

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

FORM 10-Q

☒ QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED SEPTEMBER 30, 2018

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

Commission File Number
000-53354

IHEARTMEDIA, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

26-0241222
(I.R.S. Employer Identification No.)

20880 Stone Oak Parkway
San Antonio, Texas
(Address of principal executive offices)

78258
(Zip Code)

(210) 822-2828
(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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☒ Smaller reporting company ☐ Emerging growth company ☐

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. 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 November 5, 2018
Class A Common Stock, \$.001 par value	31,538,017 ⁽¹⁾
Class B Common Stock, \$.001 par value	555,556
Class C Common Stock, \$.001 par value	58,967,502
Class D Common Stock, \$.001 par value	—

(1) Outstanding Class A common stock includes 111,291 shares owned by a subsidiary

IHEARTMEDIA, INC.
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION) CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	September 30, 2018 (Unaudited)	December 31, 2017
CURRENT ASSETS		
Cash and cash equivalents	\$ 311,162	\$ 267,109
Accounts receivable, net of allowance of \$46,531 in 2018 and \$48,450 in 2017	1,466,924	1,508,370
Prepaid expenses	240,980	209,330
Other current assets	59,726	82,538
Total Current Assets	2,078,792	2,067,347
PROPERTY, PLANT AND EQUIPMENT		
Structures, net	1,038,835	1,180,882
Other property, plant and equipment, net	680,256	703,832
INTANGIBLE ASSETS AND GOODWILL		
Indefinite-lived intangibles - licenses	2,417,830	2,451,813
Indefinite-lived intangibles - permits	971,163	977,152
Other intangibles, net	432,497	550,056
Goodwill	4,043,941	4,051,082
OTHER ASSETS		
Other assets	295,998	274,932
Total Assets	\$ 11,959,312	\$ 12,257,096
CURRENT LIABILITIES		
Accounts payable	\$ 149,236	\$ 163,449
Accrued expenses	764,353	764,275
Accrued interest	11,623	268,102
Deferred income	218,654	186,404
Current portion of long-term debt	347	14,972,367
Total Current Liabilities	1,144,213	16,354,597
Long-term debt	5,274,490	5,676,814
Deferred income taxes	360,429	959,390
Other long-term liabilities	498,001	610,639
Liabilities subject to compromise	16,475,414	—
Commitments and contingent liabilities (Note 5)		
STOCKHOLDERS' DEFICIT		
Noncontrolling interest	17,353	41,191
Class A Common Stock, par value \$.001 per share, authorized 400,000,000 shares, issued 32,379,507 and 32,626,168 shares in 2018 and 2017, respectively	32	32
Class B Common Stock, par value \$.001 per share, authorized 150,000,000 shares, issued 555,556 shares in 2018 and 2017	1	1
Class C Common Stock, par value \$.001 per share, authorized 100,000,000 shares, issued 58,967,502 shares in 2018 and 2017	59	59
Class D Common Stock, par value \$.001 per share, authorized 200,000,000 shares, no shares issued in 2018 and 2017	—	—
Additional paid-in capital	2,074,194	2,072,566
Accumulated deficit	(13,560,251)	(13,142,001)
Accumulated other comprehensive loss	(322,071)	(313,718)
Cost of shares (793,968 in 2018 and 610,991 in 2017) held in treasury	(2,552)	(2,474)
Total Stockholders' Deficit	(11,793,235)	(11,344,344)
Total Liabilities and Stockholders' Deficit	\$ 11,959,312	\$ 12,257,096

See Notes to Consolidated Financial Statements

IHEARTMEDIA, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(UNAUDITED)

(In thousands, except share and per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenue	\$ 1,582,765	\$ 1,536,757	\$ 4,553,255	\$ 4,455,270
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	630,264	623,741	1,869,260	1,812,505
Selling, general and administrative expenses (excludes depreciation and amortization)	457,757	438,796	1,382,234	1,337,091
Corporate expenses (excludes depreciation and amortization)	84,193	77,967	242,553	233,487
Depreciation and amortization	120,700	149,749	419,778	443,650
Impairment charges	40,922	7,631	40,922	7,631
Other operating income (expense), net	(1,637)	(13,215)	(5,212)	24,785
Operating income	247,292	225,658	593,296	645,691
Interest expense (excludes contractual interest of \$372,162 and \$812,420 for the three and nine months ended September 30, 2018, respectively)	99,255	470,250	625,252	1,388,819
Equity in earnings (loss) of nonconsolidated affiliates	172	(2,238)	291	(2,240)
Other income (expense), net	(6,182)	50	(35,424)	(13,677)
Reorganization items, net	52,475	—	313,270	—
Income (loss) before income taxes	89,552	(246,780)	(380,359)	(759,045)
Income tax expense	(17,769)	(2,051)	(47,188)	(50,143)
Consolidated net income (loss)	71,783	(248,831)	(427,547)	(809,188)
Less amount attributable to noncontrolling interest	1,705	1,659	(10,732)	7,614
Net income (loss) attributable to the Company	\$ 70,078	\$ (250,490)	\$ (416,815)	\$ (816,802)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(7,509)	12,408	(20,042)	43,071
Unrealized holding loss on marketable securities	—	(320)	—	(218)
Reclassification adjustments	1,425	6,207	1,425	4,563
Other comprehensive income (loss)	(6,084)	18,295	(18,617)	47,416
Comprehensive income (loss)	63,994	(232,195)	(435,432)	(769,386)
Less amount attributable to noncontrolling interest	(5,212)	4,161	(8,829)	10,060
Comprehensive income (loss) attributable to the Company	\$ 69,206	\$ (236,356)	\$ (426,603)	\$ (779,446)
Net loss attributable to the Company per common share:				
Basic	\$ 0.82	\$ (2.94)	\$ (4.88)	\$ (9.62)
Weighted average common shares outstanding - Basic	85,544	85,072	85,348	84,900
Diluted	\$ 0.82	\$ (2.94)	\$ (4.88)	\$ (9.62)
Weighted average common shares outstanding - Diluted	85,622	85,072	85,348	84,900

See Notes to Consolidated Financial Statements

IHEARTMEDIA, INC. AND SUBSIDIARIES
(DEBTOR-IN-POSSESSION)
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

(In thousands)

	Nine Months Ended September 30,	
	2018	2017
Cash flows from operating activities:		
Consolidated net loss	\$ (427,547)	\$ (809,188)
Reconciling items:		
Impairment charges	40,922	7,631
Depreciation and amortization	419,778	443,650
Deferred taxes	22,020	13,291
Provision for doubtful accounts	19,911	20,936
Amortization of deferred financing charges and note discounts, net	19,871	42,682
Non-cash Reorganization items, net	261,057	—
Share-based compensation	8,385	9,020
(Gain) loss on disposal of operating and other assets	432	(30,149)
Equity in (earnings) loss of nonconsolidated affiliates	(291)	2,240
Barter and trade income	(10,080)	(32,953)
Other reconciling items, net	13,105	(19,169)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
(Increase) decrease in accounts receivable	5,799	(60,984)
Increase in prepaid expenses and other current assets	(38,058)	(41,237)
Decrease in accrued expenses	(30,887)	(37,819)
Increase in accounts payable	35,525	9,419
Increase (decrease) in accrued interest	312,605	(78,087)
Increase in deferred income	16,774	3,847
Changes in other operating assets and liabilities	(5,972)	(808)
Net cash provided by (used for) operating activities	663,349	(557,678)
Cash flows from investing activities:		
Purchases of other investments	(253)	(500)
Proceeds from sale of other investments	18,909	628
Purchases of property, plant and equipment	(157,569)	(184,944)
Proceeds from disposal of assets	7,245	71,320
Purchases of other operating assets	(2,132)	(3,224)
Change in other, net	(1,092)	(3,693)
Net cash used for investing activities	(134,892)	(120,413)
Cash flows from financing activities:		
Draws on credit facilities	143,359	60,000
Payments on credit facilities	(258,308)	(25,909)
Proceeds from long-term debt	—	156,000
Payments on long-term debt	(364,776)	(5,385)
Payments to purchase noncontrolling interests	—	(953)
Dividends and other payments to noncontrolling interests	(11,042)	(41,083)
Change in other, net	(2,340)	(5,604)
Net cash provided by (used for) financing activities	(493,107)	137,066
Effect of exchange rate changes on cash, cash equivalents and restricted cash	(8,553)	7,496
Net increase (decrease) in cash, cash equivalents and restricted cash	26,797	(533,529)
Cash, cash equivalents and restricted cash at beginning of period	311,300	855,726
Cash, cash equivalents and restricted cash at end of period	\$ 338,097	\$ 322,197
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	\$ 293,689	\$ 1,426,438
Cash paid for income taxes	27,597	31,668
Cash paid for Reorganization items, net	52,213	—

See Notes to Consolidated Financial Statements

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

Preparation of Interim Financial Statements

All references in this Quarterly Report on Form 10-Q to the “Company,” “we,” “us” and “our” refer to iHeartMedia, Inc. and its consolidated subsidiaries. The Company’s reportable segments are iHeartMedia (“iHM”), Americas outdoor advertising (“Americas outdoor” or “Americas outdoor advertising”) and International outdoor advertising (“International outdoor” or “International outdoor advertising”).

The accompanying consolidated financial statements were prepared by the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”) and, in the opinion of management, include all normal and recurring adjustments necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods may not be indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company’s 2017 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of the Company and its subsidiaries. Also included in the consolidated financial statements are entities for which the Company has a controlling financial interest or is the primary beneficiary. Investments in companies in which the Company owns 20% to 50% of the voting common stock or otherwise exercises significant influence over operating and financial policies of the company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process.

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

Certain prior period amounts have been reclassified to conform to the 2018 presentation.

Immaterial Corrections to Prior Periods

During the three months ended June 30, 2018, the Company identified misstatements associated with VAT obligations in its International Outdoor segment, which resulted in an understatement of the Company’s VAT obligation. The Company evaluated the effects of these misstatements on prior periods’ consolidated financial statements, individually and in the aggregate, in accordance with the guidance in *SEC Staff Bulletins (“SAB”) 99, Materiality, SAB 108, Considering the Effects of Prior year Misstatements when Quantifying Misstatements in the Current Year Financial Statements and Accounting Standards Codification 250, Accounting Changes and Error Corrections*, and concluded that no prior period is materially misstated. However, the Company has determined to revise our consolidated financial statements for the VAT misstatements, as well as other previously identified immaterial errors, for the prior periods presented herein.

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

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

<i>(In thousands)</i>	December 31, 2017		
	As Reported	Correction	Revised
Other assets	\$ 278,267	\$ (3,335)	\$ 274,932
Total Assets	12,260,431	(3,335)	12,257,096
Other long-term liabilities	597,085	13,554	610,639
Noncontrolling interest	42,764	(1,573)	41,191
Accumulated deficit	(13,127,843)	(14,158)	(13,142,001)
Accumulated other comprehensive loss	(312,560)	(1,158)	(313,718)
Total Stockholders' Deficit	(11,327,455)	(16,889)	(11,344,344)
Total Liabilities and Stockholders' Deficit	12,260,431	(3,335)	12,257,096

A summary of the effect of the corrections on the Consolidated Statement of Comprehensive Income (Loss) for the three and nine months ended September 30, 2017 is as follows:

<i>(In thousands)</i>	Three Months Ended September 30, 2017		
	As Reported	Correction	Revised
Revenue	\$ 1,537,416	\$ (659)	\$ 1,536,757
Direct operating expenses (excludes depreciation and amortization)	621,895	1,846	623,741
Selling, general and administrative expenses (excludes depreciation and amortization)	438,654	142	438,796
Operating income	228,305	(2,647)	225,658
Loss before income taxes	(244,133)	(2,647)	(246,780)
Consolidated net loss	(246,184)	(2,647)	(248,831)
Less amount attributable to noncontrolling interest	1,993	(334)	1,659
Net loss attributable to the Company	(248,177)	(2,313)	(250,490)
Foreign currency translation adjustments	13,010	(602)	12,408
Other comprehensive income	18,897	(602)	18,295
Comprehensive loss	(229,280)	(2,915)	(232,195)
Less amount attributable to noncontrolling interest	4,289	(128)	4,161
Comprehensive loss attributable to the Company	(233,569)	(2,787)	(236,356)
Basic loss per share	(2.92)	(0.02)	(2.94)
Diluted loss per share	(2.92)	(0.02)	(2.94)

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(In thousands)	Nine Months Ended September 30, 2017		
	As Reported	Correction	Revised
Revenue	\$ 4,457,106	\$ (1,836)	\$ 4,455,270
Direct operating expenses (excludes depreciation and amortization)	1,807,534	4,971	1,812,505
Selling, general and administrative expenses (excludes depreciation and amortization)	1,336,563	528	1,337,091
Operating income	653,026	(7,335)	645,691
Interest expense	1,388,747	72	1,388,819
Loss before income taxes	(751,638)	(7,407)	(759,045)
Consolidated net loss	(801,781)	(7,407)	(809,188)
Less amount attributable to noncontrolling interest	8,648	(1,034)	7,614
Net loss attributable to the Company	(810,429)	(6,373)	(816,802)
Foreign currency translation adjustments	44,665	(1,594)	43,071
Other comprehensive income	49,010	(1,594)	47,416
Comprehensive loss	(761,419)	(7,967)	(769,386)
Less amount attributable to noncontrolling interest	10,342	(282)	10,060
Comprehensive loss attributable to the Company	(771,761)	(7,685)	(779,446)
Basic loss per share	(9.55)	(0.07)	(9.62)
Diluted loss per share	(9.55)	(0.07)	(9.62)

Voluntary Filing under Chapter 11

On March 14, 2018 (the "Petition Date"), the Company, iHeartCommunications, Inc. ("iHeartCommunications") and certain of the Company's direct and indirect domestic subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief (the "Chapter 11 Cases") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"). Clear Channel Outdoor Holdings, Inc. ("CCOH") and its direct and indirect subsidiaries did not file voluntary petitions for reorganization under the Bankruptcy Code and are not Debtors in the Chapter 11 Cases.

The Chapter 11 Cases are being administered under the caption *In re: iHeartMedia, Inc., Case No. 18-31274 (MI)*. The Debtors are operating their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

On March 16, 2018, the Debtors entered into a Restructuring Support Agreement (the "RSA") with certain creditors and equity holders (the "Consenting Stakeholders"). The RSA contemplates the restructuring and recapitalization of the Debtors (the "Restructuring Transactions"), which will be implemented through a plan of reorganization in the Chapter 11 Cases, if confirmed by the Bankruptcy Court. Pursuant to the RSA, the Consenting Stakeholders have agreed to, among other things, support the Restructuring Transactions and vote in favor of a plan of reorganization to effect the Restructuring Transactions.

The RSA provides certain milestones for the Restructuring Transactions. Failure of the Debtors to satisfy these milestones without a waiver or consensual amendment would provide the Consenting Stakeholders a termination right under the RSA. These milestones include (i) the filing of a plan of reorganization and disclosure statement, in form and substance reasonably acceptable to the Debtors and the Consenting Stakeholders, which were filed with the Bankruptcy Court on April 28, 2018, (ii) the filing of a motion for approval of the disclosure statement by May 31, 2018, which deadline was subsequently extended to June 22, 2018, and which motion was filed with the Bankruptcy Court on June 22, 2018, (iii) the entry of an order approving the disclosure statement by July 27, 2018 (subject to one additional 20-day extension on the terms set forth on the RSA), (iv) the entry of an order confirming the plan of reorganization within 75 days of the entry of an order approving the disclosure statement and (v) the effective date of the plan of reorganization occurring by March 14, 2019. The Debtors satisfied the first and second milestones, but did not satisfy the third milestone because the order approving the Disclosure Statement was not entered until September 20, 2018, which was after the date required by the third milestone. As a result, certain of the Consenting Stakeholders presently have the right to terminate the RSA, but as of the date hereof, the RSA has not been terminated.

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

On June 15, 2018, July 16, 2018 August 15, 2018, September 7, 2018 and October 1, 2018, the Debtors filed monthly operating reports for the periods from March 15, 2018 to April 30, 2018, May 1, 2018 to May 31, 2018, June 1, 2018 to June 30, 2018, July 1, 2018 to July 31, 2018 and August 1, 2018 to August 31, 2018, respectively (the "Monthly Operating Reports") with the Bankruptcy Court.

iHeartCommunications, which is a Debtor in the Chapter 11 Cases, provides the day-to-day cash management services for CCOH's cash activities and balances in the U.S. pursuant to the Corporate Services Agreement between iHeartCommunications and CCOH, and is continuing to do so during the Chapter 11 Cases pursuant to a cash management order approved by the Bankruptcy Court.

iHeartCommunications' filing of the Chapter 11 Cases constituted an event of default that accelerated its obligations under its debt agreements. Due to the Chapter 11 Cases, however, the creditors' ability to exercise remedies under iHeartCommunications' debt agreements were stayed as of March 14, 2018, the date of the Chapter 11 petition filing, and continue to be stayed.

The Company has applied Accounting Standards Codification ("ASC") 852 - *Reorganizations* in preparing the consolidated financial statements. ASC 852 requires the financial statements, for periods subsequent to the commencement of the Chapter 11 Cases, to distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the business. Accordingly, certain charges incurred during 2018 related to the bankruptcy proceedings, including unamortized long-term debt fees and discounts associated with debt classified as liabilities subject to compromise, are recorded as Reorganization items, net. In addition, pre-petition Debtor obligations that may be impacted by the Chapter 11 Cases have been classified on the Consolidated Balance Sheet at September 30, 2018 as Liabilities subject to compromise. These liabilities are reported at the amounts the Company anticipates will be allowed by the Bankruptcy Court, even if they may be settled for lesser amounts. See below for more information regarding Reorganization items.

ASC 852 requires certain additional reporting for financial statements prepared between the bankruptcy filing date and the date of emergence from bankruptcy, including:

- Reclassification of Debtor pre-petition liabilities that are unsecured, under-secured or where it cannot be determined that the liabilities are fully secured, to a separate line item in the Consolidated Balance Sheet called, "Liabilities subject to compromise"; and
- Segregation of Reorganization items, net as a separate line in the Consolidated Statement of Comprehensive Income (Loss), outside of income from continuing operations.

Debtor-In-Possession

The Debtors are currently operating as debtors in possession in accordance with the applicable provisions of the Bankruptcy Code. The Bankruptcy Court has approved motions filed by the Debtors that were designed primarily to mitigate the impact of the Chapter 11 Cases on the Company's operations, customers and employees. In general, as debtors-in-possession under the Bankruptcy Code, the Debtors are authorized to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. Pursuant to first day motions and second day motions filed with the Bankruptcy Court, the Bankruptcy Court authorized the Debtors to conduct their business activities in the ordinary course, including, among other things and subject to the terms and conditions of such orders, authorizing the Debtors to: (i) pay employees' wages and related obligations; (ii) continue to operate their cash management system in a form substantially similar to pre-petition practice; (iii) use cash collateral on an interim basis; (iv) continue to honor certain obligations related to on-air talent, station affiliates and royalty obligations; (v) continue to maintain certain customer programs; (vi) pay taxes in the ordinary course; (vii) continue their surety bond program; and (viii) maintain their insurance program in the ordinary course.

Automatic Stay

Subject to certain specific exceptions under the Bankruptcy Code, the Bankruptcy Petitions automatically stayed most judicial or administrative actions against the Debtors and efforts by creditors to collect on or otherwise exercise rights or remedies with respect to pre-petition claims. Absent an order from the Bankruptcy Court, substantially all of the Debtors' pre-petition liabilities are subject to settlement under the Bankruptcy Code. See Note 13, *Condensed Combined Debtor-In-Possession Financial Information*.

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Executory Contracts

Subject to certain exceptions, under the Bankruptcy Code, the Debtors may assume, amend or reject certain executory contracts and unexpired leases subject to the approval of the Bankruptcy Court and certain other conditions. Generally, the rejection of an executory contract or unexpired lease is treated as a pre-petition breach of such executory contract or unexpired lease and, subject to certain exceptions, relieves the Debtors from performing their future obligations under such executory contract or unexpired lease but entitles the contract counterparty or lessor to a pre-petition general unsecured claim for damages caused by such deemed breach. Generally, the assumption of an executory contract or unexpired lease requires the Debtors to cure existing monetary defaults under such executory contract or unexpired lease and provide adequate assurance of future performance. Accordingly, any description of an executory contract or unexpired lease with the Debtors in this document, including where applicable a quantification of the Company's obligations under any such executory contract or unexpired lease of the Debtors, is qualified by any overriding rejection rights the Company has under the Bankruptcy Code.

Potential Claims

The Debtors have filed with the Bankruptcy Court schedules and statements setting forth, among other things, the assets and liabilities of each of the Debtors, subject to the assumptions filed in connection therewith. These schedules and statements may be subject to further amendment or modification after filing. Certain holders of pre-petition claims that are not governmental units were required to file proofs of claim by the deadline for general claims, which was on June 29, 2018 (the "Bar Date").

