive Data Files.

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\* 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 23, 2014

/s/ SCOTT D. HAMILTON

Scott D. Hamilton

Senior Vice President, Chief Accounting Officer and

Assistant Secretary