The Debtors' have received approximately 4,200 proofs of claim as of November 5, 2018 for an amount of approximately \$808.3 billion. Such amount includes duplicate claims across multiple debtor legal entities. These claims will be reconciled to amounts recorded in the Company's accounting records. Differences in amounts recorded and claims filed by creditors will be investigated and resolved, including through the filing of objections with the Bankruptcy Court, where appropriate. The Bankruptcy Court does not allow for claims that have been acknowledged as duplicates. Approximately 275 claims totaling approximately \$13 million have been disallowed or withdrawn and the Debtors have filed additional claim objections with the Bankruptcy Court for approximately 200 claims totaling approximately \$4.8 billion in additional reductions. The Company may ask the Bankruptcy Court to disallow claims that the Company believes have been later amended or superseded, are without merit, are overstated or should be disallowed for other reasons. In addition, as a result of this process, the Company may identify additional liabilities that will need to be recorded or reclassified to Liabilities subject to compromise. In light of the substantial number of claims filed, and expected to be filed, the claims resolution process may take considerable time to complete and likely will continue after the Debtors emerge from bankruptcy.

Reorganization Items, Net

The Debtors have incurred and will continue to incur significant costs associated with the reorganization, including the write-off of original issue discount and deferred long-term debt fees on debt subject to compromise, costs of debtor-in-possession refinancing, legal and professional fees. The amount of these charges, which since the Petition Date are being expensed as incurred, are expected to significantly affect the Company's results of operations. In accordance with applicable guidance, costs associated with the bankruptcy proceedings have been recorded as Reorganization items, net within the Company's accompanying Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2018. See Note 12, *Reorganization Items, Net*.

Financial Statement Classification of Liabilities Subject to Compromise

The accompanying Consolidated Balance Sheet as of September 30, 2018 includes amounts classified as Liabilities subject to compromise, which represent liabilities the Company anticipates will be allowed as claims in the Chapter 11 Cases. These amounts represent the Debtors' current estimate of known or potential obligations to be resolved in connection with the Chapter 11 Cases, and may differ from actual future settlement amounts paid. Differences between liabilities estimated and claims filed, or to be filed, will be investigated and resolved in connection with the claims resolution process. The Company will continue to evaluate these liabilities throughout the Chapter 11 process and adjust amounts as necessary. Such adjustments may be material. See Note 11, *Liabilities Subject to Compromise*.

Plan of Reorganization

On April 28, 2018, the Debtors filed a plan of reorganization (as amended, the "Plan of Reorganization") and a related disclosure statement (as amended, the "Disclosure Statement") with the Bankruptcy Court pursuant to Chapter 11 of the Bankruptcy Code.

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On June 21, 2018, the Debtors filed an amended Disclosure Statement with the Bankruptcy Court. On August 5, 2018, the Debtors filed an amended Plan of Reorganization with the Bankruptcy Court. On August 23, 2018, the Debtors filed a second amended Plan of Reorganization and a further amended Disclosure Statement with the Bankruptcy Court. On August 28, 2018, the Debtors filed a third amended Plan of Reorganization and a further amended Disclosure Statement with the Bankruptcy Court. On September 12, 2018, the Debtors filed a fourth amended Plan of Reorganization and a further amended Disclosure Statement with the Bankruptcy Court. On September 18, 2018, the Debtors filed a revised fourth amended Plan of Reorganization and a further amended Disclosure Statement with the Bankruptcy Court. On September 20, 2018, the Bankruptcy Court entered an order approving the Disclosure Statement and related solicitation and notice procedures for voting on the Plan of Reorganization, and the Debtors filed solicitation versions of the Plan of Reorganization and Disclosure Statement.

Following the entry of the order approving the Disclosure Statement, the Debtors, certain Consenting Stakeholders, and the Official Committee of Unsecured Creditors reached an agreement regarding the treatment of general unsecured claims under the Plan of Reorganization. On October 10, 2018, the Debtors filed a fifth amended Plan of Reorganization reflecting such agreement and a supplement to the Disclosure Statement (the "Disclosure Statement Supplement"). On October 18, 2018, the Bankruptcy Court entered an order approving the Disclosure Statement Supplement and the continued solicitation of holders of general unsecured claims for voting on the Plan of Reorganization, and the Debtors filed solicitation versions of the Plan of Reorganization and Disclosure Statement Supplement. The deadline by which holders of claims and interests entitled to vote on the Plan of Reorganization must vote is currently November 16, 2018, and a hearing has been scheduled for December 11, 2018 to consider confirmation of the Plan of Reorganization.

Pursuant to the Plan of Reorganization, iHeartMedia, Inc. or its successor or assignee on the effective date of the Plan of Reorganization ("Reorganized iHeart") will issue new common stock ("Reorganized iHeart Common Stock"), special warrants to purchase Reorganized iHeart Common Stock ("Special Warrants"), or, if applicable, interests in a trust that may be created to hold Reorganized iHeart Common Stock and/or Special Warrants pending the Federal Communications Commission's approval of the transactions contemplated by the Plan of Reorganization (the "FCC Trust," and collectively with the Reorganized iHeart Common Stock and the Special Warrants, the "iHeart Equity Interests"), in exchange for claims against or interests in the Debtors. Holders of claims with respect to the iHeartCommunications term loan credit agreement, priority guarantee notes, 14% senior notes due 2021 and legacy notes will receive their pro rata share of a distribution of new term loans and new notes of iHeartCommunications and 99% of the iHeart Equity Interests, subject to dilution by any Reorganized iHeart Common Stock issued pursuant to a post-emergence equity incentive plan, as set forth in the Plan of Reorganization. The preliminary terms of the new term loans and new notes are set forth in the Disclosure Statement, and the amount and tenor of the new term loans and new notes will be set forth in a supplement to the Plan of Reorganization. Holders of equity interests in iHeartMedia will receive their pro rata share of 1% of the iHeart Equity Interests, subject to dilution by any Reorganized iHeart Common Stock issued pursuant to a post-emergence equity incentive plan. On the effective date of the Plan of Reorganization, the applicable Debtors will execute documents to effect the separation of CCOH from iHeartMedia, and the equity interests in CCOH (or its successor) currently held by subsidiaries of iHeartMedia will be distributed to holders of claims with respect to the term loan credit agreement and priority guarantee notes.

The Plan of Reorganization is subject to the approval of the Bankruptcy Court and other constituencies in accordance with the Bankruptcy Code, and is subject to further revision. There can be no assurance that the Plan of Reorganization will be confirmed by the Bankruptcy Court on the currently contemplated terms or at all, or that any confirmed plan of reorganization will be implemented successfully.

Going Concern

The accompanying consolidated financial statements have been prepared assuming that the Company will continue as a going concern and contemplate the realization of assets and the satisfaction of liabilities in the normal course of business. As noted above, Liabilities subject to compromise will be resolved in connection with the Chapter 11 Cases. The Company's ability to continue as a going concern is contingent upon the Company's ability to successfully implement the Company's plan of reorganization, among other factors. As a result of the Chapter 11 Cases, the realization of assets and the satisfaction of liabilities are subject to uncertainty. While operating as debtors-in-possession under Chapter 11, the Company may sell or otherwise dispose of or liquidate assets or settle liabilities, subject to the approval of the Bankruptcy Court or as otherwise permitted in the ordinary course of business, for amounts other than those reflected in the accompanying consolidated financial statements. Further, the plan of reorganization could materially change the amounts and classifications of assets and liabilities reported in the consolidated financial statements. The accompanying consolidated financial statements do not include any adjustments related to the recoverability and classification of assets or the amounts and classification of liabilities or any other adjustments that might be

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necessary should the Company be unable to continue as a going concern or as a consequence of the Chapter 11 Cases. As a result of our financial condition, the defaults under our debt agreements, and the risks and uncertainties surrounding the Chapter 11 Cases, substantial doubt exists that we will be able to continue as a going concern.

New Accounting Pronouncements Recently Adopted

Revenue from Contracts with Customers

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

As a result of adopting this new accounting standard, the Company has updated its significant accounting policies, as follows:

Accounts Receivable

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

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

Revenue Recognition

The Company recognizes revenue when or as it satisfies a performance obligation by transferring a promised good or service to a customer. Where third-parties are involved in the provision of goods and services to a customer, revenue is recognized at the gross amount of consideration the Company expects to receive if the Company controls the promised good or service before it is transferred to the customer; otherwise, revenue is recognized at the net amount the Company retains. The Company receives payments from customers based on billing schedules that are established in its contracts, and deferred income is recorded when payment is received from a customer before the Company has satisfied the performance obligation or a non-cancelable contract has been billed in advance in accordance with the Company's normal billing terms.

The primary source of revenue in the iHM segment is the sale of advertising on the Company's broadcast radio stations, its iHeartRadio mobile application and website, station websites, and national and local live events. Revenues for advertising spots are recognized at the point in time when the advertisement is broadcast or streamed, while revenues for online display advertisements are recognized over time based on impressions delivered or time elapsed, depending upon the terms of the contract. Revenues for event sponsorships are recognized over the period of the event. iHM also generates revenues from programming talent, network syndication, traffic and weather data, and other miscellaneous transactions, which are recognized when the services are transferred to the customer. iHM's contracts with advertisers are typically a year or less in duration and are generally billed monthly upon satisfaction of the performance obligations.

The Americas outdoor and International outdoor segments generate revenue primarily from the sale of advertising space on printed and digital displays, including billboards, street furniture displays, transit displays and retail displays, which may be sold as individual units or as a network package. Revenues from these contracts, which typically cover periods of a few weeks to one year, are generally recognized ratably over the term of the contract as the advertisement is displayed. These segments also generate revenue from production and creative services, which are distinct from the advertising display services, and related revenue is recognized at the point in time the Company installs the advertising copy at the display site. Americas outdoor contracts are

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generally billed monthly in advance, and International outdoor includes a combination of advance billings and billings upon completion of service.

The Company also generates revenue through contractual commissions realized from the sale of national spot and online advertising on behalf of clients of its full-service media representation business, Katz Media, which is reported in the Company's Other segment. Revenues from these contracts are recognized at the point in time when the advertisements are broadcast. Because the Company is a representative of its media clients and does not control the advertising inventory before it is transferred to the advertiser, the Company recognizes revenue at the net amount of contractual commissions retained for its representation services. The Company's media representation contracts typically have terms up to ten years in duration and are generally billed monthly upon satisfaction of the performance obligations.

The Company recognizes revenue in amounts that reflect the consideration it expects to receive in exchange for transferring goods or services to customers, excluding sales taxes and other similar taxes collected on behalf of governmental authorities (the "transaction price"). When this consideration includes a variable amount, the Company estimates the amount of consideration it expects to receive and only recognizes revenue to the extent that it is probable it will not be reversed in a future reporting period. Because the transfer of promised goods and services to the customer is generally within a year of scheduled payment from the customer, the Company is not typically required to consider the effects of the time value of money when determining the transaction price. Advertising revenue is reported net of agency commissions.

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

(In thousands)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Consolidated:				
Trade and barter revenues	\$ 55,475	\$ 49,886	\$ 153,185	\$ 162,330
Trade and barter expenses	42,985	34,672	145,656	126,502
iHM Segment:				
Trade and barter revenues	\$ 51,831	\$ 45,884	\$ 141,769	\$ 149,164
Trade and barter expenses	40,607	31,859	136,827	118,215

In order to appropriately identify the unit of accounting for revenue recognition, the Company determines which promised goods and services in a contract with a customer are distinct and are therefore separate performance obligations. If a promised good or service does not meet the criteria to be considered distinct, it is combined with other promised goods or services until a distinct bundle of goods or services exists. Certain of the Company's contracts with customers include options for the customer to acquire additional goods or services for free or at a discount, and management judgment is required to determine whether these options are material rights that are separate performance obligations.

For revenue arrangements that contain multiple distinct goods or services, the Company allocates the transaction price to these performance obligations in proportion to their relative standalone selling prices. The Company has concluded that the contractual prices for the promised goods and services in its standard contracts generally approximate management's best estimate of standalone selling price as the rates reflect various factors such as the size and characteristics of the target audience, market location and size, and recent market selling prices. However, where the Company provides customers with free or discounted services as part of contract negotiations, management uses judgment to determine how much of the transaction price to allocate to these performance obligations.

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Contract Costs

Incremental costs of obtaining a contract primarily relate to sales commissions, which are included in selling, general and administrative expenses and are generally commensurate with sales. These costs are generally expensed when incurred because the period of benefit is one year or less.

Restricted Cash

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

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

<i>(In thousands)</i>	September 30, 2018	December 31, 2017
Cash and cash equivalents	\$ 311,162	\$ 267,109
Restricted cash included in:		
Other current assets	7,653	26,096
Other assets	19,282	18,095
Total cash, cash equivalents and restricted cash in the Statement of Cash Flows	<u>\$ 338,097</u>	<u>\$ 311,300</u>

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

<i>(In thousands)</i>	September 30, 2018
Cash and cash equivalents	\$ 76,154
Restricted cash included in:	
Other current assets	3,422
Total cash, cash equivalents and restricted cash in the Statement of Cash Flows	<u>\$ 79,576</u>

Stock Compensation

During the second quarter of 2017, the FASB issued ASU 2017-09, *Compensation - Stock Compensation (Topic 718)*. This update mandates that entities will apply the modification accounting guidance if the value, vesting conditions or classification of a stock-based award changes. Entities will have to make all of the disclosures about modifications that are required today, in addition to disclosing that compensation expense hasn't changed. Additionally, the new guidance also clarifies that a modification to an award could be significant and therefore require disclosure, even if the modification accounting is not required. The guidance is being applied prospectively to awards modified on or after the adoption date and is effective for annual periods, and interim periods within those annual periods, beginning after December 15, 2017. The Company adopted the provisions of ASU 2017-09 on January 1, 2018 and the adoption of ASU 2017-09 did not have an impact on our consolidated financial statements.

New Accounting Pronouncements Not Yet Adopted

During the first quarter of 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new leasing standard presents significant changes to the balance sheets of lessees. The most significant change to the standard includes the recognition of right-of-use assets and lease liabilities by lessees for those leases classified as operating leases. Lessor accounting also is updated to align with certain changes in the lessee model and the new revenue recognition standard which was adopted this year. The standard

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is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2018. The standard is expected to have a material impact on our consolidated balance sheet, but is not expected to materially impact our consolidated statement of comprehensive income (loss) or cash flows. The Company is continuing to evaluate the impact of the provisions of this new standard on its consolidated financial statements.

In July 2018, The FASB issued ASU No. 2018-11, *Leases (Topic 842) - Targeted Improvements*. The update provides an additional (optional) transition method to adopt the new lease standard, allowing entities to apply the new lease standard at the adoption date. The Company plans to adopt Topic 842 following this optional transition method. The update also provides lessors a practical expedient to allow them to not separate non-lease components from the associated lease component and instead to account for those components as a single component if certain criteria are met. The updated practical expedient for lessors will not have a material effect to the Company's consolidated financial statements.

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

During the third quarter of 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40), Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*. This update requires that a customer in a cloud computing arrangement that is a service contract follow the internal use software guidance in Accounting Standards Codification (ASC) 350-402 to determine which implementation costs to capitalize as assets. The standard is effective for fiscal years beginning after December 15, 2019. The Company is currently evaluating the impact of the provisions of this new standard on its consolidated financial statements.

NOTE 2 – REVENUES

The Company generates revenue from several sources:

- The primary source of revenue in the iHM segment is the sale of advertising on the Company's radio stations, its iHeartRadio mobile application and website, station websites, and live events. This segment also generates revenues from programming talent, network syndication, traffic and weather data, and other miscellaneous transactions.
- The Americas outdoor and International outdoor segments generate revenue primarily from the sale of advertising space on printed and digital out-of-home advertising displays.
- The Company also generates revenue through contractual commissions realized from the sale of national spot and online advertising on behalf of clients of its full-service media representation business, Katz Media, which is reported in the Company's Other segment.

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

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Disaggregation of Revenue

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

<i>(In thousands)</i>	iHM	Americas Outdoor ⁽¹⁾	International Outdoor ⁽¹⁾	Other	Eliminations	Consolidated
Three Months Ended September 30, 2018						
Revenue from contracts with customers:						
United States	\$ 869,126	\$ 116,503	\$ —	\$ 47,088	\$ (168)	\$ 1,032,549
Other Americas	582	671	11,242	—	—	12,495
Europe	2,415	—	191,514	—	—	193,929
Asia-Pacific and other	4,059	—	5,563	—	—	9,622
Eliminations	(3,415)	—	—	—	—	(3,415)
Total	872,767	117,174	208,319	47,088	(168)	1,245,180
Revenue from leases	637	186,247	151,999	—	(1,298)	337,585
Revenue, total	<u>\$ 873,404</u>	<u>\$ 303,421</u>	<u>\$ 360,318</u>	<u>\$ 47,088</u>	<u>\$ (1,466)</u>	<u>\$ 1,582,765</u>
Three Months Ended September 30, 2017						
Revenue from contracts with customers:						
United States	\$ 854,890	\$ 106,806	\$ —	\$ 34,452	\$ (341)	\$ 995,807
Other Americas	704	2,488	14,224	—	—	17,416
Europe	2,420	—	181,229	—	—	183,649
Asia-Pacific and other	4,453	162	4,635	—	—	9,250
Eliminations	(3,798)	—	—	—	—	(3,798)
Total	858,669	109,456	200,088	34,452	(341)	1,202,324
Revenue from leases	862	184,351	150,535	—	(1,315)	334,433
Revenue, total	<u>\$ 859,531</u>	<u>\$ 293,807</u>	<u>\$ 350,623</u>	<u>\$ 34,452</u>	<u>\$ (1,656)</u>	<u>\$ 1,536,757</u>
Nine Months Ended September 30, 2018						
Revenue from contracts with customers:						
United States	\$ 2,457,506	\$ 328,138	\$ —	\$ 113,803	\$ (1,606)	\$ 2,897,841
Other Americas	2,025	1,955	36,723	—	—	40,703
Europe	7,477	—	605,032	—	—	612,509
Asia-Pacific and other	12,640	—	17,685	—	—	30,325
Eliminations	(10,568)	—	—	—	—	(10,568)
Total	2,469,080	330,093	659,440	113,803	(1,606)	3,570,810
Revenue from leases	2,159	529,097	455,487	—	(4,298)	982,445
Revenue, total	<u>\$ 2,471,239</u>	<u>\$ 859,190</u>	<u>\$ 1,114,927</u>	<u>\$ 113,803</u>	<u>\$ (5,904)</u>	<u>\$ 4,553,255</u>
Nine Months Ended September 30, 2017						
Revenue from contracts with customers:						
United States	\$ 2,487,144	\$ 308,988	\$ —	\$ 99,332	\$ (1,778)	\$ 2,893,686
Other Americas	2,107	10,279	37,418	—	—	49,804
Europe	6,825	—	533,111	—	—	539,936
Asia-Pacific and other	12,782	568	14,853	—	—	28,203
Eliminations	(11,120)	—	—	—	—	(11,120)
Total	2,497,738	319,835	585,382	99,332	(1,778)	3,500,509
Revenue from leases	3,346	534,509	420,572	—	(3,666)	954,761
Revenue, total	<u>\$ 2,501,084</u>	<u>\$ 854,344</u>	<u>\$ 1,005,954</u>	<u>\$ 99,332</u>	<u>\$ (5,444)</u>	<u>\$ 4,455,270</u>

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

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

Revenue from Contracts with Customers

The following tables show the changes in the Company's contract balances from contracts with customers for the three and nine months ended September 30, 2018 and 2017:

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Accounts receivable from contracts with customers:				
Beginning balance, net of allowance	\$ 1,104,255	\$ 1,106,289	\$ 1,196,101	\$ 1,067,980
Additions (collections), net	19,628	6,487	(58,027)	55,186
Bad debt, net of recoveries	(2,720)	(6,189)	(16,911)	(16,579)
Ending balance, net of allowance	1,121,163	1,106,587	1,121,163	1,106,587
Accounts receivable from leases, net of allowance	345,761	326,432	345,761	326,432
Total accounts receivable, net of allowance	<u>\$ 1,466,924</u>	<u>\$ 1,433,019</u>	<u>\$ 1,466,924</u>	<u>\$ 1,433,019</u>

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Deferred revenue from contracts with customers:				
Beginning balance	\$ 204,013	\$ 206,807	\$ 181,748	\$ 191,916
Revenue recognized, included in beginning balance	(106,893)	(97,775)	(131,449)	(141,045)
Additions, net of revenue recognized during period	96,173	88,297	142,994	146,458
Ending balance	193,293	197,329	193,293	197,329
Deferred revenue from leases	50,930	54,639	50,930	54,639
Total deferred revenue	244,223	251,968	244,223	251,968
Less: Non-current portion, included in other long-term liabilities	30,484	41,473	30,484	41,473
Current portion of deferred revenue, included in deferred income	<u>\$ 213,739</u>	<u>\$ 210,495</u>	<u>\$ 213,739</u>	<u>\$ 210,495</u>

The Company's contracts with customers generally have a term of one year or less; however, as of September 30, 2018, the Company expects to recognize \$243.1 million of revenue in future periods for remaining performance obligations from current contracts with customers that have an original expected duration of greater than one year, with substantially all of this amount to be recognized over the next five years. Commissions related to the Company's media representation business have been excluded from this amount as they are contingent upon future sales. As part of the transition to the new revenue standard, the Company is not required to disclose information about remaining performance obligations for periods prior to the date of initial application.

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Revenue from Leases

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

(In thousands)

2018	\$	280,909
2019		37,024
2020		19,103
2021		13,683
2022		9,628
Thereafter		18,836
Total minimum future rentals	\$	<u>379,183</u>

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

Acquisition

On October 10, 2018, the Company acquired Stuff Media LLC for \$55.0 million.

Property, Plant and Equipment

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

(In thousands)

	September 30, 2018	December 31, 2017
Land, buildings and improvements	\$ 568,499	\$ 562,702
Structures	2,808,059	2,864,442
Towers, transmitters and studio equipment	362,158	356,664
Furniture and other equipment	750,459	707,163
Construction in progress	87,337	74,810
	<u>4,576,512</u>	<u>4,565,781</u>
Less: accumulated depreciation	2,857,421	2,681,067
Property, plant and equipment, net	<u>\$ 1,719,091</u>	<u>\$ 1,884,714</u>

Indefinite-lived Intangible Assets

The Company's indefinite-lived intangible assets consist of Federal Communications Commission ("FCC") broadcast licenses in its iHM segment and billboard permits in its Americas outdoor advertising segment. Due to significant differences in both business practices and regulations, billboards in the International outdoor segment are subject to long-term, finite contracts unlike the Company's permits in the United States. Accordingly, there are no indefinite-lived intangible assets in the International outdoor segment.

Annual Impairment Test on Indefinite-lived Intangible Assets

The Company performs its annual impairment test on indefinite-lived intangible assets as of July 1 of each year.

The impairment tests for indefinite-lived intangible assets consist of a comparison between the fair value of the indefinite-lived intangible asset at the market level with its carrying amount. If the carrying amount of the indefinite-lived intangible asset exceeds its fair value, an impairment loss is recognized equal to that excess. After an impairment loss is recognized, the adjusted carrying amount of the indefinite-lived asset is its new accounting basis. The fair value of the indefinite-lived asset is determined using the direct valuation method as prescribed in ASC 805-20-S99. Under the direct valuation method, the fair value of the indefinite-

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lived assets is calculated at the market level as prescribed by ASC 350-30-35. The Company engaged a third-party valuation firm, to assist it in the development of the assumptions and the Company's determination of the fair value of its indefinite-lived intangible assets.

The application of the direct valuation method attempts to isolate the income that is attributable to the indefinite-lived intangible asset alone (that is, apart from tangible and identified intangible assets and goodwill). It is based upon modeling a hypothetical "greenfield" build-up to a "normalized" enterprise that, by design, lacks inherent goodwill and whose only other assets have essentially been paid for (or added) as part of the build-up process. The Company forecasts revenue, expenses, and cash flows over a ten-year period for each of its markets in its application of the direct valuation method. The Company also calculates a "normalized" residual year which represents the perpetual cash flows of each market. The residual year cash flow was capitalized to arrive at the terminal value of the licenses in each market.

Under the direct valuation method, it is assumed that rather than acquiring indefinite-lived intangible assets as part of a going concern business, the buyer hypothetically develops indefinite-lived intangible assets and builds a new operation with similar attributes from scratch. Thus, the buyer incurs start-up costs during the build-up phase which are normally associated with going concern value. Initial capital costs are deducted from the discounted cash flow model which results in value that is directly attributable to the indefinite-lived intangible assets.

The key assumptions using the direct valuation method are market revenue growth rates, market share, profit margin, duration and profile of the build-up period, estimated start-up capital costs and losses incurred during the build-up period, the risk-adjusted discount rate and terminal values. This data is populated using industry normalized information representing an average FCC license or billboard permit within a market.

During the third quarter of 2018, the Company recognized impairment charges of \$33.1 million related to FCC licenses in several iHM radio markets and an impairment charge of \$7.8 million related to permits in one Americas outdoor market. The Company recognized impairment charges related to its indefinite-lived intangible assets within one iHM radio market of \$6.0 million during the three and nine months ended September 30, 2017.

Other Intangible Assets

Other intangible assets include definite-lived intangible assets and permanent easements. The Company's definite-lived intangible assets primarily include transit and street furniture contracts, talent and representation contracts, customer and advertiser relationships, and 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 as of September 30, 2018 and December 31, 2017, respectively:

<i>(In thousands)</i>	September 30, 2018		December 31, 2017	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other outdoor contractual rights	\$ 533,274	\$ (440,452)	\$ 548,918	\$ (440,284)
Customer / advertiser relationships	1,226,329	(1,205,662)	1,226,314	(1,133,251)
Talent contracts	161,962	(146,978)	161,962	(138,728)
Representation contracts	77,507	(68,976)	77,507	(62,753)
Permanent easements	162,920	—	162,920	—
Other	373,675	(241,102)	372,292	(224,841)
Total	\$ 2,535,667	\$ (2,103,170)	\$ 2,549,913	\$ (1,999,857)

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Total amortization expense related to definite-lived intangible assets for the three months ended September 30, 2018 and 2017 was \$24.2 million and \$49.5 million, respectively. Total amortization expense related to definite-lived intangible assets for the nine months ended September 30, 2018 and 2017 was \$116.4 million and \$148.2 million, respectively.

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

(In thousands)

2019	\$	45,875
2020	\$	39,144
2021	\$	34,303
2022	\$	29,153
2023	\$	21,377

Goodwill

Annual Impairment Test to Goodwill

The Company performs its annual impairment test on goodwill as of July 1 of each year.

Each of the U.S. radio markets and outdoor advertising markets are components of the Company. The U.S. radio markets are aggregated into a single reporting unit and the U.S. outdoor advertising markets are aggregated into a single reporting unit for purposes of the goodwill impairment test using the guidance in ASC 350-20-55. The Company also determined that each country within its Americas outdoor segment and International outdoor segment constitutes a separate reporting unit.

The goodwill impairment test is a two-step process. The first step, used to screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. If applicable, the second step, used to measure the amount of the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill.

Each of the Company's reporting units is valued using a discounted cash flow model which requires estimating future cash flows expected to be generated from the reporting unit and discounting such cash flows to their present value using a risk-adjusted discount rate. Terminal values were also estimated and discounted to their present value. Assessing the recoverability of goodwill requires the Company to make estimates and assumptions about sales, operating margins, growth rates and discount rates based on its budgets, business plans, economic projections, anticipated future cash flows and marketplace data. There are inherent uncertainties related to these factors and management's judgment in applying these factors.

The Company concluded no goodwill impairment was required during the three and nine months ended September 30, 2018. The Company recognized goodwill impairment of \$1.6 million during the three and nine months ended September 30, 2017 related to one market in the Company's International outdoor segment.

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

(In thousands)

	iHM	Americas Outdoor	International Outdoor	Other	Consolidated
Balance as of December 31, 2016	\$ 3,288,481	\$ 505,478	\$ 190,785	\$ 81,831	\$ 4,066,575
Impairment	—	—	(1,591)	—	(1,591)
Acquisitions	2,442	2,252	—	—	4,694
Dispositions	(35,715)	—	(1,817)	—	(37,532)
Foreign currency	—	—	18,847	—	18,847
Assets held for sale	—	89	—	—	89
Balance as of December 31, 2017	\$ 3,255,208	\$ 507,819	\$ 206,224	\$ 81,831	\$ 4,051,082
Dispositions	(1,606)	—	—	—	(1,606)
Foreign currency	—	—	(5,535)	—	(5,535)
Balance as of September 30, 2018	<u>\$ 3,253,602</u>	<u>\$ 507,819</u>	<u>\$ 200,689</u>	<u>\$ 81,831</u>	<u>\$ 4,043,941</u>

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NOTE 4 – LONG-TERM DEBT

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

<i>(In thousands)</i>	September 30, 2018	December 31, 2017
Senior Secured Credit Facilities	\$ —	\$ 6,300,000
Receivables Based Credit Facility due 2020 ⁽¹⁾	—	405,000
Debtors-in-Possession Facility ⁽¹⁾	—	—
9.0% Priority Guarantee Notes Due 2019	—	1,999,815
9.0% Priority Guarantee Notes Due 2021	—	1,750,000
11.25% Priority Guarantee Notes Due 2021	—	870,546
9.0% Priority Guarantee Notes Due 2022	—	1,000,000
10.625% Priority Guarantee Notes Due 2023	—	950,000
CCO Receivables Based Credit Facility Due 2023 ⁽²⁾	—	—
Other secured subsidiary debt ⁽³⁾	4,034	8,522
Total consolidated secured debt	4,034	13,283,883
14.0% Senior Notes Due 2021	—	1,763,925
Legacy Notes ⁽⁴⁾	—	475,000
10.0% Senior Notes Due 2018 ⁽⁵⁾	—	47,482
CCWH Senior Notes due 2022	2,725,000	2,725,000
CCWH Senior Subordinated Notes due 2020	2,200,000	2,200,000
Clear Channel International B.V. Senior Notes due 2020	375,000	375,000
Other subsidiary debt	26	24,615
Purchase accounting adjustments and original issue discount ⁽⁶⁾	(611)	(136,653)
Long-term debt fees ⁽⁶⁾	(28,612)	(109,071)
Long-term debt, net subject to compromise ⁽⁷⁾	15,148,955	—
Total debt, prior to reclassification to Liabilities subject to compromise	20,423,792	20,649,181
Less: current portion	347	14,972,367
Less: Amounts reclassified to Liabilities subject to compromise	15,148,955	—
Total long-term debt	\$ 5,274,490	\$ 5,676,814

- (1) On June 14, 2018 (the "DIP Closing Date"), iHeartCommunications refinanced its receivables based credit facility with a new \$450.0 million debtors-in-possession credit facility (the "DIP Facility"), which matures on the earlier of the emergence date from the Chapter 11 Cases or June 14, 2019. The DIP Facility also includes a feature to convert into an exit facility at emergence, upon meeting certain conditions. The DIP Facility accrues interest at LIBOR plus 2.25%. At closing, iHeartCommunications drew \$125.0 million on the DIP Facility. On June 14, 2018, the Company used proceeds from the DIP Facility and cash on hand to repay the outstanding \$306.4 million and \$74.3 million term loan and revolving credit commitments, respectively, of the iHeartCommunications receivables based credit facility. Long-term debt fees incurred in relation to the DIP Facility were expensed as incurred and are reflected within Reorganization items, net in the Company's Consolidated Statement of Comprehensive Income (Loss). On August 16, 2018 and September 17, 2018, the Company repaid \$100.0 million and \$25.0 million, respectively, of the amount drawn under the DIP Facility. As of September 30, 2018, the Company had a borrowing limit of \$450.0 million under iHeartCommunications' DIP Facility, had no outstanding borrowings, had \$65.3 million of outstanding letters of credit and had an availability block requirement of \$37.5 million, resulting in \$347.2 million of excess availability.
- (2) On June 1, 2018, a subsidiary of the Company's Outdoor advertising subsidiary, Clear Channel Outdoor, Inc. ("CCO"), refinanced CCOH's senior revolving credit facility and replaced it with an asset based credit facility that provided for revolving credit commitments of up to \$75.0 million. On June 29, 2018, CCO entered into an amendment providing for a \$50.0 million incremental increase of the facility, bringing the aggregate revolving credit commitments to \$125.0 million. The facility has a five-year term, maturing in 2023. As of

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- September 30, 2018, the facility had \$86.4 million of letters of credit outstanding and a borrowing base of \$113.0 million, resulting in \$26.6 million of excess availability.
- (3) Other secured subsidiary debt matures at various dates from 2018 through 2045.
 - (4) iHeartCommunications' Legacy Notes, all of which were issued prior to the acquisition of iHeartCommunications by the Company in 2008, consist of \$175.0 million of Senior Notes that matured on June 15, 2018, \$300.0 million of Senior Notes that mature in 2027 and \$57.1 million of Senior Notes due 2016 held by a subsidiary of the Company that remain outstanding but are eliminated for purposes of consolidation of the Company's financial statements.
 - (5) On January 4, 2018, a subsidiary of iHeartCommunications repurchased \$5.4 million aggregate principal amount of 10.0% Senior Notes due 2018 that were held by unaffiliated third parties for \$5.3 million in cash. On January 16, 2018, iHeartCommunications repaid the remaining balance of \$42.1 million aggregate principal amount of 10.0% Senior Notes due 2018 at maturity.
 - (6) As a result of the Company's Chapter 11 Cases, the Company expensed \$67.1 million of deferred long-term debt fees and \$131.1 million of original issue discount to Reorganization items, net, in the Consolidated Statement of Comprehensive Income (Loss) for the nine months ended September 30, 2018.
 - (7) In connection with the Company's Chapter 11 Cases, the \$6.3 billion outstanding under the Senior Secured Credit Facilities, the \$1,999.8 million outstanding under the 9.0% Priority Guarantee Notes due 2019, the \$1,750.0 million outstanding under the 9.0% Priority Guarantee Notes due 2021, the \$870.5 million of 11.25% Priority Guarantee Notes due 2021, the \$1,000.0 million outstanding under the 9.0% Priority Guarantee Notes due 2022, the \$950.0 million outstanding under the 10.625% Priority Guarantee Notes due 2023, \$6.1 million outstanding Other Secured Subsidiary debt, the \$1,781.6 million outstanding under the 14.0% Senior Notes due 2021, the \$475.0 million outstanding under the Legacy Notes and \$16.0 million outstanding Other Subsidiary Debt have been reclassified to Liabilities subject to compromise in the Company's Consolidated Balance Sheet as of September 30, 2018. As of the Petition Date, the Company ceased making principal and interest payments, and ceased accruing interest expense in relation to long-term debt reclassified as Liabilities subject to compromise.

The Company's weighted average interest rate was 9.1% and 8.9% as of September 30, 2018 and December 31, 2017, respectively. The aggregate market value of the Company's debt based on market prices for which quotes were available was approximately \$15.4 billion as of September 30, 2018 and December 31, 2017. Under the fair value hierarchy established by ASC 820-10-35, the market value of the Company's debt is classified as either Level 1 or Level 2.

Debtors-in-Possession Facility

On June 14, 2018, iHeartCommunications, Inc., an indirect subsidiary of the Company, entered into a Superpriority Secured Debtor-in-Possession Credit Agreement (the "DIP Credit Agreement"), as parent borrower, with iHeartMedia Capital I, LLC ("Holdings"), as guarantor, certain Debtor subsidiaries of iHeartCommunications named therein, as subsidiary borrowers (the "Subsidiary Borrowers"), Citibank, N.A., as a lender and administrative agent, the swing line lenders and letter of credit issuers named therein and the other lenders from time to time party thereto.

Size and Availability

The DIP Credit Agreement provides for a first-out asset-based revolving credit facility in the aggregate principal amount of up to \$450 million, with amounts available from time to time (including in respect of letters of credit) equal to the lesser of (i) the borrowing base, which equals 90.0% of the eligible accounts receivable of iHeartCommunications and the subsidiary guarantors, subject to customary reserves and eligibility criteria, and (ii) the aggregate revolving credit commitments. As of the DIP Closing Date, the aggregate revolving credit commitments were \$450.0 million. Subject to certain conditions, iHeartCommunications may at any time request one or more increases in the amount of revolving credit commitments, in minimum amounts of \$10.0 million and in an aggregate maximum amount of \$100.0 million.

The proceeds from the DIP Facility were made available on the DIP Closing Date, and were used in combination with cash on hand to fully pay off and terminate iHeartCommunications' asset-based credit facility and all commitments thereunder governed by the credit agreement, dated as of November 30, 2017, by and among iHeartCommunications, Holdings, the Subsidiary Borrowers, and the lenders and issuing banks from time to time party thereto and TPG Specialty Lending, Inc., as administrative agent and collateral agent.

Interest Rate and Fees

Borrowings under the DIP Credit Agreement bear interest at a rate per annum equal to the applicable rate plus, at iHeartCommunications' option, either (1) a base rate determined by reference to the highest of (a) the rate announced from time to time by the Administrative Agent at its principal office, (b) the Federal Funds rate plus 0.50%, and (c) the Eurocurrency rate for an interest period of one month plus 1.00% or (2) a Eurocurrency rate that is the greater of (a) 1.00%, and (b) the quotient of (i) the ICE LIBOR rate, or if such rate is not available, the rate determined by the Administrative Agent, and (ii) one minus the

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maximum rate at which reserves are required to be maintained for Eurocurrency liabilities. The applicable rate for borrowings under the DIP Credit Agreement is 2.25% with respect to Eurocurrency rate loans and 1.25% with respect to base rate loans.

In addition to paying interest on outstanding principal under the DIP Credit Agreement, iHeartCommunications is required to pay a commitment fee of 0.50% per annum to the lenders under the DIP Credit Agreement in respect of the unutilized revolving commitments thereunder. iHeartCommunications must also pay a letter of credit fee equal to 2.25% per annum.

Maturity

Borrowings under the DIP Credit Agreement will mature, and lending commitments thereunder will terminate, upon the earliest to occur of: (a) June 14, 2019 (the “Scheduled Termination Date”) (provided that to the extent the Consummation Date (as defined below) has not occurred solely as a result of failure to obtain necessary regulatory approvals, the Scheduled Termination Date shall be September 16, 2019) and (b) the date of the substantial consummation (as defined in the Bankruptcy Code) of a confirmed plan of reorganization pursuant to an order of the Bankruptcy Court (the “Consummation Date”); provided, that if the DIP Facility is converted into an exit facility as described under “Conversion to Exit Facility” below, then the borrowings will mature on the maturity date set forth in the credit agreement governing such exit facility.

Prepayments

If at any time (a) the revolving credit exposures exceed the revolving credit commitments (this clause (a), the “Excess”) or (b) the lesser of the borrowing base and the aggregate revolving credit commitments *minus* \$37.5 million *minus* the aggregate revolving credit exposures (the clause (b), the “Excess Availability”), is for any reason less than \$0, iHeartCommunications will be required to repay all revolving loans outstanding, and cash collateralize letters of credit in an aggregate amount equal to such Excess or until Excess Availability is not less than \$0, as applicable.

iHeartCommunications may voluntarily repay, without premium or penalty, outstanding amounts under the revolving credit facility at any time.

Guarantees and Security

The facility is guaranteed by, subject to certain exceptions, Holdings and iHeartCommunications’ Debtor subsidiaries. All obligations under the DIP Credit Agreement, and the guarantees of those obligations, are secured by a perfected first priority senior priming lien on all of iHeartCommunications’ and all of the subsidiary guarantors’ accounts receivable and related proceeds thereof, subject to certain exceptions.

Certain Covenants and Events of Default

The DIP Credit Agreement includes negative covenants that, subject to significant exceptions, limit iHeartCommunications’ ability and the ability of its restricted subsidiaries to, among other things:

- incur additional indebtedness;
- create liens on assets;
- engage in mergers, consolidations, liquidations and dissolutions;
- sell assets;
- pay dividends and distributions or repurchase iHeartCommunications’ capital stock;
- make investments, loans, or advances;
- prepay certain junior indebtedness;
- engage in certain transactions with affiliates;
- amend material agreements governing certain junior indebtedness; and

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- change lines of business.

The DIP Credit Agreement includes certain customary representations and warranties, affirmative covenants and events of default, including but not limited to, payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain bankruptcy-related events, certain events under ERISA, material judgments and a change of control. If an event of default occurs, the lenders under the DIP Credit Agreement will be entitled to take various actions, including the acceleration of all amounts due under the DIP Credit Agreement and all actions permitted to be taken under the loan documents or applicable law, subject to the terms of the DIP Order.

Conversion to Exit Facility

Upon the satisfaction or waiver of the conditions set forth in the DIP Credit Agreement and the entry by the Bankruptcy Court of an order confirming an acceptable plan of reorganization, the DIP Facility will convert into an exit facility on the terms set forth in an exhibit to the DIP Credit Agreement.

Surety Bonds, Letters of Credit and Guarantees

As of September 30, 2018, the Company and its subsidiaries had outstanding surety bonds, commercial standby letters of credit and bank guarantees of \$70.5 million, \$153.9 million and \$41.0 million, respectively. A portion of the outstanding bank guarantees were supported by \$20.5 million of cash collateral. These surety bonds, letters of credit and bank guarantees relate to various operational matters including insurance, bid, concession and performance bonds as well as other items.

NOTE 5 – COMMITMENTS AND CONTINGENCIES

iHeartCommunications' filing of the Chapter 11 Cases constitutes an event of default that accelerated its obligations under its debt agreements. Due to the Chapter 11 Cases, however, the creditors' ability to exercise remedies under iHeartCommunications' debt agreements were stayed as of March 14, 2018, the date of the Chapter 11 petition filing, and continue to be stayed. On March 21, 2018, Wilmington Savings Fund Society, FSB ("WSFS"), solely in its capacity as successor indenture trustee to the 6.875% Senior Notes due 2018 and 7.25% Senior Notes due 2027, and not in its individual capacity, filed an adversary proceeding against the Company in the Chapter 11 Cases. In the complaint, WSFS alleged, among other things, that the "springing lien" provisions of the priority guarantee notes indentures and the priority guarantee notes security agreements amounted to "hidden encumbrances" on the Company's property, to which the holders of the 6.875% Senior Notes due 2018 and 7.25% Senior Notes due 2027 were entitled to "equal and ratable" treatment. On March 26, 2018, Delaware Trust Co. ("Delaware Trust"), in its capacity as successor indenture trustee to the 14% Senior Notes due 2021, filed a motion to intervene as a plaintiff in the adversary proceeding filed by WSFS. In the complaint, Delaware Trust alleged, among other things, that the indenture governing the 14% Senior Notes due 2021 also has its own "negative pledge" covenant, and, therefore, to the extent the relief sought by WSFS in its adversary proceeding is warranted, the holders of the 14% Senior Notes due 2021 are also entitled to the same "equal and ratable" liens on the same property. On April 6, 2018, the Company filed a motion to dismiss the adversary proceeding and a hearing on such motion was held on May 7, 2018. We have answered the complaint and discovery is proceeding. The trial was held on October 24, 2018. The parties are awaiting a ruling from the court.

On October 9, 2018, WSFS, solely in its capacity as successor indenture trustee to the 6.875% Senior Notes due 2018 and 7.25% Senior Notes due 2027, and not in its individual capacity, filed an adversary proceeding against Clear Channel Holdings Inc. ("CCH") and certain shareholders of iHeartMedia. The named shareholder defendants are Bain Capital LP; Thomas H. Lee Partners L.P.; Abrams Capital L.P.; and Highfields Capital Management L.P. In the complaint, WSFS alleged, among other things, that the shareholder defendants engaged in a "pattern of inequitable and bad faith conduct, including the abuse of their insider positions to benefit themselves at the expense of third-party creditors including particularly the Legacy Noteholders." The complaint asks the court to grant relief in the form of equitable subordination of the shareholder defendants' term loan, priority guarantee notes and 2021 notes claims to any and all claims of the legacy noteholders. In addition, the complaint seeks to have any votes to accept the Fourth Amended Plan of Reorganization by Abrams and Highfields on account of their 2021 notes claims, and any votes to accept the Fourth Amended Plan of Reorganization by defendant CCH on account of its junior notes claims, to be designated and disqualified. The Court held a pre-trial conference and oral argument on October 18, 2018. Discovery has not yet begun in this proceeding.

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

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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; defamation matters; employment and benefits related claims; governmental fines; intellectual property claims; and tax disputes.

Stockholder Litigation

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

On July 20, 2016, the defendants filed a motion to dismiss plaintiff's verified stockholder derivative complaint for failure to state a claim upon which relief can be granted. On November 23, 2016, the Court granted defendants' motion to dismiss all claims brought by the plaintiff. On December 19, 2016, the plaintiff filed a notice of appeal of the ruling. The oral hearing on the appeal was held on October 11, 2017. On October 12, 2017, the Supreme Court of Delaware affirmed the lower court's ruling, dismissing the case.

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

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

On August 27, 2018, the same stockholder of CCOH that had filed a derivative lawsuit against the Company and others in 2016 (GAMCO Asset Management Inc.) filed a putative class action lawsuit in the Court of Chancery of the State of Delaware, captioned GAMCO Asset Management, Inc. v. Hendrix, et al., C.A. No. 2018-0633-JRS. The complaint names as defendants the Sponsor Defendants and the members of CCOH's board of directors. The complaint alleges that minority shareholders in CCOH during the period November 8, 2017 to March 14, 2018 were harmed by decisions of the CCOH Board and the intercompany note committee of the Board relating to the Intercompany Note. Specifically, the complaint alleges that (i) the members of the intercompany note committee breached their fiduciary duties by not demanding payment under the Intercompany Note and issuing a simultaneous dividend after a threshold tied to the Company's liquidity had been reached; (ii) the CCOH Board breached their fiduciary duties by approving the Third Amendment rather than allowing the Intercompany Note to expire; (iii) the CCOH Board breached their fiduciary duties by not demanding payment under the Intercompany Note and issuing a simultaneous dividend after a threshold tied to the Company's liquidity had been reached; (iv) the Sponsor Defendants breached their fiduciary duties by not directing the CCOH Board to permit the Intercompany Note to expire and to declare a dividend. The complaint further alleges that the Sponsor Defendants aided and abetted the Board's alleged breach of fiduciary duties. The plaintiff seeks, among other things, a ruling that the CCOH Board, the intercompany note committee, and the Sponsor Defendants breached their fiduciary duties and that the Sponsor Defendants aided and abetted the Board's breach of fiduciary duty; and an award of damages, together with pre- and post-judgment interests, to the putative class of minority shareholders.

China Investigation

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

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

Italy Investigation

As described in Note 1 to these consolidated financial statements, during the three months ended June 30, 2018, the Company identified misstatements associated with VAT obligations related to its subsidiary in Italy. Upon identification of these misstatements, the Company undertook certain procedures, including a forensic investigation, which is ongoing. In addition, the Company voluntarily disclosed the matter and preliminary findings to the Italian tax authorities in order to commence a discussion on the appropriate calculation of the VAT position. The current expectation is that the Company may have to repay to the Italian tax authority a substantial portion of the VAT previously applied as a credit, amounting to approximately \$17 million, including estimated possible penalties and interest. The discussion with the tax authorities is at an early stage and therefore the ultimate amount that will be paid to the tax authorities in Italy is unknown. The ultimate amount to be paid may differ from the Company's estimates, and such differences may be material.

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 6 – INCOME TAXES

Income Tax Expense

The Company's income tax expense for the three and nine months ended September 30, 2018 and 2017, respectively, consisted of the following components:

<i>(In thousands)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Current tax benefit (expense)	\$ (14,979)	\$ 7,522	\$ (25,168)	\$ (36,852)
Deferred tax expense	(2,790)	(9,573)	(22,020)	(13,291)
Income tax expense	<u>\$ (17,769)</u>	<u>\$ (2,051)</u>	<u>\$ (47,188)</u>	<u>\$ (50,143)</u>

The effective tax rates for the three and nine months ended September 30, 2018 were 19.8% and (12.4)%, respectively. The effective tax rates were primarily impacted by the valuation allowance recorded against deferred tax assets resulting from current period net operating losses in U.S. federal, state and certain foreign jurisdictions due to uncertainty regarding the Company's ability to realize those assets in future periods.

The effective tax rates for the three and nine months ended September 30, 2017 were (0.8)% and (6.6)%, respectively. The effective tax rates were primarily impacted by the valuation allowance recorded against deferred tax assets resulting from current year net operating losses in U.S. federal, state and certain foreign jurisdictions due to uncertainty regarding the Company's ability to realize those assets in future periods.

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

NOTE 7 – STOCKHOLDERS' DEFICIT

The Company reports its noncontrolling interests in consolidated subsidiaries as a component of equity separate from the Company's equity. The following table shows the changes in stockholders' deficit 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 Interests	Consolidated
Balance as of January 1, 2018	\$ (11,385,535)	\$ 41,191	\$ (11,344,344)
Net loss	(416,815)	(10,732)	(427,547)
Dividends declared and other payments to noncontrolling interests	—	(10,381)	(10,381)
Share-based compensation	1,628	6,757	8,385
Foreign currency translation adjustments	(11,062)	(8,980)	(20,042)
Reclassification adjustments	1,274	151	1,425
Other, net	(78)	(653)	(731)
Balances as of September 30, 2018	<u>\$ (11,810,588)</u>	<u>\$ 17,353</u>	<u>\$ (11,793,235)</u>

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

(In thousands)

	The Company	Noncontrolling Interests	Consolidated
Balance as of January 1, 2017	\$ (11,030,835)	\$ 128,974	\$ (10,901,861)
Net income (loss)	(816,802)	7,614	(809,188)
Dividends declared and other payments to noncontrolling interests	—	(43,540)	(43,540)
Share-based compensation	1,867	7,153	9,020
Purchase of additional noncontrolling interests	(378)	(575)	(953)
Disposal of noncontrolling interest	—	(2,438)	(2,438)
Foreign currency translation adjustments	33,473	9,598	43,071
Unrealized holding loss on marketable securities	(195)	(23)	(218)
Reclassification adjustments	4,078	485	4,563
Other, net	(323)	(1,235)	(1,558)
Balances as of September 30, 2017	\$ (11,809,115)	\$ 106,013	\$ (11,703,102)

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

COMPUTATION OF LOSS PER SHARE

(In thousands, except per share data)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
NUMERATOR:				
Net income (loss) attributable to the Company – common shares	\$ 70,078	\$ (250,490)	\$ (416,815)	\$ (816,802)
DENOMINATOR:				
Weighted average common shares outstanding - basic	85,544	85,072	85,348	84,900
Weighted average common shares outstanding - diluted ⁽¹⁾	85,622	85,072	85,348	84,900
Net income (loss) attributable to the Company per common share:				
Basic	\$ 0.82	\$ (2.94)	\$ (4.88)	\$ (9.62)
Diluted	\$ 0.82	\$ (2.94)	\$ (4.88)	\$ (9.62)

⁽¹⁾ Outstanding equity awards of 6.6 million and 8.5 million for the three months ended September 30, 2018 and 2017, respectively, and 7.6 million and 8.5 million for the nine months ended September 30, 2018 and 2017, respectively, were not included in the computation of diluted earnings per share because to do so would have been antidilutive.

NOTE 8 — OTHER INFORMATION

Other Comprehensive Income (Loss)

The total decrease in other comprehensive income (loss) related to the impact of pensions on deferred income tax liabilities was \$0.3 million for the three and nine months ended September 30, 2018. There was no change in deferred income tax liabilities resulting from adjustments to comprehensive income (loss) for the three and nine months ended September 30, 2017.

Investments

During the second quarter of 2018, the Company sold its ownership interest in one of its cost method investments, resulting in a gain on sale of \$9.9 million, which is reflected within Other income (expense), net in the Company's Consolidated Statement of Comprehensive Income (Loss) for the nine months ended September 30, 2018.

During the third quarter of 2018, the Company sold one of its investments for net cash proceeds of \$11.1 million.

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 9 – SEGMENT DATA

The Company's reportable segments, which it believes best reflect how the Company is currently managed, are iHM, Americas outdoor advertising and International outdoor advertising. Revenue and expenses earned and charged between segments are recorded at estimated fair value and eliminated in consolidation. The iHM segment provides media and entertainment services via broadcast and digital delivery and also includes the Company's events and national syndication businesses. The Americas outdoor advertising segment consists of operations primarily in the United States. The International outdoor advertising segment primarily includes operations in Europe, Asia and Latin America. The Other category includes the Company's media representation business as well as other general support services and initiatives that are ancillary to the Company's other businesses. Corporate includes infrastructure and support, including information technology, human resources, legal, finance and administrative functions for each of the Company's reportable segments, as well as overall executive, administrative and support functions. Share-based payments are recorded in corporate expense.

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

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

<i>(In thousands)</i>	iHM	Americas Outdoor	International Outdoor	Other	Corporate and other reconciling items	Eliminations	Consolidated
Three Months Ended September 30, 2018							
Revenue	\$ 873,404	\$ 303,421	\$ 360,318	\$ 47,088	\$ —	\$ (1,466)	\$ 1,582,765
Direct operating expenses	268,606	131,241	230,440	—	—	(23)	630,264
Selling, general and administrative expenses	303,451	49,247	79,550	25,985	—	(476)	457,757
Corporate expenses	—	—	—	—	85,160	(967)	84,193
Depreciation and amortization	34,882	39,783	36,627	3,222	6,186	—	120,700
Impairment charges	—	—	—	—	40,922	—	40,922
Other operating expense, net	—	—	—	—	(1,637)	—	(1,637)
Operating income (loss)	<u>\$ 266,465</u>	<u>\$ 83,150</u>	<u>\$ 13,701</u>	<u>\$ 17,881</u>	<u>\$ (133,905)</u>	<u>\$ —</u>	<u>\$ 247,292</u>
Intersegment revenues	\$ 23	\$ 1,443	\$ —	\$ —	\$ —	\$ —	\$ 1,466
Capital expenditures	\$ 17,750	\$ 25,826	\$ 21,921	\$ 896	\$ 2,555	\$ —	\$ 68,948
Share-based compensation expense	\$ —	\$ —	\$ —	\$ —	\$ 3,588	\$ —	\$ 3,588
Three Months Ended September 30, 2017							
Revenue	\$ 859,531	\$ 293,807	\$ 350,623	\$ 34,452	\$ —	\$ (1,656)	\$ 1,536,757
Direct operating expenses	265,795	130,269	227,677	—	—	—	623,741
Selling, general and administrative expenses	287,676	49,007	79,532	23,298	—	(717)	438,796
Corporate expenses	—	—	—	—	78,906	(939)	77,967
Depreciation and amortization	58,089	44,457	35,464	3,893	7,846	—	149,749
Impairment charges	—	—	—	—	7,631	—	7,631
Other operating income, net	—	—	—	—	(13,215)	—	(13,215)
Operating income (loss)	<u>\$ 247,971</u>	<u>\$ 70,074</u>	<u>\$ 7,950</u>	<u>\$ 7,261</u>	<u>\$ (107,598)</u>	<u>\$ —</u>	<u>\$ 225,658</u>
Intersegment revenues	\$ —	\$ 1,656	\$ —	\$ —	\$ —	\$ —	\$ 1,656
Capital expenditures	\$ 14,009	\$ 4,397	\$ 26,932	\$ 184	\$ 2,802	\$ —	\$ 48,324
Share-based compensation expense	\$ —	\$ —	\$ —	\$ —	\$ 3,539	\$ —	\$ 3,539

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

<i>(In thousands)</i>	iHM	Americas Outdoor	International Outdoor	Other	Corporate and other reconciling items	Eliminations	Consolidated
Nine Months Ended September 30, 2018							
Revenue	\$ 2,471,239	\$ 859,190	\$ 1,114,927	\$ 113,803	\$ —	\$ (5,904)	\$ 4,553,255
Direct operating expenses	773,424	386,427	709,479	—	—	(70)	1,869,260
Selling, general and administrative expenses	929,308	146,021	235,473	74,420	—	(2,988)	1,382,234
Corporate expenses	—	—	—	—	245,399	(2,846)	242,553
Depreciation and amortization	149,714	127,410	113,875	10,242	18,537	—	419,778
Impairment charges	—	—	—	—	40,922	—	40,922
Other operating expense, net	—	—	—	—	(5,212)	—	(5,212)
Operating income (loss)	\$ 618,793	\$ 199,332	\$ 56,100	\$ 29,141	\$ (310,070)	\$ —	\$ 593,296
Intersegment revenues	\$ 84	\$ 5,820	\$ —	\$ —	\$ —	\$ —	\$ 5,904
Capital expenditures	\$ 42,211	\$ 50,214	\$ 57,487	\$ 1,083	\$ 6,574	\$ —	\$ 157,569
Share-based compensation expense	\$ —	\$ —	\$ —	\$ —	\$ 8,385	\$ —	\$ 8,385
Nine Months Ended September 30, 2017							
Revenue	\$ 2,501,084	\$ 854,344	\$ 1,005,954	\$ 99,332	\$ —	\$ (5,444)	\$ 4,455,270
Direct operating expenses	773,327	393,953	645,222	3	—	—	1,812,505
Selling, general and administrative expenses	894,669	148,824	221,773	74,519	—	(2,694)	1,337,091
Corporate expenses	—	—	—	—	236,237	(2,750)	233,487
Depreciation and amortization	174,946	130,127	102,711	11,097	24,769	—	443,650
Impairment charges	—	—	—	—	7,631	—	7,631
Other operating income, net	—	—	—	—	24,785	—	24,785
Operating income (loss)	\$ 658,142	\$ 181,440	\$ 36,248	\$ 13,713	\$ (243,852)	\$ —	\$ 645,691
Intersegment revenues	\$ —	\$ 5,444	\$ —	\$ —	\$ —	\$ —	\$ 5,444
Capital expenditures	\$ 44,353	\$ 46,394	\$ 86,206	\$ 551	\$ 7,440	\$ —	\$ 184,944
Share-based compensation expense	\$ —	\$ —	\$ —	\$ —	\$ 9,020	\$ —	\$ 9,020

NOTE 10 – CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Company is a party to a management agreement with certain affiliates of Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the "Sponsors") and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until December 31, 2018. These agreements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not greater than \$15.0 million per year, plus reimbursable expenses. For the nine months ended September 30, 2018, the Company recognized management fees and reimbursable expenses of \$2.9 million. In connection with the Reorganization, the Company is not recognizing management fees following the Petition Date. The Company recognized management fees and reimbursable expenses of \$3.8 million and \$11.4 million for the three and nine months ended September 30, 2017, respectively.

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

NOTE 11 – LIABILITIES SUBJECT TO COMPROMISE

As discussed in Note 1, "Basis of Presentation", since the Petition Date, the Company has been operating as debtor in possession under the jurisdiction of the Bankruptcy Court and in accordance with provisions of the Bankruptcy Code. On the accompanying Consolidated Balance Sheets, the caption "Liabilities subject to compromise" reflects the expected allowed amount of the pre-petition claims that are not fully secured and that have at least a possibility of not being repaid at the full claim amount. Liabilities subject to compromise at September 30, 2018 consisted of the following:

<i>(In thousands)</i>	September 30, 2018
Accounts payable	\$ 44,132
Accrued expenses	27,509
Deferred taxes	622,415
Other long-term liabilities	89,730
Accounts payable, accrued and other liabilities	783,786
Debt subject to compromise	15,148,955
Accrued interest on debt subject to compromise	542,673
Long-term debt and accrued interest	15,691,628
Total liabilities subject to compromise	<u>\$ 16,475,414</u>

Determination of the value at which liabilities will ultimately be settled cannot be made until the Bankruptcy Court approves the Plan of Reorganization. The Company will continue to evaluate the amount and classification of its pre-petition liabilities. Any additional liabilities that are subject to compromise will be recognized accordingly, and the aggregate amount of liabilities subject to compromise may change.

NOTE 12 – REORGANIZATION ITEMS, NET

Reorganization items incurred as a result of the Chapter 11 Cases are presented separately in the accompanying statements of operations for the three and nine months ended September 30, 2018 and were as follows:

<i>(In thousands)</i>	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Write-off of deferred long-term debt fees	\$ —	\$ 67,079
Write-off of original issue discount on debt subject to compromise	—	131,100
Debtor-in-possession refinancing costs	—	10,546
Professional fees and other bankruptcy related costs	52,475	104,545
Reorganization items, net	<u>\$ 52,475</u>	<u>\$ 313,270</u>

Professional fees included in Reorganization items, net represent fees for post-petition expenses related to the Chapter 11 Cases. Write-off of deferred long-term debt fees and write-off of original issue discount are included in Reorganization items, net.

As of September 30, 2018, \$56.2 million of Reorganization items, net were unpaid and accrued in Accounts Payable and Accrued Expenses in the accompanying Consolidated Balance Sheet. Reorganization items, net of \$6.7 million relating to the Debtor-in-possession financing costs were netted against the \$125.0 million proceeds received from issuance of the DIP Facility.

NOTE 13 – CONDENSED COMBINED DEBTOR-IN-POSSESSION FINANCIAL INFORMATION

The financial statements below represent the condensed combined financial statements of the Debtors. The results of the Company's Non-Filing Entities, which are comprised primarily of the Company's Americas outdoor and International outdoor segments, are not included in these condensed combined financial statements.

Intercompany transactions among the Debtors have been eliminated in the financial statements contained herein. Intercompany transactions among the Debtors and the Non-Filing Entities have not been eliminated in the Debtors' financial statements.

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Debtors' Balance Sheet

(In thousands)

	September 30, 2018 (Unaudited)
CURRENT ASSETS	
Cash and cash equivalents	\$ 76,154
Accounts receivable, net of allowance of \$24,455	809,974
Prepaid expenses	115,308
Other current assets	25,651
Total Current Assets	1,027,087
PROPERTY, PLANT AND EQUIPMENT	
Property, plant and equipment, net	462,609
INTANGIBLE ASSETS AND GOODWILL	
Indefinite-lived intangibles - licenses	2,409,326
Other intangibles, net	171,134
Goodwill	3,335,433
OTHER ASSETS	
Other assets	58,080
Total Assets	\$ 7,463,669
CURRENT LIABILITIES	
Accounts payable	\$ 49,737
Intercompany payable	9,227
Accrued expenses	240,412
Accrued interest	592
Deferred income	130,236
Current portion of long-term debt	—
Total Current Liabilities	430,204
Long-term debt	—
Other long-term liabilities	233,769
Liabilities subject to compromise ¹	17,507,135
EQUITY (DEFICIT)	
Equity (Deficit)	(10,707,439)
Total Liabilities and Equity (Deficit)	\$ 7,463,669

¹ In connection with the cash management arrangements with CCOH, the Company maintains an intercompany revolving promissory note payable by the Company to CCOH (the "Intercompany Note"), which matures on May 15, 2019. Liabilities subject to compromise include the principal amount outstanding under the Intercompany Note, which totals \$1,031.7 million as of September 30, 2018.

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Debtors' Statements of Operations

<i>(In thousands)</i>	Three Months Ended September 30, 2018	Nine Months Ended September 30, 2018
Revenue	\$ 909,984	\$ 2,558,629
Operating expenses:		
Direct operating expenses (excludes depreciation and amortization)	267,117	768,868
Selling, general and administrative expenses (excludes depreciation and amortization)	322,410	986,654
Corporate expenses (excludes depreciation and amortization)	47,431	134,293
Depreciation and amortization	43,036	174,773
Impairment charges	33,151	33,151
Other operating expense, net	(2,458)	(6,908)
Operating income	194,381	453,982
Interest expense, net ¹	2,638	356,179
Equity in loss of nonconsolidated affiliates	(31)	(94)
Gain on extinguishment of debt	—	5,667
Dividend income ²	269	25,756
Other expense, net	(410)	(22,648)
Reorganization items, net	52,475	313,270
Income (loss) before income taxes	139,096	(206,786)
Income tax benefit (expense)	(10,681)	10,465
Net income (loss)	\$ 128,415	\$ (196,321)

¹ Includes interest incurred during the three months ended September 30, 2018 in relation to the post-petition Intercompany Note and interest incurred during the nine months ended September 30, 2018 in relation to the pre-petition and post-petition Intercompany Notes.

² Consists of cash dividends received from Non-Debtor entities during the three and nine months ended September 30, 2018.

IHEARTMEDIA, INC. AND SUBSIDIARIES (DEBTOR-IN-POSSESSION)
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

Debtors' Statement of Cash Flows

(In thousands)

	Nine Months Ended September 30, 2018
Cash flows from operating activities:	
Consolidated net loss	\$ (196,321)
Reconciling items:	
Impairment charges	33,151
Depreciation and amortization	174,773
Deferred taxes	(18,869)
Provision for doubtful accounts	14,747
Amortization of deferred financing charges and note discounts, net	11,871
Non-cash Reorganization items, net	261,057
Share-based compensation	1,628
Loss on disposal of operating and other assets	2,738
Equity in loss of nonconsolidated affiliates	94
Gain on extinguishment of debt	(5,667)
Barter and trade income	(6,228)
Other reconciling items, net	(320)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:	
Decrease in accounts receivable	20,906
Increase in prepaid expenses and other current assets	(18,844)
Decrease in accrued expenses	(41,848)
Increase in accounts payable	21,954
Increase in accrued interest	302,724
Increase in deferred income	11,323
Changes in other operating assets and liabilities	(13,726)
Net cash provided by operating activities	555,143
Cash flows from investing activities:	
Purchases of property, plant and equipment	(47,309)
Proceeds from disposal of assets	682
Purchases of other operating assets	(305)
Change in other, net	(95)
Net cash used for investing activities	(47,027)
Cash flows from financing activities:	
Draws on credit facilities	143,332
Payments on credit facilities	(258,308)
Payments on long-term debt	(358,880)
Net transfers to related parties	(57,078)
Change in other, net	(74)
Net cash used for financing activities	(531,008)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	—
Net decrease in cash, cash equivalents and restricted cash	(22,892)
Cash, cash equivalents and restricted cash at beginning of period	102,468
Cash, cash equivalents and restricted cash at end of period	\$ 79,576

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

Format of Presentation

Management's discussion and analysis of our financial condition and results of operations ("MD&A") should be read in conjunction with the consolidated financial statements and related footnotes contained in Item 1 of this Quarterly Report on Form 10-Q. Our discussion is presented on both a consolidated and segment basis. Our reportable segments are iHeartMedia ("iHM"), Americas outdoor advertising ("Americas outdoor" or "Americas outdoor advertising") and International outdoor advertising ("International outdoor" or "International outdoor advertising"). Our iHM segment provides media and entertainment services via live broadcast and digital delivery, and also includes our events and national syndication business. Our Americas outdoor and International outdoor segments provide outdoor advertising services in their respective geographic regions using various digital and traditional display types. Included in the "Other" category is our media representation business, Katz Media Group, which is ancillary to our other businesses.

We manage our operating segments by focusing primarily on their operating income, while Corporate expenses, Other operating income (expense), net, Interest expense, Gain on marketable securities, Equity in earnings (loss) of nonconsolidated affiliates, Loss on extinguishment of debt, Other income, net and Income tax expense are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

We re-evaluated our segment reporting and determined that our Latin American operations should be managed by our International outdoor leadership team. As such, beginning January 1, 2018, our Latin American operations have been included in our International outdoor segment. Accordingly, we recast the corresponding segment disclosures for prior periods to include Latin America within the International outdoor segment.

Immaterial Corrections to Prior Periods

During the second quarter of 2018, we identified corrections associated with VAT obligations in our International Outdoor business that impacted prior periods. Accordingly, we have revised the prior period financial statements presented herein to reflect these corrections. "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations" of this Form 10-Q is based on the revised financial results for the three and nine months ended September 30, 2017. For further details, refer to Note 1 to our consolidated financial statements included in this Quarterly Report on Form 10-Q.

Current Bankruptcy Proceedings

On March 14, 2018, the Company, iHeartCommunications and certain of the Company's direct and indirect domestic subsidiaries (collectively, the "Debtors") filed voluntary petitions for relief (the "Chapter 11 Cases") under Chapter 11 of the United States Bankruptcy Code (the "Bankruptcy Code"), in the United States Bankruptcy Court for the Southern District of Texas, Houston Division (the "Bankruptcy Court"). Clear Channel Outdoor Holdings, Inc. ("CCOH") and its direct and indirect subsidiaries did not file voluntary petitions for reorganization under the Bankruptcy Code and are not Debtors in the Chapter 11 Cases.

The Chapter 11 Cases are being administered under the caption In re: iHeartMedia, Inc., Case No. 18-31274 (MI). The Debtors are operating their businesses as "debtors-in-possession" under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

For more information regarding the impact of the Chapter 11 Cases, see *Liquidity After Filing the Chapter 11 Cases*.

Description of our Business

Our iHM strategy centers on delivering entertaining and informative content across multiple platforms, including broadcast, mobile and digital, as well as events. Our primary source of revenue is derived from selling local and national advertising time on our radio stations, with contracts typically less than one year in duration. The programming formats of our radio stations are designed to reach audiences with targeted demographic characteristics. We are working closely with our advertising and marketing partners to develop tools and leverage data to enable advertisers to effectively reach their desired audiences. We continue to expand the choices for listeners and we deliver our content and sell advertising across multiple distribution channels including digitally via our iHeartRadio mobile application and other digital platforms which reach national, regional and local audiences. We also generate revenues from network syndication, our nationally recognized live events, our station websites and other miscellaneous transactions.

Management typically monitors our outdoor advertising business by reviewing the average rates, average revenue per display, occupancy and inventory levels of each of our display types by market. Our outdoor 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 for our outdoor advertising businesses 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.

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

Executive Summary

The key developments that impacted our business are summarized below:

- Consolidated revenue increased \$46.0 million during the three months ended September 30, 2018 compared to the same period of 2017, including increases at each of our segments. Excluding the \$9.4 million impact from movements in foreign exchange rates, consolidated revenue increased \$55.4 million during the three months ended September 30, 2018 compared to the same period of 2017.
- As a result of our filing of the Chapter 11 Cases, we incurred \$52.5 million of Reorganization items, net during the three months ended September 30, 2018 and reclassified \$16.5 billion of pre-petition claims that are not fully secured and that have at least a possibility of not being repaid to "Liabilities subject to compromise" on the Consolidated Balance Sheet.
- As a result of our filing of the Chapter 11 Cases, we ceased accruing interest expense on long-term debt reclassified as Liabilities subject to compromise at the Petition Date, resulting in a decrease in interest expense of \$371.0 million and \$763.6 million during the three and nine months ended September 30, 2018, respectively, compared to the same periods of 2017.
- On August 16, 2018 and September 17, 2018, the Company repaid \$100.0 million and \$25.0 million, respectively, of the amount drawn under the DIP Facility. As of September 30, 2018, we had no borrowings under the DIP Facility.

Revenues and expenses "excluding the impact of foreign exchange movements" in this MD&A are presented because management believes that viewing certain financial results without the impact of fluctuations in foreign currency rates facilitates period to period comparisons of business performance and provides useful information to investors. Revenues and expenses "excluding the impact of foreign exchange movements" are calculated by converting the current period's revenues and expenses in local currency to U.S. dollars using average foreign exchange rates for the prior period.

Consolidated Results of Operations

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

(In thousands)

	Three Months Ended September 30,		% Change	Nine Months Ended September 30,		% Change
	2018	2017		2018	2017	
Revenue	\$ 1,582,765	\$ 1,536,757	3.0%	\$ 4,553,255	\$ 4,455,270	2.2%
Operating expenses:						
Direct operating expenses (excludes depreciation and amortization)	630,264	623,741	1.0%	1,869,260	1,812,505	3.1%
Selling, general and administrative expenses (excludes depreciation and amortization)	457,757	438,796	4.3%	1,382,234	1,337,091	3.4%
Corporate expenses (excludes depreciation and amortization)	84,193	77,967	8.0%	242,553	233,487	3.9%
Depreciation and amortization	120,700	149,749	(19.4)%	419,778	443,650	(5.4)%
Impairment charges	40,922	7,631	436.3%	40,922	7,631	436.3%
Other operating income (expense), net	(1,637)	(13,215)		(5,212)	24,785	
Operating income	247,292	225,658	9.6%	593,296	645,691	(8.1)%
Interest expense	99,255	470,250		625,252	1,388,819	
Equity in earnings (loss) of nonconsolidated affiliates	172	(2,238)		291	(2,240)	
Other income (expense), net	(6,182)	50		(35,424)	(13,677)	
Reorganization items, net	52,475	—		313,270	—	
Income (loss) before income taxes	89,552	(246,780)		(380,359)	(759,045)	
Income tax expense	(17,769)	(2,051)		(47,188)	(50,143)	
Consolidated net income (loss)	71,783	(248,831)		(427,547)	(809,188)	
Less amount attributable to noncontrolling interest	1,705	1,659		(10,732)	7,614	
Net income (loss) attributable to the Company	\$ 70,078	\$ (250,490)		\$ (416,815)	\$ (816,802)	

Consolidated Revenue

Consolidated revenue increased \$46.0 million during the three months ended September 30, 2018 compared to the same period of 2017. Excluding the \$9.4 million impact from movements in foreign exchange rates, consolidated revenue increased \$55.4 million during the three months ended September 30, 2018 compared to the same period of 2017. The increase in consolidated revenue is due to revenue growth across all of our businesses.

Consolidated revenue increased \$98.0 million during the nine months ended September 30, 2018 compared to the same period of 2017. Excluding the \$47.9 million impact from movements in foreign exchange rates, consolidated revenue increased \$50.1 million during the nine months ended September 30, 2018 compared to the same period of 2017. The increase in consolidated revenue is primarily due to higher revenue from our International outdoor business, driven by growth in several countries. Revenue was also higher in our Americas outdoor business, driven by higher digital revenue. The increase in revenue was partially offset by lower revenue from our iHM business.

Consolidated Direct Operating Expenses

Consolidated direct operating expenses increased \$6.5 million during the three months ended September 30, 2018 compared to the same period of 2017. Excluding the \$5.7 million impact from movements in foreign exchange rates, consolidated direct operating expenses increased \$12.2 million during the three months ended September 30, 2018 compared to the same period.

of 2017. Higher direct operating expenses was driven primarily by our International outdoor business due to revenue growth in various countries.

Consolidated direct operating expenses increased \$56.8 million during the nine months ended September 30, 2018 compared to the same period of 2017. Excluding the \$32.7 million impact from movements in foreign exchange rates, consolidated direct operating expenses increased \$24.1 million during the nine months ended September 30, 2018 compared to the same period of 2017. Higher direct operating expenses in our International outdoor business, driven by revenue growth in various countries, was partially offset by lower direct operating expenses in our Americas outdoor business, primarily as a result of the sale of our business in Canada in 2017.

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

Consolidated SG&A expenses increased \$19.0 million during the three months ended September 30, 2018 compared to the same period of 2017. Excluding the \$2.0 million impact from movements in foreign exchange rates, consolidated SG&A expenses increased \$21.0 million during the three months ended September 30, 2018 compared to the same period of 2017. Higher SG&A expenses were primarily due to expense growth by our iHM business, particularly as a result of higher trade and barter expense.

Consolidated SG&A expenses increased \$45.1 million during the nine months ended September 30, 2018 compared to the same period of 2017. Excluding the \$10.4 million impact from movements in foreign exchange rates, consolidated SG&A expenses increased \$34.7 million during the nine months ended September 30, 2018 compared to the same period of 2017. SG&A expenses were higher in our iHM business, due primarily to higher trade and barter expenses, partially offset by lower SG&A expenses in our Americas outdoor business as a result of the sale of our business in Canada in 2017.

Corporate Expenses

Corporate expenses increased \$6.2 million during the three months ended September 30, 2018 compared to the same period of 2017, primarily resulting from higher variable incentive compensation expenses and higher insurance costs, partially offset by lower management fees.

Corporate expenses increased \$9.1 million during the nine months ended September 30, 2018 compared to the same period of 2017. Excluding the \$1.4 million impact from movements in foreign exchange rates, corporate expenses increased \$7.7 million during the nine months ended September 30, 2018 compared to the same period of 2017, primarily resulting from higher employee-related expenses, including variable incentive compensation and employee benefits expense, partially offset by lower management fees.

Depreciation and Amortization

Depreciation and amortization decreased \$29.0 million and \$23.9 million during the three and nine months ended September 30, 2018, compared to the same periods of 2017, respectively, primarily as a result of assets becoming fully depreciated or fully amortized, including intangible assets that were recorded as part of the merger of iHeartCommunications with iHeartMedia, Inc. in 2008.

Impairment Charges

The Company performs its annual impairment test as of July 1 of each year. In addition, we test for impairment of property, plant and equipment whenever events and circumstances indicate that depreciable assets might be impaired. As a result of these impairment tests, we recorded impairment charges of \$40.9 million, related to several of our iHM markets and one of our Americas outdoor markets during the three and nine months ended September 30, 2018. During the three and nine months ended September 30, 2017, we recognized impairment charges of \$7.6 million related to one of our iHM markets and one of our International outdoor businesses. Please see Note 3 to the Consolidated Financial Statements located in Item 1 of this Quarterly Report on Form 10-Q for a further description of the impairment charges.

Other Operating Income (Expense), Net

Other operating expense, net was \$1.6 million for the three months ended September 30, 2018. Other operating expense, net was \$13.2 million for the three months ended September 30, 2017, which primarily related to the \$12.1 million loss, which includes \$6.3 million in cumulative translation adjustments, recognized on the sale of our ownership interest in a joint venture in Canada during the third quarter of 2017.

Other operating expense, net was \$5.2 million for the nine months ended September 30, 2018. Other operating income, net was \$24.8 million for the nine months ended September 30, 2017, which primarily related to the sale in the first quarter of

2017 of the Americas outdoor Indianapolis market exchanged for certain assets in Atlanta, Georgia, plus \$43.1 million in cash, net of closing costs, resulting in a net gain of \$28.9 million and a gain of \$6.8 million recognized on the sale of our ownership interest in a joint venture in Belgium in the second quarter of 2017, offset by the loss of \$12.1 million recognized on the sale of our ownership interest in a joint venture in Canada.

Interest Expense

Interest expense decreased \$371.0 million and \$763.6 million during the three and nine months ended September 30, 2018, respectively, compared to the same periods of 2017 as a result of the Company ceasing to accrue interest expense on long-term debt reclassified as Liabilities subject to compromise as of the Petition Date.

Other Income (Expense), Net

Other expense, net was \$6.2 million for the three months ended September 30, 2018, which related primarily to net foreign exchange losses recognized in connection with intercompany notes denominated in foreign currencies. Other expense, net was \$35.4 million for the nine months ended September 30, 2018, which related primarily to net foreign exchange losses of \$20.7 million recognized in connection with intercompany notes denominated in foreign currencies and expenses incurred in connection with pre-petition negotiations with lenders and other activities related to our capital structure, partially offset by a \$9.9 million gain on the sale of one of the Company's cost method investments.

Other income, net was \$0.1 million and other expense, net was \$13.7 million for the three and nine months ended September 30, 2017, respectively. These amounts relate primarily to net foreign exchange gains of \$9.3 million and \$21.6 million for the three and nine months ended September 30, 2017, respectively, recognized in connection with intercompany notes denominated in foreign currencies, partially offset by expenses incurred in connection with the notes exchange offers and term loan offers of \$7.2 million and \$31.4 million for the three and nine months ended September 30, 2017, respectively, that were terminated in connection with the commencement of the Chapter 11 Cases.

Reorganization Items, Net

During the three months ended September 30, 2018, we recognized Reorganization items, net of \$52.5 million related to the Chapter 11 Cases, consisting of professional fees. For the nine months ended September 30, 2018, Reorganization items, net of \$313.3 million included the write-off of deferred long-term debt fees and original issue discount on debt subject to compromise, costs incurred in connection with our DIP facility and professional fees. See Note 12 to our Consolidated Financial Statements included in Part I of this Quarterly Report on Form 10-Q.

Income Tax Expense

The effective tax rate for the three and nine months ended September 30, 2018 was 19.8% and (12.4)%, respectively. The effective tax rate for the three and nine months ended September 30, 2017 was (0.8)% and (6.6)%, respectively. The 2018 and 2017 effective tax rates were primarily impacted by the valuation allowance recorded against deferred tax assets resulting from current period net operating losses in U.S. federal, state and certain foreign jurisdictions due to uncertainty regarding our ability to realize those assets in future periods.

iHM Results of Operations

Our iHM operating results were as follows:

<i>(In thousands)</i>	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2018	2017		2018	2017	
Revenue	\$ 873,404	\$ 859,531	1.6%	\$ 2,471,239	\$ 2,501,084	(1.2)%
Direct operating expenses	268,606	265,795	1.1%	773,424	773,327	—%
SG&A expenses	303,451	287,676	5.5%	929,308	894,669	3.9%
Depreciation and amortization	34,882	58,089	(40.0)%	149,714	174,946	(14.4)%
Operating income	\$ 266,465	\$ 247,971	7.5%	\$ 618,793	\$ 658,142	(6.0)%

Three Months

iHM revenue increased \$13.9 million during the three months ended September 30, 2018 compared to the same period of 2017, resulting from higher trade and barter revenue, higher digital subscription revenue, primarily from our iHeartRadio on-

demand service, higher revenue from our traffic and weather business and higher political revenue due to 2018 being a mid-term election year. Revenue growth was partially offset by lower non-political local and national spot revenue.

iHM direct operating expenses increased \$2.8 million during the three months ended September 30, 2018 compared to the same period of 2017. Higher employee compensation expense, primarily related to the acquisition of radio stations in Seattle and Boston, and higher digital royalties from our iHeartRadio on-demand service were partially offset by lower music license fees driven by lower spot revenue. iHM SG&A expenses increased \$15.8 million during the three months ended September 30, 2018 compared to the same period of 2017 primarily due to higher trade and barter expenses, third-party sales activation fees and employee compensation, including higher expenses related to our variable compensation plans, partially offset by lower advertising and promotion expenses.

Nine Months

iHM revenue decreased \$29.8 million during the nine months ended September 30, 2018 compared to the same period of 2017, resulting from lower local and national spot revenue being partially offset by higher digital subscription revenue from our iHeartRadio on-demand service, higher political revenue due to 2018 being a mid-term election year and higher trade and barter revenue.

iHM direct operating expenses increased \$0.1 million during the nine months ended September 30, 2018 compared to the same period of 2017. Higher digital fees, driven primarily by our iHeartRadio on-demand service, were partially offset by lower music license fees. iHM SG&A expenses increased \$34.6 million during the nine months ended September 30, 2018 compared to the same period of 2017 primarily due to higher trade and barter expenses and third-party sales activation fees, partially offset by lower commission expenses.

Americas Outdoor Advertising Results of Operations

Our Americas outdoor operating results were as follows:

<i>(In thousands)</i>	Three Months Ended September 30,			%	Nine Months Ended September 30,			%
	2018	2017	Change		2018	2017	Change	
Revenue	\$ 303,421	\$ 293,807	3.3%		\$ 859,190	\$ 854,344	0.6%	
Direct operating expenses	131,241	130,269	0.7%		386,427	393,953	(1.9)%	
SG&A expenses	49,247	49,007	0.5%		146,021	148,824	(1.9)%	
Depreciation and amortization	39,783	44,457	(10.5)%		127,410	130,127	(2.1)%	
Operating income	\$ 83,150	\$ 70,074	18.7%		\$ 199,332	\$ 181,440	9.9%	

Three Months

Americas outdoor revenue increased \$9.6 million during the three months ended September 30, 2018 compared to the same period of 2017. The increase in revenue was due to an increase in digital, airport and print revenue, partially offset by a \$2.6 million decrease in revenue resulting from the sale of our Canadian outdoor business during the third quarter of 2017.

Americas outdoor direct operating expenses increased \$1.0 million during the three months ended September 30, 2018 compared to the same period of 2017. The increase was driven by higher site lease expenses, primarily related to increased revenue, partially offset by a \$1.9 million decrease in direct operating expenses resulting from the sale of our Canadian outdoor market. Americas outdoor SG&A expenses increased \$0.2 million during the three months ended September 30, 2018 compared to the same period of 2017.

Nine Months

Americas outdoor revenue increased \$4.8 million during the nine months ended September 30, 2018 compared to the same period of 2017. The increase in revenue was due to an increase in digital and print revenue, partially offset by a \$13.7 million decrease in revenue resulting from the sale of our Canadian outdoor business during the third quarter of 2017 and a decrease in airport revenue.

Americas outdoor direct operating expenses decreased \$7.5 million during the nine months ended September 30, 2018 compared to the same period of 2017. The decrease was driven by a \$10.3 million decrease in direct operating expenses resulting from the sale of our Canadian outdoor market, partially offset by higher site lease expenses. Americas outdoor SG&A expenses

decreased \$2.8 million during the nine months ended September 30, 2018 compared to the same period of 2017 primarily due to a \$3.3 million decrease in SG&A expenses resulting from the sale of our Canadian outdoor market.

International Outdoor Advertising Results of Operations

Our International outdoor operating results were as follows:

(In thousands)	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
	2018	2017		2018	2017	
Revenue	\$ 360,318	\$ 350,623	2.8%	\$ 1,114,927	\$ 1,005,954	10.8%
Direct operating expenses	230,440	227,677	1.2%	709,479	645,222	10.0%
SG&A expenses	79,550	79,532	—%	235,473	221,773	6.2%
Depreciation and amortization	36,627	35,464	3.3%	113,875	102,711	10.9%
Operating income	\$ 13,701	\$ 7,950	72.3%	\$ 56,100	\$ 36,248	54.8%

Three Months

International outdoor revenue increased \$9.7 million during the three months ended September 30, 2018 compared to the same period of 2017. Excluding the \$9.4 million impact from movements in foreign exchange rates, International outdoor revenue increased \$19.1 million during the three months ended September 30, 2018 compared to the same period of 2017. The increase in revenue is due to growth in multiple countries, including China and the Nordic countries, as well as the United Kingdom and Italy, primarily from new deployments and digital expansion.

International outdoor direct operating expenses increased \$2.8 million during the three months ended September 30, 2018 compared to the same period of 2017. Excluding the \$5.7 million impact from movements in foreign exchange rates, International outdoor direct operating expenses increased \$8.5 million during the three months ended September 30, 2018 compared to the same period of 2017. The increase was primarily due to higher site lease expenses related to new contracts in countries experiencing revenue growth. International outdoor SG&A expenses were flat during the three months ended September 30, 2018 compared to the same period of 2017. Excluding the \$2.0 million impact from movements in foreign exchange rates, International outdoor SG&A expenses increased \$2.0 million during the three months ended September 30, 2018 compared to the same period of 2017. The increase in SG&A expenses was primarily due to non-cash pension settlement expenses in the United Kingdom.

Nine Months

International outdoor revenue increased \$109.0 million during the nine months ended September 30, 2018 compared to the same period of 2017. Excluding the \$47.9 million impact from movements in foreign exchange rates, International outdoor revenue increased \$61.1 million during the nine months ended September 30, 2018 compared to the same period of 2017. The increase in revenue is due to growth in multiple countries, including China, the Nordic countries, Spain, Switzerland and Ireland, primarily from new deployments and digital expansion.

International outdoor direct operating expenses increased \$64.3 million during the nine months ended September 30, 2018 compared to the same period of 2017. Excluding the \$32.7 million impact from movements in foreign exchange rates, International outdoor direct operating expenses increased \$31.6 million during the nine months ended September 30, 2018 compared to the same period of 2017. The increase was driven by higher site lease expenses related to new contracts in countries experiencing revenue growth. International outdoor SG&A expenses increased \$13.7 million during the nine months ended September 30, 2018 compared to the same period of 2017. Excluding the \$10.4 million impact from movements in foreign exchange rates, International outdoor SG&A expenses increased \$3.3 million during the nine months ended September 30, 2018 compared to the same period of 2017. The increase in SG&A expenses primarily related to non-cash pension settlement expense in the United Kingdom.

Reconciliation of Segment Operating Income (Loss) to Consolidated Operating Income

(In thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
iHM	\$ 266,465	\$ 247,971	\$ 618,793	\$ 658,142
Americas outdoor	83,150	70,074	199,332	181,440
International outdoor	13,701	7,950	56,100	36,248
Other	17,881	7,261	29,141	13,713
Other operating income (expense), net	(1,637)	(13,215)	(5,212)	24,785
Impairment charges	(40,922)	(7,631)	(40,922)	(7,631)
Corporate expense ⁽¹⁾	(91,346)	(86,752)	(263,936)	(261,006)
Consolidated operating income	<u>\$ 247,292</u>	<u>\$ 225,658</u>	<u>\$ 593,296</u>	<u>\$ 645,691</u>

(1) Corporate expenses include expenses related to iHM, Americas outdoor, International outdoor and our Other category, as well as overall executive, administrative and support functions.

Share-Based Compensation Expense

We have granted restricted stock and CCOH has granted restricted stock, restricted stock units and options to purchase shares of CCOH's Class A common stock to certain key individuals.

Share-based compensation expenses are recorded in corporate expenses and were \$3.6 million and \$3.5 million for the three months ended September 30, 2018 and 2017, respectively, and \$8.4 million and \$9.0 million for the nine months ended September 30, 2018 and 2017, respectively.

As of September 30, 2018, there was \$19.8 million of unrecognized compensation cost related to unvested share-based compensation arrangements that will vest based on service conditions. This cost is expected to be recognized over a weighted average period of approximately 2.9 years. In addition, as of September 30, 2018, there was \$15.2 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 cash flow activities during the nine months ended September 30, 2018 and 2017:

(In thousands)

	Nine Months Ended September 30,	
	2018	2017
Cash provided by (used for):		
Operating activities	\$ 663,349	\$ (557,678)
Investing activities	\$ (134,892)	\$ (120,413)
Financing activities	\$ (493,107)	\$ 137,066

Operating Activities

Cash provided by operating activities was \$663.3 million during the nine months ended September 30, 2018 compared to \$557.7 million of cash used for operating activities during the nine months ended September 30, 2017. The increase in cash provided by operating activities is primarily attributed to the \$1,132.7 million decrease in cash paid for interest, as well as changes in working capital balances, particularly accounts receivable, which were affected by improved collections as well as accounts payable and accrued expenses which were impacted by the timing of payments. As part of our liquidity measures taken in anticipation of our March 14, 2018 bankruptcy filing, we did not make scheduled interest payments on our 9.0% Priority Guarantee Notes due 2021, 11.25% Priority Guarantee Notes due 2021 and 14.0% Senior Notes due 2021 and we extended certain accounts payable to conserve cash. Subsequent to the bankruptcy filing, interest payments on our debt classified as "Liabilities subject to compromise" were stayed and only limited pre-petition payments on accounts payable were made. Cash paid for interest was \$293.7 million during the nine months ended September 30, 2018 compared to \$1,426.4 million during the nine months ended September 30, 2017. Cash paid for Reorganization items, net was \$52.2 million during the nine months ended September 30, 2018.

Investing Activities

Cash used for investing activities of \$134.9 million during the nine months ended September 30, 2018 primarily reflected \$157.6 million used for capital expenditures. We spent \$42.2 million for capital expenditures in our iHM segment primarily related to IT infrastructure, \$50.2 million in our Americas outdoor segment primarily related to the construction of new advertising structures, such as digital boards, \$57.5 million in our International outdoor segment primarily related to street furniture and transit advertising structures, including digital displays, \$1.1 million in our Other category and \$6.6 million in Corporate primarily related to equipment and software purchases. Cash used for capital expenditures was partially offset by cash received upon the sale of investments.

Cash used for investing activities of \$120.4 million during the nine months ended September 30, 2017 reflected \$184.9 million used for capital expenditures, partially offset by net cash proceeds from the sale of assets of \$71.3 million, which included net cash proceeds from the sale of our outdoor Indianapolis market of \$43.1 million. We spent \$44.4 million for capital expenditures in our iHM segment primarily related to IT infrastructure, \$46.4 million in our Americas outdoor segment primarily related to the construction of new advertising structures, such as digital displays, \$86.2 million in our International outdoor segment primarily related to street furniture and transit advertising structures, \$0.5 million in our Other category and \$7.4 million in Corporate primarily related to equipment and software purchases.

Financing Activities

Cash used for financing activities of \$493.1 million during the nine months ended September 30, 2018 primarily resulted from payments on long-term debt and on our receivables based credit facility. In connection with the replacement of the iHeartCommunications' receivables based credit facility with a new DIP Facility on June 14, 2018, we repaid the outstanding \$306.4 million and \$74.3 million balances of the receivables based credit facility's term loan and revolving credit commitments, respectively. At closing, we drew \$125.0 million on the DIP Facility, which was repaid in full during the third quarter of 2018.

Cash provided by financing activities of \$137.1 million during the nine months ended September 30, 2017 primarily resulted from proceeds from long-term debt issued by one of our international subsidiaries, as well as borrowings on our receivables-based credit facility. These proceeds were partially offset by dividends paid to non-controlling interests, which represents the portion of the dividends paid by CCOH in February 2017 to parties other than our subsidiaries that own CCOH stock, and a payment under our receivables-based credit facility.

Liquidity After Filing the Chapter 11 Cases

iHeartCommunications' filing of the Chapter 11 Cases constituted an event of default that accelerated its obligations under its debt agreements. Due to the Chapter 11 Cases, however, the creditors' ability to exercise remedies under iHeartCommunications' debt agreements were stayed as of March 14, 2018, the date of the Chapter 11 petition filing, and continue to be stayed.

On March 16, 2018, the Debtors entered into a Restructuring Support Agreement (the "RSA") with certain creditors and equityholders (the "Consenting Stakeholders"). The RSA contemplates the restructuring and recapitalization of the Debtors (the "Restructuring Transactions"), which will be implemented through a plan of reorganization in the Chapter 11 Cases. Pursuant to the RSA, the Consenting Stakeholders have agreed to, among other things, support the Restructuring Transactions and vote in favor of a plan of reorganization to effect the Restructuring Transactions.

The RSA provides certain milestones for the Restructuring Transactions. Failure of the Debtors to satisfy these milestones without a waiver or consensual amendment would provide the Consenting Stakeholders a termination right under the RSA. These milestones include (i) the filing of a plan of reorganization and disclosure statement, in form and substance reasonably acceptable to the Debtors and the Consenting Stakeholders, which were filed initially with the Bankruptcy Court on April 28, 2018, (ii) the filing of a motion for approval of the disclosure statement by May 31, 2018, which deadline was subsequently extended to June 22, 2018, and which motion was filed with the Bankruptcy Court on June 22, 2018, (iii) the entry of an order approving the disclosure statement by July 27, 2018 (subject to one additional 20-day extension on the terms set forth in the RSA), (iv) the entry of an order confirming the plan of reorganization within 75 days of the entry of an order approving the disclosure statement and (v) the effective date of the plan of reorganization occurring by March 14, 2019. The Debtors satisfied the first and second milestones, but did not satisfy the third milestone because the order approving the Disclosure Statement was not entered until September 20, 2018, which was after the date required by the third milestone. As a result, certain of the Consenting Stakeholders presently have the right to terminate the RSA, but as of the date hereof the RSA has not been terminated.

In general, as debtors-in-possession under the Bankruptcy Code, we are authorized to continue to operate as an ongoing business, but may not engage in transactions outside the ordinary course of business without the prior approval of the Bankruptcy Court. Pursuant to first day and second day motions filed with the Bankruptcy Court, the Bankruptcy Court authorized us to conduct our business activities in the ordinary course, including, among other things and subject to the terms and conditions of such orders, authorizing us to: (i) pay employees' wages and related obligations; (ii) continue to operate our cash management system in a form substantially similar to prepetition practice; (iii) use cash collateral on an interim basis; (iv) continue to honor certain obligations related to on-air talent, station affiliates and royalty obligations; (v) continue to maintain certain customer programs; (vi) pay taxes in the ordinary course; (vii) continue our surety bond program; and (viii) maintain our insurance program in the ordinary course.

The filing of the Chapter 11 Cases is intended to permit iHeartCommunications to reduce its indebtedness to achieve a manageable capital structure.

On April 28, 2018, the Debtors filed a plan of reorganization (as amended, the "Plan of Reorganization") and a related disclosure statement (as amended, the "Disclosure Statement") with the Bankruptcy Court pursuant to Chapter 11 of the Bankruptcy Code. On June 21, 2018, the Debtors filed an amended Disclosure Statement with the Bankruptcy Court. On August 5, 2018, the Debtors filed an amended Plan of Reorganization with the Bankruptcy Court. On August 23, 2018, the Debtors filed a second amended Plan of Reorganization and a further amended Disclosure Statement with the Bankruptcy Court. On August 28, 2018, the Debtors filed a third amended Plan of Reorganization and a further amended Disclosure Statement with the Bankruptcy Court. On September 12, 2018, the Debtors filed a fourth amended Plan of Reorganization and a further amended Disclosure Statement with the Bankruptcy Court. On September 18, 2018, the Debtors filed a revised fourth amended Plan of Reorganization and a further amended Disclosure Statement with the Bankruptcy Court. On September 20, 2018, the Bankruptcy Court entered an order approving the Disclosure Statement and related solicitation and notice procedures for voting on the Plan of Reorganization, and the Debtors filed solicitation versions of the Plan of Reorganization and Disclosure Statement.

Following the entry of the order approving the Disclosure Statement, the Debtors, certain Consenting Stakeholders, and the Official Committee of Unsecured Creditors reached an agreement regarding the treatment of general unsecured claims under the Plan of Reorganization. On October 10, 2018, the Debtors filed a fifth amended Plan of Reorganization and a supplement to the Disclosure Statement (the "Disclosure Statement Supplement"). On October 18, 2018, the Bankruptcy Court entered an order approving the Disclosure Statement Supplement and the continued solicitation of holders of general unsecured claims for voting on the Plan of Reorganization, and the Debtors filed solicitation versions of the Plan of Reorganization and Disclosure Statement Supplement. The deadline by which holders of claims and interests entitled to vote on the Plan of Reorganization must vote is currently November 16, 2018, and a hearing has been scheduled for December 11, 2018 to consider confirmation of the Plan of Reorganization.

Pursuant to the Plan of Reorganization, iHeartMedia, Inc. or its successor or assignee on the effective date of the Plan of Reorganization ("Reorganized iHeart") will issue new common stock ("Reorganized iHeart Common Stock"), special warrants to purchase Reorganized iHeart Common Stock ("Special Warrants"), or, if applicable, interests in a trust that may be created to hold Reorganized iHeart Common Stock and/or Special Warrants pending the Federal Communications Commission's approval of the transactions contemplated by the Plan of Reorganization (the "FCC Trust," and collectively with the Reorganized iHeart Common Stock and the Special Warrants, the "iHeart Equity Interests"), in exchange for claims against or interests in the Debtors. Holders of claims with respect to the iHeartCommunications term loan credit agreement, priority guarantee notes, 14% Senior Notes due 2021 and legacy notes will receive their pro rata share of a distribution of new term loans and new notes of iHeartCommunications and 99% of the iHeart Equity Interests, subject to dilution by any Reorganized iHeart Common Stock issued pursuant to a post-emergence equity incentive plan, as set forth in the Plan of Reorganization. The preliminary terms of the new term loans and new notes are set forth in the Disclosure Statement, and the amount and tenor of the new term loans and

new notes will be set forth in a supplement to the Plan of Reorganization. Holders of equity interests in iHeartMedia will receive their pro rata share of 1% of the iHeart Equity Interests, subject to dilution by any Reorganized iHeart Common Stock issued pursuant to a post-emergence equity incentive plan. On the effective date of the Plan of Reorganization, the applicable Debtors will execute documents to effect the separation of CCOH from iHeartMedia, and the equity interests in CCOH (or its successor) currently held by subsidiaries of iHeartMedia will be distributed to holders of claims with respect to the term loan credit agreement and priority guarantee notes.

The Plan of Reorganization is subject to the approval of the Bankruptcy Court and other constituencies in accordance with the Bankruptcy Code, and is subject to further revision. There can be no assurance that the Plan of Reorganization will be confirmed by the Bankruptcy Court on the currently contemplated terms or at all, or that any confirmed plan of reorganization will be implemented successfully.

During the pendency of the Chapter 11 Cases, iHeartCommunications' principal sources of liquidity are expected to be limited to cash flow from operations, cash on hand and borrowings under its DIP credit facility. Our ability to maintain adequate liquidity through the reorganization process and beyond depends on successful operation of our business, and appropriate management of operating expenses and capital spending. Our anticipated liquidity needs are highly sensitive to changes in each of these and other factors.

On January 18, 2018, iHeartCommunications incurred \$25.0 million of additional borrowings under the revolving credit loan portion of its receivables based credit facility bringing its total outstanding borrowings under the facility to \$430.0 million. In February 2018, iHeartCommunications prepaid \$59.0 million on the revolving credit loan portion of this facility. On the Petition Date, we incurred a prepayment premium of \$5.5 million upon acceleration of the loans and pre-petition accrued interest and fees totaling \$2.4 million, which were added to the principal amount outstanding under the facility, bringing the total outstanding borrowings under the facility to \$379.0 million. On June 14, 2018, iHeartCommunications entered into a Superpriority Secured Debtor-in-Possession Credit Agreement (the "DIP Credit Agreement"), as parent borrower, with Holdings, Subsidiary Borrowers, Citibank, N.A., as a lender and administrative agent, the swing line lenders and letter of credit issuers named therein and the other lenders from time to time party thereto. The entry into the DIP Credit Agreement was approved by an order of the Court (the "DIP Order"). We used proceeds from the DIP Facility and cash on hand to repay all amounts owed under and terminate iHeartCommunications' receivables based credit facility. On August 16, 2018 and September 17, 2018, the Company repaid \$100.0 million and \$25.0 million, respectively, of the amount drawn under the DIP Facility. As of September 30, 2018, we had no borrowings under the Company's DIP Facility.

In connection with the cash management arrangements with CCOH, iHeartCommunications maintains an intercompany revolving promissory note payable by iHeartCommunications to CCOH (the "Intercompany Note"), which matures on May 15, 2019. As of December 31, 2017, the principal amount outstanding under the Intercompany Note was \$1,067.6 million. As a result of the Chapter 11 Cases, CCOH wrote down the balance of the note by \$855.6 million during the fourth quarter of 2017 to reflect the estimated recoverable amount of the Intercompany Note as of December 31, 2017, based on CCOH management's best estimate of the cash settlement amount. As of the Petition Date, the principal amount outstanding under the Intercompany Note was \$1,031.7 million. As of September 30, 2018, the asset recorded in respect of the Intercompany Note on CCOH's balance sheet was \$154.8 million. Pursuant to an order entered by the Bankruptcy Court, as of March 14, 2018, the balance of the Intercompany Note is frozen, and following March 14, 2018, intercompany allocations that would have been reflected in adjustments to the balance of the Intercompany Note are instead reflected in an intercompany balance that accrues interest at a rate equal to the interest under the Intercompany Note. As of September 30, 2018, the liability recorded in respect of the post-petition balance of the Due to iHeartCommunications Note on CCOH's balance sheet was \$1.5 million. The Intercompany Note and Due to iHeartCommunications Note are eliminated in consolidation in our consolidated financial statements. The Bankruptcy Court approved a final order to allow us to continue to provide the day-to-day cash management services for CCOH during the Chapter 11 Cases, and we expect to continue to do so until such arrangements are addressed through the Chapter 11 Cases.

The Bankruptcy Court's order also approves iHeartCommunications' continuing to provide services to CCOH pursuant to the Corporate Services Agreement during the Chapter 11 Cases. Although we expect iHeartCommunications will continue to provide services to CCOH under the Corporate Services Agreement during the Chapter 11 Cases, we currently expect that if CCOH is separated from iHeartCommunications at the conclusion of the Chapter 11 Cases as contemplated by the RSA and the Plan of Reorganization filed with the Bankruptcy Court, the Corporate Services Agreement will terminate, be modified or be replaced with an agreement that gives effect to such separation.

In anticipation of the Chapter 11 Cases, we did not make interest payments of \$78.8 million on the 9.0% Priority Guarantee Notes due 2021, \$49.0 million on the 11.25% Priority Guarantee Notes due 2021 and \$105.8 million on the 14.0% Senior Notes due 2021, which were due prior to the Petition Date. In addition, following the Chapter 11 Cases, all interest payments due on debt held by the Debtors were stayed, which included \$426.8 million on the Senior Secured Credit Facilities, \$90.0 million on the

9.0% Priority Guarantee Notes due 2019, \$78.8 million on the 9.0% Priority Guarantee Notes due 2021, \$90.0 million on the 9.0% Priority Guarantee Notes due 2022, \$100.9 million on the 10.625% Priority Guarantee Notes due 2023, \$49.0 million on the 11.25% Priority Guarantee Notes due 2021, \$16.9 million on the Legacy Notes and \$124.7 million on the 14.0% Senior Notes due 2021 during the nine months ended September 30, 2018.

The Consolidated Financial Statements included in this Quarterly Report on Form 10-Q have been prepared on a going concern basis of accounting, which contemplates continuity of operations, realization of assets, and satisfaction of liabilities and commitments in the normal course of business. The Consolidated Financial Statements do not reflect any adjustments that might result from the outcome of the Chapter 11 Cases. We have significant indebtedness and we have reclassified all of the Debtors' indebtedness other than the DIP Facility to Liabilities Subject to Compromise at September 30, 2018. Our level of indebtedness has adversely impacted and is continuing to adversely impact our financial condition. As a result of our financial condition, the defaults under our debt agreements, and the risks and uncertainties surrounding the Chapter 11 Cases, substantial doubt exists that we will be able to continue as a going concern.

Non-Payment of \$57.1 Million of iHeartCommunications Legacy Notes Held by an Affiliate

Our wholly-owned subsidiary, Clear Channel Holdings, Inc. ("CCH"), owns \$57.1 million aggregate principal amount of our 5.50% Senior Notes due 2016 (the "5.50% Senior Notes"). On December 9, 2016, a special committee of our independent directors decided to not repay the \$57.1 million principal amount of the 5.50% Senior Notes held by CCH when the notes matured on December 15, 2016 and on December 12, 2016, we informed CCH of that decision. CCH informed us on that date that, while it retains its right to exercise remedies under the indenture governing the 5.50% Senior Notes (the "legacy notes indenture") in the future, it does not currently intend to, and it does not currently intend to request that the trustee, seek to collect principal amounts due or exercise or request enforcement of any remedy with respect to the nonpayment of such principal amount under the legacy notes indenture. As a result, \$57.1 million of the 5.50% Senior Notes remain outstanding. We repaid the other \$192.9 million of 5.50% Senior Notes held by other holders.

As a result of the non-payment of the \$57.1 million of the 5.50% Senior Notes and the non-payment of the June 15 maturity of \$175.0 million 6.875% Senior Notes due 2018 as referenced in Item 3. Defaults Upon Senior Securities, we continue to have in excess of \$500 million of Legacy Notes outstanding. Matters involving the validity and priority of any liens on iHeartMedia property are now before the Bankruptcy Court.

Sources of Capital

As of September 30, 2018 and December 31, 2017, we had the following debt outstanding, net of cash and cash equivalents:

<i>(In millions)</i>	September 30, 2018	December 31, 2017
Senior Secured Credit Facilities:		
Term Loan D Facility Due 2019	—	5,000.0
Term Loan E Facility Due 2019	—	1,300.0
Receivables Based Credit Facility due 2020 ⁽¹⁾	—	405.0
Debtors-in-Possession Facility ⁽¹⁾	—	—
9.0% Priority Guarantee Notes Due 2019	—	1,999.8
9.0% Priority Guarantee Notes Due 2021	—	1,750.0
11.25% Priority Guarantee Notes Due 2021	—	870.5
9.0% Priority Guarantee Notes Due 2022	—	1,000.0
10.625% Priority Guarantee Notes Due 2023	—	950.0
CCO Receivables Based Credit Facility due 2023 ⁽²⁾	—	—
Other Secured Subsidiary Debt	4.0	8.5
Total Secured Debt	4.0	13,283.8
 14.0% Senior Notes Due 2021	 —	 1,763.9
Legacy Notes:		
6.875% Senior Notes Due 2018	—	175.0
7.25% Senior Notes Due 2027	—	300.0
10.0% Senior Notes Due 2018 ⁽³⁾	—	47.5
CCWH Senior Notes:		
6.5% Series A Senior Notes Due 2022	735.8	735.8
6.5% Series B Senior Notes Due 2022	1,989.2	1,989.2
CCWH Senior Subordinated Notes:		
7.625% Series A Senior Notes Due 2020	275.0	275.0
7.625% Series B Senior Notes Due 2020	1,925.0	1,925.0
Clear Channel International B.V. 8.75% Senior Notes due 2020	375.0	375.0
Other Subsidiary Debt	—	24.6
Purchase accounting adjustments and original issue discount	(0.6)	(136.6)
Long-term debt fees	(28.6)	(109.0)
Liabilities subject to compromise ⁽⁴⁾	15,149.0	—
Total Debt	20,423.8	20,649.2
Less: Cash and cash equivalents	311.2	267.1
	\$ 20,112.6	\$ 20,382.1

- (1) On June 14, 2018, iHeartCommunications refinanced its receivables based credit facility with a new \$450.0 million debtors-in-possession credit facility (the "DIP Facility"), which matures on the earlier of the emergence date from the Chapter 11 Cases or June, 14, 2019. The DIP Facility also includes a feature to convert into an exit facility at emergence, upon meeting certain conditions. The DIP Facility accrues interest at LIBOR plus 2.25%. At close iHeartCommunications drew \$125.0 million on the DIP Facility. On June 14, 2018, we used proceeds from the DIP Facility and cash on hand to repay the outstanding \$306.4 million and \$74.3 million term loan and revolving credit commitments, respectively, of the iHeartCommunications receivables based credit facility. On August 16, 2018 and September 17, 2018, the Company repaid \$100.0 million and \$25.0 million, respectively, of the amount drawn under the DIP Facility. As of September 30, 2018, iHeartCommunications had no borrowings under the DIP Facility.
- (2) On June 1, 2018, a subsidiary of the Company's Outdoor advertising subsidiary, CCO, refinanced CCOH's senior revolving credit facility and replaced it with an asset based credit facility that provided for revolving credit commitments of up to \$75.0 million. On June 29, 2018, CCO entered into an amendment providing for a \$50.0 million incremental increase of the facility, bringing the aggregate revolving credit commitments to \$125.0 million. The facility has a five-year term, maturing in 2023. As of September 30, 2018, the facility had \$86.4 million of letters of credit outstanding and a borrowing base of \$113.0 million, resulting in \$26.6 million of excess availability.

- (3) On January 4, 2018, a subsidiary of iHeartCommunications repurchased \$5.4 million aggregate principal amount of 10.0% Senior Notes due 2018 that were held by unaffiliated third parties for \$5.3 million in cash. On January 16, 2018, iHeartCommunications repaid the remaining balance of \$42.1 million aggregate principal amount of 10.0% Senior Notes due 2018 at maturity.
- (4) In connection with our Chapter 11 Cases, the \$6.3 billion outstanding under the Senior Secured Credit Facilities, the \$1,999.8 million outstanding under the 9.0% Priority Guarantee Notes due 2019, the \$1,750.0 million outstanding under the 9.0% Priority Guarantee Notes due 2021, the \$870.5 million of 11.25% Priority Guarantee Notes due 2021, the \$1,000.0 million outstanding under the 9.0% Priority Guarantee Notes due 2022, the \$950.0 million outstanding under the 10.625% Priority Guarantee Notes due 2023, \$6.1 million outstanding Other Secured Subsidiary Debt, the \$1,781.6 million outstanding under the 14.0% Senior Notes due 2021, the \$475.0 million outstanding under the Legacy Notes and \$16.0 million outstanding Other Subsidiary Debt have been reclassified to Liabilities subject to compromise in our Consolidated Balance Sheet as of September 30, 2018. As of the Petition Date, we ceased accruing interest expense in relation to long-term debt reclassified as Liabilities subject to compromise.

Debtors-in-Possession Facility

On June 14, 2018, iHeartCommunications entered into a Superpriority Secured Debtor-in-Possession Credit Agreement (the “DIP Credit Agreement”), as parent borrower, with Holdings, Subsidiary Borrowers, Citibank, N.A., as a lender and administrative agent, the swing line lenders and letter of credit issuers named therein and the other lenders from time to time party thereto.

Size and Availability

The DIP Credit Agreement provides for a first-out asset-based revolving credit facility in the aggregate principal amount of up to \$450 million, with amounts available from time to time (including in respect of letters of credit) equal to the lesser of (i) the borrowing base, which equals 90.0% of the eligible accounts receivable of iHeartCommunications and the subsidiary guarantors, subject to customary reserves and eligibility criteria, and (ii) the aggregate revolving credit commitments. As of the DIP Closing Date, the aggregate revolving credit commitments were \$450.0 million. Subject to certain conditions, iHeartCommunications may at any time request one or more increases in the amount of revolving credit commitments, in minimum amounts of \$10.0 million and in an aggregate maximum amount of \$100.0 million.

The proceeds from the DIP Facility were made available on the DIP Closing Date, and were used in combination with cash on hand to fully pay off and terminate iHeartCommunications’ asset-based credit facility and all commitments thereunder governed by the credit agreement, dated as of November 30, 2017, by and among iHeartCommunications, Holdings, the Subsidiary Borrowers, and the lenders and issuing banks from time to time party thereto and TPG Specialty Lending, Inc., as administrative agent and collateral agent.

As of September 30, 2018, the Company had a borrowing limit of \$450.0 million under iHeartCommunications’ DIP Facility, had no borrowings, had \$65.3 million of outstanding letters of credit and had an availability block requirement of \$37.5 million, resulting in \$347.2 million of excess availability.

Interest Rate and Fees

Borrowings under the DIP Credit Agreement bear interest at a rate per annum equal to the applicable rate plus, at iHeartCommunications’ option, either (1) a base rate determined by reference to the highest of (a) the rate announced from time to time by the Administrative Agent at its principal office, (b) the Federal Funds rate plus 0.50%, and (c) the Eurocurrency rate for an interest period of one month plus 1.00% or (2) a Eurocurrency rate that is the greater of (a) 1.00%, and (b) the quotient of (i) the ICE LIBOR rate, or if such rate is not available, the rate determined by the Administrative Agent, and (ii) one minus the maximum rate at which reserves are required to be maintained for Eurocurrency liabilities. The applicable rate for borrowings under the DIP Credit Agreement is 2.25% with respect to Eurocurrency rate loans and 1.25% with respect to base rate loans.

In addition to paying interest on outstanding principal under the DIP Credit Agreement, iHeartCommunications is required to pay a commitment fee of 0.50% per annum to the lenders under the DIP Credit Agreement in respect of the unutilized revolving commitments thereunder. iHeartCommunications must also pay a letter of credit fee equal to 2.25% per annum.

Maturity

Borrowings under the DIP Credit Agreement will mature, and lending commitments thereunder will terminate, upon the earliest to occur of: (a) June 14, 2019 (provided that to the extent the Consummation Date (as defined below) has not occurred solely as a result of failure to obtain necessary regulatory approvals, the Scheduled Termination Date shall be September 16, 2019) and (b) the date of the substantial consummation (as defined in the Bankruptcy Code) of a confirmed plan of reorganization pursuant to an order of the Bankruptcy Court; provided, that if the DIP Facility is converted into an exit facility as described under

“-Conversion to Exit Facility” below, then the borrowings will mature on the maturity date set forth in the credit agreement governing such exit facility.

Prepayments

If at any time (a) the revolving credit exposures exceed the revolving credit commitments (this clause (a), or (b) the lesser of the borrowing base and the aggregate revolving credit commitments *minus* \$37.5 million *minus* the aggregate revolving credit exposures (the clause (b), is for any reason less than \$0, iHeartCommunications will be required to repay all revolving loans outstanding, and cash collateralize letters of credit in an aggregate amount equal to such Excess or until Excess Availability is not less than \$0, as applicable.

iHeartCommunications may voluntarily repay, without premium or penalty, outstanding amounts under the revolving credit facility at any time.

Guarantees and Security

The facility is guaranteed by, subject to certain exceptions, iHeartCommunications’ Debtor subsidiaries. All obligations under the DIP Credit Agreement, and the guarantees of those obligations, are secured by a perfected first priority senior priming lien on all of iHeartCommunications’ and all of the subsidiary guarantors’ accounts receivable and related proceeds thereof, subject to certain exceptions.

Certain Covenants and Events of Default

The DIP Credit Agreement includes negative covenants that, subject to significant exceptions, limit iHeartCommunications’ ability and the ability of its restricted subsidiaries to, among other things:

- incur additional indebtedness;
- create liens on assets;
- engage in mergers, consolidations, liquidations and dissolutions;
- sell assets;
- pay dividends and distributions or repurchase iHeartCommunications' capital stock;
- make investments, loans, or advances;
- prepay certain junior indebtedness;
- engage in certain transactions with affiliates;
- amend material agreements governing certain junior indebtedness; and
- change lines of business.

The DIP Credit Agreement includes certain customary representations and warranties, affirmative covenants and events of default, including but not limited to, payment defaults, breach of representations and warranties, covenant defaults, cross-defaults to certain indebtedness, certain bankruptcy-related events, certain events under ERISA, material judgments and a change of control. If an event of default occurs, the lenders under the DIP Credit Agreement will be entitled to take various actions, including the acceleration of all amounts due under the DIP Credit Agreement and all actions permitted to be taken under the loan documents or applicable law, subject to the terms of the DIP Order.

Conversion to Exit Facility

Upon the satisfaction or waiver of the conditions set forth in the DIP Credit Agreement and the entry by the Bankruptcy Court of an order confirming an acceptable plan of reorganization, the DIP Facility will convert into an exit facility on the terms set forth in an exhibit to the DIP Credit Agreement.

CCO Receivables Based Credit Facility

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

Size and Availability

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

As of September 30, 2018, the facility had \$86.4 million of letters of credit outstanding and a borrowing base of \$113.0 million, resulting in \$26.6 million of excess availability.

Interest Rate and Fees

Borrowings under the Credit Agreement bear interest at a rate per annum equal to the Applicable Rate plus, at CCO’s option, either (1) a base rate determined by reference to the highest of (a) the Federal Funds Rate plus 0.50%, (b) the rate of interest in effect for such date as publicly announced from time to time by the Administrative Agent as its “prime rate” and (c) the Eurocurrency rate that would be calculated as of such day in respect of a proposed Eurocurrency rate loan with a one-month interest period plus 1.00%, or (2) a Eurocurrency rate that is equal to the LIBOR rate as published by Reuters two business days prior to the commencement of the interest period. The Applicable Rate for borrowings under the Credit Agreement is 1.00% with respect to base rate loans and 2.00% with respect to Eurocurrency loans.

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

Maturity

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

Prepayments

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

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

Guarantees and Security

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

Certain Covenants and Events of Default

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

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

- incur additional indebtedness;
- create liens on assets;
- engage in mergers, consolidations, liquidations and dissolutions;
- sell assets;
- pay dividends and distributions or repurchase capital stock;
- make investments, loans, or advances;
- prepay certain junior indebtedness;
- engage in certain transactions with affiliates or;
- change lines of business.

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

Uses of Capital

Debt Repayments, Maturities and Other

On January 4, 2018, a subsidiary of iHeartCommunications repurchased \$5.4 million aggregate principal amount of 10.0% Senior Notes due 2018 that were held by unaffiliated third parties for \$5.3 million in cash. On January 16, 2018, iHeartCommunications repaid the remaining balance of \$42.1 million aggregate principal amount of 10.0% Senior Notes due 2018 at maturity.

On June 14, 2018, iHeartCommunications refinanced its receivables based credit facility with a new \$450.0 million debtors-in-possession credit facility (the "DIP Facility"), which matures on the earlier of the emergence date from the Chapter 11 Cases or June 14, 2019. The DIP Facility also includes a feature to convert into an exit facility at emergence, upon meeting certain conditions. The DIP Facility accrues interest at LIBOR plus 2.25%. At close iHeartCommunications drew \$125.0 million on the DIP Facility. On June 14, 2018, we used proceeds from the DIP Facility and cash on hand to repay the outstanding \$306.4 million and \$74.3 million term loan and revolving credit commitments, respectively, of the iHeartCommunications receivables based credit facility. On August 16, 2018 and September 17, 2018, the Company repaid \$100.0 million and \$25.0 million, respectively, of the amount drawn under the DIP Facility. As of September 30, 2018, iHeartCommunications had no borrowings under the DIP Facility.

Certain Relationships with the Sponsors

We are party to a management agreement with certain affiliates of the Sponsors and certain other parties pursuant to which such affiliates of the Sponsors will provide management and financial advisory services until December 31, 2018. These arrangements require management fees to be paid to such affiliates of the Sponsors for such services at a rate not greater than \$15.0 million per year, plus reimbursable expenses. For the nine months ended September 30, 2018, the Company recognized management fees and reimbursable expenses of \$2.9 million. In connection with the Reorganization, the Company is not recognizing management fees in the post-petition period. The Company recognized management fees and reimbursable expenses of \$3.8 million and \$11.4 million for the three and nine months ended September 30, 2017, respectively.

CCOH Dividends

In connection with the cash management arrangements with CCOH, iHeartCommunications maintained an intercompany revolving promissory note payable by iHeartCommunications to CCOH (the "Intercompany Note"), which consists of the net activities resulting from day-to-day cash management services provided by iHeartCommunications to CCOH. As of March 14, 2018, the principal amount outstanding under the Intercompany Note was \$1,031.7 million. The Intercompany Note is eliminated in consolidation in our consolidated financial statements.

The Intercompany Note previously was the subject of litigation. Pursuant to the terms of the settlement of that litigation, CCOH's board of directors established an intercompany note committee for the specific purpose of monitoring the Intercompany Note. The CCOH Intercompany Note Committee has the non-exclusive authority, pursuant to the terms of its charter, to demand payments under the Intercompany Note under certain specified circumstances tied to the Company's liquidity or the amount outstanding under the Intercompany Note as long as CCOH makes a simultaneous dividend equal to the amount so demanded. If the specified circumstances tied to the Company's liquidity occur, the CCOH Intercompany Note Committee is authorized to demand repayment of up to the full principal amount of the Intercompany Note, if it declares a simultaneous dividend to CCOH's stockholders in the same amount. As a result of the Chapter 11 Cases, the balance on the Intercompany Note is currently frozen and any payment pursuant to such demand would be subject to the approval of the Bankruptcy Court.

On January 5, 2018, (i) CCOH provided notice of its intent to make a demand (the "Demand") for repayment on January 24, 2018 of \$30.0 million outstanding under the Intercompany Note, and (ii) the board of directors of CCOH declared a special cash dividend, which was paid on January 24, 2018 to CCOH's Class A and Class B stockholders of record at the closing of business on January 19, 2018, in an aggregate amount equal to \$30.0 million, funded with the proceeds of the Demand. iHeartCommunications received approximately 89.5%, or approximately \$26.8 million, of the proceeds of the dividend through its wholly-owned subsidiaries. The remaining approximately 10.5% of the proceeds of the dividend, or approximately \$3.2 million, was paid to the public stockholders of CCOH.

As a result of the filing of the Chapter 11 Cases, the balance under the Intercompany Note has become immediately due and payable. Pursuant to an order entered by the Bankruptcy Court, as of March 14, 2018, the balance of the Intercompany Note is frozen, and following March 14, 2018, intercompany allocations that would have been reflected in adjustments to the balance of the Intercompany Note are instead reflected in an intercompany balance that accrues interest at a rate equal to the interest under the Intercompany Note. As of September 30, 2018, the liability recorded in respect of the post-petition balance of the Due to iHeartCommunications Note on CCOH's balance sheet was \$1.5 million. iHeartCommunications' obligations under the Intercompany Note are subject to settlement under a plan of reorganization which must be confirmed by the Bankruptcy Court.

Commitments, Contingencies and Guarantees

We are currently involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued our estimate of the probable costs for resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings. Please refer to "Legal Proceedings" in Part II, Item 1 of this Quarterly Report on Form 10-Q.

SEASONALITY

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

MARKET RISK

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

Interest Rate Risk

A significant amount of our long-term debt bears interest at variable rates. Accordingly, our earnings will be affected by changes in interest rates. As of September 30, 2018, approximately 31% of our aggregate principal amount of long-term debt bore interest at floating rates. Assuming the current level of borrowings and assuming a 50% change in LIBOR, disregarding the impact of the Chapter 11 Cases on our requirement to pay interest on our long-term debt, it is estimated that our interest expense for the nine months ended September 30, 2018 would have changed by \$50.6 million.

In the event of an adverse change in interest rates, management may take actions to mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, the preceding interest rate sensitivity analysis assumes no such actions. Further, the analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

Foreign Currency Exchange Rate Risk

We have operations in countries throughout the world. Foreign operations are measured in their local currencies. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. We believe we mitigate a small portion of our exposure to foreign currency fluctuations with a natural hedge through borrowings in currencies other than the U.S. dollar. Our foreign operations reported net losses of \$27.1 million and \$55.7 million for the three and nine months ended September 30, 2018, respectively. We estimate a 10% increase in the value of the U.S. dollar relative to foreign currencies would have decreased our net losses for the three and nine months ended September 30, 2018 by \$2.7 million and \$5.6 million, respectively. A 10% decrease in the value of the U.S. dollar relative to foreign currencies during the three and nine months ended September 30, 2018 would have increased our net losses for the same periods by corresponding amounts.

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

Inflation

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

CRITICAL ACCOUNTING ESTIMATES

The preparation of our financial statements in conformity with U.S. GAAP requires management to make estimates, judgments and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of expenses during the reporting period. On an ongoing basis, we evaluate our estimates that are based on historical experience and on various other assumptions that are believed to be reasonable under the circumstances. The result of these evaluations forms the basis for making judgments about the carrying values of assets and liabilities and the reported amount of expenses that are not readily apparent from other sources. Because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates, and such difference could be material. Our significant accounting policies are discussed in the notes to our consolidated financial statements included in Note 1 of this Quarterly Report on Form 10-Q. Management believes that the following accounting estimates are the most critical to aid in fully understanding and evaluating our reported financial results, and they require management's most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. The following narrative describes these critical accounting estimates, the judgments and assumptions and the effect if actual results differ from these assumptions.

The Company performs its annual impairment test on goodwill and indefinite-lived intangible assets as of July 1 of each year.

Indefinite-lived Intangible Assets

In connection with the Merger Agreement pursuant to which we acquired iHeartCommunications in 2008, we allocated the purchase price to all of our assets and liabilities at estimated fair values, including our FCC licenses and our billboard permits. Indefinite-lived intangible assets, such as our FCC licenses and our billboard permits, are reviewed annually for possible impairment using the direct valuation method as prescribed in ASC 805-20-S99. Under the direct valuation method, the estimated fair value of the indefinite-lived intangible assets was calculated at the market level as prescribed by ASC 350-30-35. Under the direct valuation method, it is assumed that rather than acquiring indefinite-lived intangible assets as a part of a going concern business, the buyer hypothetically obtains indefinite-lived intangible assets and builds a new operation with similar attributes from scratch. Thus, the buyer incurs start-up costs during the build-up phase which are normally associated with going concern value. Initial capital costs are deducted from the discounted cash flows model, which results in value that is directly attributable to the indefinite-lived intangible assets.

Our key assumptions using the direct valuation method are market revenue growth rates, market share, profit margin, duration and profile of the build-up period, estimated start-up capital costs and losses incurred during the build-up period, the risk-adjusted discount rate and terminal values. This data is populated using industry normalized information representing an average asset within a market.

On July 1, 2018, we performed our annual impairment test in accordance with ASC 350-30-35 and recognized recognized impairment charges of \$33.1 million related to FCC licenses in several iHM radio markets and an impairment charge of \$7.8 million related to permits in one Americas outdoor market.

In determining the fair value of our FCC licenses, the following key assumptions were used:

- Revenue growth sales forecasts published by BIA Financial Network, Inc. ("BIA"), varying by market, were used for the initial four-year period;
- 2.0% revenue growth was assumed beyond the initial four-year period;
- Revenue was grown proportionally over a build-up period, reaching market revenue forecast by year 3;
- Operating margins of 12.5% in the first year gradually climb to the industry average margin in year 3 of up to 25.0%, depending on market size; and
- Assumed discount rates of 8.0% for the 13 largest markets and 8.5% for all other markets.

In determining the fair value of our billboard permits, the following key assumptions were used:

- Industry revenue growth forecasts between 1.9% and 4.0% were used for the initial four-year period;
- 3.0% revenue growth was assumed beyond the initial four-year period;
- Revenue was grown over a build-up period, reaching maturity by year 2;
- Operating margins gradually climb to the industry average margin of up to 54.7%, depending on market size, by year 3; and
- Assumed discount rate of 8.0%.

While we believe we have made reasonable estimates and utilized appropriate assumptions to calculate the fair value of our indefinite-lived intangible assets, it is possible a material change could occur. If future results are not consistent with our assumptions and estimates, we may be exposed to impairment charges in the future. The following table shows the change in the fair value of our indefinite-lived intangible assets that would result from a 100 basis point decline in our discrete and terminal period revenue growth rate and profit margin assumptions and a 100 basis point increase in our discount rate assumption:

<i>(In thousands)</i>	Revenue	Profit	Discount
Description	Growth Rate	Margin	Rates
FCC license	\$ 510,163	\$ 175,133	\$ 436,203
Billboard permits	\$ 1,077,700	\$ 166,000	\$ 1,059,700

The estimated fair value of our FCC licenses and billboard permits at July 1, 2018 was \$6.7 billion (\$2.7 billion for FCC licenses and \$3.9 billion for billboard permits), while the carrying value was \$3.4 billion. The estimated fair value of our FCC licenses and billboard permits at July 1, 2017 was \$7.0 billion (\$3.2 billion for FCC licenses and \$3.7 billion for billboard permits), while the carrying value was \$3.4 billion.

Goodwill

Goodwill represents the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. We test goodwill at interim dates if events or changes in circumstances indicate that goodwill might be impaired. The fair value of our reporting units is used to apply value to the net assets of each reporting unit. To the extent that the carrying amount of net assets would exceed the fair value, an impairment charge may be required to be recorded.

The discounted cash flow approach we use for valuing goodwill as part of the two-step impairment testing approach involves estimating future cash flows expected to be generated from the related assets, discounted to their present value using a risk-adjusted discount rate. Terminal values are also estimated and discounted to their present value.

On July 1, 2018, we performed our annual impairment test in accordance with ASC 350-30-35, resulting in no impairment of goodwill. In determining the fair value of our reporting units, we used the following assumptions:

- Expected cash flows underlying our business plans for the periods 2018 through 2022. Our cash flow assumptions are based on detailed, multi-year forecasts performed by each of our operating segments, and reflect the advertising outlook across our businesses.
- Cash flows beyond 2022 are projected to grow at a perpetual growth rate, which we estimated at 2.0% for our iHM segment, 3.0% for our Americas outdoor and International outdoor segments, and 2.0% for our Other segment (beyond 2024).
- In order to risk adjust the cash flow projections in determining fair value, we utilized a discount rate of approximately 8.0% to 11.0% for each of our reporting units.

Based on our annual assessment using the assumptions described above, a hypothetical 5% reduction in the estimated fair value in each of our reporting units would not result in a material impairment condition.

While we believe we have made reasonable estimates and utilized appropriate assumptions to calculate the estimated fair value of our reporting units, it is possible a material change could occur. If future results are not consistent with our assumptions and estimates, we may be exposed to impairment charges in the future. The following table shows the decline in the fair value of each of our reportable segments that would result from a 100 basis point decline in our discrete and terminal period revenue growth rate and profit margin assumptions and a 100 basis point increase in our discount rate assumption:

<i>(In thousands)</i>				
Description	Revenue Growth Rate	Profit Margin	Discount Rates	
iHM	\$ 840,000	\$ 300,000	\$ 800,000	
Americas Outdoor	\$ 770,000	\$ 170,000	\$ 720,000	
International Outdoor	\$ 340,000	\$ 230,000	\$ 300,000	

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. 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:

- the risks and uncertainties associated with the Chapter 11 Cases;
- our ability to generate sufficient cash from operations to fund our operations;

- our ability to propose and implement a business plan;
- our ability to pursue our business strategies during the Chapter 11 Cases;
- the diversion of management's attention as a result of the Chapter 11 Cases;
- increased levels of employee attrition as a result of the Chapter 11 Cases;
- the impact of a protracted restructuring on our business;
- our ability to obtain sufficient exit financing to emerge from Chapter 11 and operate successfully;
- our ability to obtain confirmation of a Chapter 11 plan of reorganization;
- volatility of our financial results as a result of the Chapter 11 Cases;
- our inability to predict our long-term liquidity requirements and the adequacy of our capital resources;
- the availability of cash to maintain our operations and fund our emergence costs;
- our ability to continue as a going concern;
- the impact of CCOH's substantial indebtedness;
- the impact of our substantial indebtedness upon emergence from Chapter 11, including the effect of our leverage on our financial position and earnings;
- risks associated with weak or uncertain global economic conditions and their impact on the level of expenditures on advertising;
- 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;
- increased competition from alternative media platforms and technologies;
- changes in labor conditions, including programming, program hosts and management;
- fluctuations in operating costs;
- technological changes and innovations;
- shifts in population and other demographics;
- our ability to obtain keep municipal concessions for our street furniture and transit products;
- the impact of future dispositions, acquisitions and other strategic transactions;
- legislative or regulatory requirements;
- regulations and consumer concerns regarding privacy and data protection, and breaches of information security measures;
- restrictions on outdoor advertising of certain products;
- fluctuations in exchange rates and currency values;
- risks of doing business in foreign countries;
- the identification of a material weakness in our internal control over financial reporting; and

- certain other factors set forth in our other filings with the SEC.

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

ITEM 4. CONTROLS AND PROCEDURES

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

We previously reported that there was a material weakness in our internal control over financial reporting with respect to Clear Media Limited, our outdoor business in China, that existed as of December 31, 2017, for which we are in the process of remediating as of September 30, 2018. We have implemented additional monitoring controls and revised our cash and cash equivalent review process. In addition, we have strengthened controls around access and use of banking authorization tokens and chops and formalized review and approval processes around related party transactions. Although we have implemented these enhanced controls, we have not completed our testing of their effectiveness. We will need to successfully test these enhanced controls before we can conclude that the material weakness has been remediated. There can be no assurance that the effectiveness of these controls will be successfully tested in a timely manner, and we may not prevent future material weaknesses from occurring.

Changes in Internal Controls Over Financial Reporting

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

As explained in greater detail under Item 9A, Controls and Procedures, in our Annual Report on Form 10-K for the year ended December 31, 2017, we undertook a broad range of remedial procedures prior to November 8, 2018, the filing date of this report, to address the material weaknesses in our internal control over financial reporting identified as of December 31, 2017. As described above, our efforts to improve our internal controls are ongoing and are focused on implementing additional controls to strengthen the cash management and reporting process at Clear Media Limited, our outdoor business in China. Therefore, while we determined, with the participation of our CEO and CFO, that, other than as described above, there have been no changes in our internal control over financial reporting in the three months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting, we continue to monitor the operation of these remedial measures through the date of this report.

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

iHeartCommunications' filing of the Chapter 11 Cases constituted an event of default that accelerated its obligations under its debt agreements. Due to the Chapter 11 Cases, however, the creditors' ability to exercise remedies under iHeartCommunications' debt agreements were stayed as of March 14, 2018, the date of the Chapter 11 petition filing, and continue to be stayed. On March 21, 2018, Wilmington Savings Fund Society, FSB ("WSFS"), solely in its capacity as successor indenture trustee to the 6.875% senior notes due 2018 and 7.25% senior notes due 2027, and not in its individual capacity, filed an adversary proceeding against us in the Chapter 11 Cases. In the complaint, WSFS alleged, among other things, that the "springing lien" provisions of the priority guarantee notes indentures and the priority guarantee notes security agreements amounted to "hidden encumbrances" on the Company's property, to which the holders of the 6.875% senior notes due 2018 and 7.25% senior notes due 2027 were entitled to "equal and ratable" treatment. On March 26, 2018, Delaware Trust Co. ("Delaware Trust"), in its capacity as successor indenture trustee to the 14% senior notes due 2021, filed a motion to intervene as a plaintiff in the adversary proceeding filed by WSFS. In the complaint, Delaware Trust alleged, among other things, that the indenture governing the 14% senior notes due 2021 also has its own "negative pledge" covenant, and, therefore, to the extent the relief sought by WSFS in its adversary proceeding is warranted, the holders of the 14% senior notes due 2021 are also entitled to the same "equal and ratable" liens on the same property. On April 6, 2018, we filed a motion to dismiss the adversary proceeding and a hearing on such motion was held on May 7, 2018. We have answered the complaint and discovery is proceeding. The trial was held on October 24, 2018. The parties are awaiting a ruling from the court.

On October 9, 2018, WSFS, solely in its capacity as successor indenture trustee to the 6.875% Senior Notes due 2018 and 7.25% Senior Notes due 2027, and not in its individual capacity, filed an adversary proceeding against Clear Channel Holdings Inc. ("CCH") and certain shareholders of iHeartMedia. The named shareholder defendants are Bain Capital LP; Thomas H. Lee Partners L.P.; Abrams Capital L.P.; and Highfields Capital Management L.P. In the complaint, WSFS alleged, among other things, that the shareholder defendants engaged in a "pattern of inequitable and bad faith conduct, including the abuse of their insider positions to benefit themselves at the expense of third-party creditors including particularly the Legacy Noteholders." The complaint asks the court to grant relief in the form of equitable subordination of the shareholder defendants' term loan, priority guarantee notes and 2021 notes claims to any and all claims of the legacy noteholders. In addition, the complaint seeks to have any votes to accept the Fourth Amended Plan of Reorganization by Abrams and Highfields on account of their 2021 notes claims, and any votes to accept the Fourth Amended Plan of Reorganization by defendant CCH on account of its junior notes claims, to be designated and disqualified. The Court held a pre-trial conference and oral argument on October 18, 2018. Discovery has not yet begun in this proceeding.

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; defamation matters; employment and benefits related claims; governmental fines; intellectual property claims; and tax disputes.

Stockholder Litigation

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

On July 20, 2016, the defendants filed a motion to dismiss plaintiff's verified stockholder derivative complaint for failure to state a claim upon which relief can be granted. On November 23, 2016, the Court granted defendants' motion to dismiss all claims brought by the plaintiff. On December 19, 2016, the plaintiff filed a notice of appeal of the ruling. The oral hearing on the appeal was held on October 11, 2017. On October 12, 2017, the Supreme Court of Delaware affirmed the lower court's ruling, dismissing the case.

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

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

On August 27, 2018, the same stockholder of CCOH that had filed a derivative lawsuit against the Company and others in 2016 (*GAMCO Asset Management Inc.*) filed a putative class action lawsuit in the Court of Chancery of the State of Delaware, captioned *GAMCO Asset Management, Inc. v. Hendrix, et al.*, C.A. No. 2018-0633-JRS. The complaint names as defendants the Sponsor Defendants and the members of CCOH's board of directors. The complaint alleges that minority shareholders in CCOH during the period November 8, 2017 to March 14, 2018 were harmed by decisions of the CCOH Board and the intercompany note committee of the Board relating to the Intercompany Note. Specifically, the complaint alleges that (i) the members of the

intercompany note committee breached their fiduciary duties by not demanding payment under the Intercompany Note and issuing a simultaneous dividend after a threshold tied to the Company's liquidity had been reached; (ii) the CCOH Board breached their fiduciary duties by approving the Third Amendment rather than allowing the Intercompany Note to expire; (iii) the CCOH Board breached their fiduciary duties by not demanding payment under the Intercompany Note and issuing a simultaneous dividend after a threshold tied to the Company's liquidity had been reached; (iv) the Sponsor Defendants breached their fiduciary duties by not directing the CCOH Board to permit the Intercompany Note to expire and to declare a dividend. The complaint further alleges that the Sponsor Defendants aided and abetted the Board's alleged breach of fiduciary duties. The plaintiff seeks, among other things, a ruling that the CCOH Board, the intercompany note committee, and the Sponsor Defendants breached their fiduciary duties and that the Sponsor Defendants aided and abetted the Board's breach of fiduciary duty; and an award of damages, together with pre- and post-judgment interests, to the putative class of minority shareholders.

China Investigation

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

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

Italy Investigation

As described in Note 1 to these consolidated financial statements, during the three months ended June 30, 2018, we identified misstatements associated with VAT obligations related to our subsidiary in Italy. Upon identification of these misstatements, we undertook certain procedures, including a forensic investigation, which is ongoing. In addition, we voluntarily disclosed the matter and preliminary findings to the Italian tax authorities in order to commence a discussion on the appropriate calculation of the VAT position. The current expectation is that we may have to repay to the Italian tax authority a substantial portion of the VAT previously applied as a credit, amounting to approximately \$17 million, including estimated possible penalties and interest. The discussion with the tax authorities is at an early stage and therefore the ultimate amount that will be paid to the tax authorities in Italy is unknown. The ultimate amount to be paid may differ from our estimates, and such differences may be material.

ITEM 1A. RISK FACTORS

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

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

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

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share ⁽¹⁾	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
July 1 through July 31	92,158	\$ 0.43	—	\$ —
August 1 through August 31	42,050	0.53	—	—
September 1 through September 30	—	—	—	—
Total	134,208	\$ 0.46	—	\$ —

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

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

The filing of the Chapter 11 Cases constituted an event of default that accelerated the Debtors' obligations under the following debt instruments (the "Debt Instruments"):

- Senior Indenture, dated as of October 1, 1997 (as amended or supplemented from time to time), by and between iHeartCommunications and The Bank of New York (now known as The Bank of New York Mellon), as trustee (with Wilmington Savings Fund Society, FSB as successor trustee), governing iHeartCommunications' 5.50% Senior Notes due 2016, 6.875% Senior Notes due 2018 and 7.25% Senior Notes due 2027;
- Credit Agreement, dated as of May 13, 2008, as amended and restated as of February 23, 2011 (as further amended or supplemented from time to time), by and among iHeartCommunications, as the parent borrower, the subsidiary co-borrowers and foreign subsidiary revolving borrowers party thereto, iHeartMedia Capital I, LLC, as a guarantor, Citibank, N.A., as administrative agent, swing line lender and letter of credit issuer, and the other lenders from time to time party thereto governing iHeartCommunications' Term Loan D and Term Loan E credit facilities;
- Indenture, dated as of February 23, 2011 (as amended or supplemented from time to time), by and among iHeartCommunications, iHeartMedia Capital I, LLC, as guarantor, the other guarantors party thereto, Wilmington Trust FSB, as trustee (with Wilmington Trust, National Association as successor in interest), and Deutsche Bank Trust Company Americas, as collateral agent, paying agent, registrar, authentication agent and transfer agent, governing iHeartCommunications' 9.0% Priority Guarantee Notes due 2021;
- Indenture, dated as of October 25, 2012 (as amended or supplemented from time to time), by and among iHeartCommunications, iHeartMedia Capital I, LLC, as guarantor, the other guarantors party thereto, U.S. Bank National Association, as trustee, paying agent, registrar and transfer agent (with Wilmington Trust, National Association as successor trustee, paying agent, registrar and transfer agent), and Deutsche Bank Trust Company Americas, as collateral agent, governing iHeartCommunications' 9.0% Priority Guarantee Notes due 2019;
- Indenture, dated as of June 21, 2013 (as amended or supplemented from time to time), by and among iHeartCommunications, iHeartMedia Capital I, LLC, as guarantor, the other guarantors party thereto, Law Debenture Trust Company of New York, as trustee (with Delaware Trust Company as successor trustee), and Deutsche Bank Trust Company Americas, as paying agent, registrar and transfer agent, governing iHeartCommunications' 14.0% Senior Notes due 2021;
- Indenture, dated as of February 28, 2013 (as amended or supplemented from time to time), by and among iHeartCommunications, iHeartMedia Capital I, LLC, as guarantor, the other guarantors party thereto, U.S. Bank National

Association, as trustee, paying agent, registrar, authentication agent and transfer agent (with UMB Bank National Association as successor trustee, paying agent, registrar, authentication agent and transfer agent), and Deutsche Bank Trust Company Americas, as collateral agent, governing iHeartCommunications' 11.25% Priority Guarantee Notes due 2021;

- Indenture, dated as of September 10, 2014 (as amended or supplemented from time to time), by and among iHeartCommunications, iHeartMedia Capital I, LLC, as guarantor, the other guarantors party thereto, U.S. Bank National Association, as trustee, paying agent, registrar, authentication agent and transfer agent (with Wilmington Trust, National Association as successor trustee, paying agent, registrar, authentication agent and transfer agent), and Deutsche Bank Trust Company Americas, as collateral agent, governing iHeartCommunications' 9.0% Priority Guarantee Notes due 2022;
- Indenture, dated as of February 26, 2015 (as amended or supplemented from time to time), by and among iHeartCommunications, iHeartMedia Capital I, LLC, as guarantor, the other guarantors party thereto, U.S. Bank National Association, as trustee, paying agent, registrar, authentication agent and transfer agent, and Deutsche Bank Trust Company Americas, as collateral agent, governing iHeartCommunications' 10.625% Priority Guarantee Notes due 2023;
- Credit Agreement, dated as of November 30, 2017, by and among iHeartCommunications, as the parent borrower, iHeartMedia Capital I, LLC, as a guarantor, the subsidiary borrowers party thereto, TPG Specialty Lending, Inc., as administrative agent, sole lead arranger and a lender, the other lenders, swing line lenders and letter of credit issuers from time to time party thereto and the other syndication agents party thereto, governing iHeartCommunications' asset-based term loan and revolving credit facility; and
- Revolving Promissory Note, dated November 10, 2005, as amended by the first amendment entered into on December 23, 2009, the second amendment entered into on October 23, 2013, and the third amendment entered into on November 29, 2017, between iHeartCommunications, as maker, and Clear Channel Outdoor Holdings, Inc., as payee.

As previously disclosed, any efforts to enforce the payment obligations under the Debt Instruments are automatically stayed as a result of the Chapter 11 Cases, and the creditors' rights of enforcement in respect of the Debt Instruments are subject to the applicable provisions of the Bankruptcy Code.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit Number	Description
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.

* 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.

IHEARTMEDIA, INC.

November 8, 2018

/s/ SCOTT D. HAMILTON

Scott D. Hamilton

Senior Vice President, Chief Accounting Officer and Assistant Secretary

EXHIBIT 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

I, Robert W. Pittman, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iHeartMedia, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2018

/s/ Robert W. Pittman

Robert W. Pittman

Chairman and Chief Executive Officer

EXHIBIT 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

I, Richard J. Bressler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of iHeartMedia, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 8, 2018

/s/ Richard J. Bressler

Richard J. Bressler

President and Chief Financial Officer

EXHIBIT 32.1 – CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”) of iHeartMedia, Inc. (the “Company”). The undersigned hereby certifies that to his knowledge, the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2018

By: /s/ Robert W. Pittman
Name: Robert W. Pittman
Title: Chairman and Chief Executive Officer

EXHIBIT 32.2 – CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

This certification is provided pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, and accompanies the Quarterly Report on Form 10-Q for the quarter ended September 30, 2018 as filed with the Securities and Exchange Commission on the date hereof (the “Form 10-Q”) of iHeartMedia, Inc. (the “Company”). The undersigned hereby certifies that to his knowledge, the Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934 and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company.

Dated: November 8, 2018

By: /s/ Richard J. Bressler
Name: Richard J. Bressler
Title: President and Chief Financial Officer