iHeartCommunications, Inc.
Form 10-Q
July 30, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2015

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

Commission File Number

001-09645

iHeartCommunications, Inc.

(Exact name of registrant as specified in its charter)

Texas	**74-1787539**

Texas 74-17875

(State or other jurisdiction of (I.R.S. Employer Identification No.)

incorporation or organization)

200 East Basse Road, Suite 100

San Antonio, Texas 78209

(Address of principal executive offices) (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 [X]

(Explanatory Note: The registrant is a voluntary filer and is therefore not subject to the filing requirements of the Exchange Act. However, during the preceding 12 months and pursuant to the registrant's bond indentures, the registrant has filed all reports that it would have been required to file by Section 13 or 15(d) of the Exchange Act if the registrant was subject to the filing requirements of the Exchange Act during such timeframe.)

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

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

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Texas 74-17875

Yes [ ] No [X]

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

Class	Outstanding at July 28, 2015
~~	~~~~~~~~~~~~~~~~~~~~~~~~~~~
Common Stock, $.001 par value	500,000,000

The registrant meets the conditions set forth in General Instructions H(1)(a) and (b) of Form 10-Q and is therefore filing this form in a reduced disclosure format permitted by General Instruction H(2).

IHEARTCOMMUNICATIONS, INC.
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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

iHeartCommunications, Inc. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share data)	June 30, 2015 (Unaudited)	December 31, 2014
CURRENT ASSETS		
Cash and cash equivalents	$ 387,449	$ 457,024
Accounts receivable, net of allowance of $32,560 in 2015 and $32,396 in 2014	1,434,232	1,395,248
Prepaid expenses	223,044	191,572
Other current assets	141,111	136,299
Total Current Assets	2,185,836	2,180,143
PROPERTY, PLANT AND EQUIPMENT		
Structures, net	1,542,361	1,614,199
Other property, plant and equipment, net	862,565	1,084,865
INTANGIBLE ASSETS AND GOODWILL		
Indefinite-lived intangibles - licenses	2,411,294	2,411,071
Indefinite-lived intangibles - permits	1,065,978	1,066,748
Other intangibles, net	1,083,979	1,206,727
Goodwill	4,177,772	4,187,424
OTHER ASSETS		
Other assets	297,160	289,065
Total Assets	$ 13,626,945	$ 14,040,242
CURRENT LIABILITIES		
Accounts payable	$ 122,424	$ 132,258
Accrued expenses	730,216	799,475
Accrued interest	286,892	252,900
Deferred income	227,042	176,048
Current portion of long-term debt	2,725	3,604
Total Current Liabilities	1,369,299	1,364,285
Long-term debt	20,371,803	20,322,414
Deferred income taxes	1,562,081	1,563,888
Other long-term liabilities	564,538	454,863
Commitments and contingent liabilities (Note 4)		
SHAREHOLDER'S DEFICIT		
Noncontrolling interest	197,477	224,140
Common stock, par value $.001 per share, authorized and issued 500,000,000 shares in 2015 and 2014, respectively	500	500
Additional paid-in capital	2,065,781	2,101,132
Accumulated deficit	(12,121,822)	(11,682,390)
Accumulated other comprehensive loss	(382,712)	(308,590)
Total Shareholder's Deficit	(10,240,776)	(9,665,208)
Total Liabilities and Shareholder's Deficit	$ 13,626,945	$ 14,040,242

See Notes to Consolidated Financial Statements

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iHeartCommunications, Inc. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(UNAUDITED)

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Revenue	$ 1,599,859	$ 1,630,154	$ 2,944,423	$ 2,972,702
Operating expenses:				
Direct operating expenses (excludes depreciation and amortization)	615,265	644,870	1,193,784	1,242,558
Selling, general and administrative expenses (excludes depreciation and amortization)	424,163	418,928	840,351	833,564
Corporate expenses (excludes depreciation and amortization)	80,592	82,197	157,880	154,902
Depreciation and amortization	168,394	174,062	338,847	348,933
Impairment charges	-	4,902	-	4,902
Other operating income (expense), net	100,754	(1,628)	91,780	(1,463)
Operating income	412,199	303,567	505,341	386,380
Interest expense	452,957	440,605	894,728	871,719
Gain on marketable securities	-	-	579	-
Equity in loss of nonconsolidated affiliates	(690)	(16)	(359)	(13,343)
Loss on extinguishment of debt	-	(47,503)	(2,201)	(51,419)
Other income, net	16,211	12,157	36,102	13,698
Loss before income taxes	(25,237)	(172,400)	(355,266)	(536,403)
Income tax benefit (expense)	(22,077)	621	(78,682)	(67,766)
Consolidated net loss	(47,314)	(171,779)	(433,948)	(604,169)
Less amount attributable to noncontrolling interest	7,152	14,852	5,484	6,651
Net loss attributable to the Company	$ (54,466)	$ (186,631)	$ (439,432)	$ (610,820)
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	2,278	(12,232)	(79,881)	(14,449)
Unrealized gain on securities and derivatives:				
Unrealized holding gain (loss) on marketable securities	(133)	(405)	689	679
Other adjustments to comprehensive loss	-	-	(1,154)	-
Reclassification adjustment for realized gains on securities included in net loss	-	-	-	3,309
Other comprehensive income (loss)	2,145	(12,637)	(80,346)	(10,461)
Comprehensive loss	(52,321)	(199,268)	(519,778)	(621,281)
Less amount attributable to noncontrolling interest	(4,287)	(1,979)	(10,640)	(4,942)
Comprehensive loss attributable to the Company	$ (48,034)	$ (197,289)	$ (509,138)	$ (616,339)

See Notes to Consolidated Financial Statements

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iHeartCommunications, Inc. AND SUBSIDIARIES CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(In thousands)	Six Months Ended June 30, 2015	2014
Cash flows from operating activities:		
Consolidated net loss	$ (433,948)	$ (604,169)
Reconciling items:		
Impairment charges	-	4,902
Depreciation and amortization	338,847	348,933
Deferred taxes	14,988	32,179
Provision for doubtful accounts	12,848	7,767
Amortization of deferred financing charges and note discounts, net	31,494	57,622
Share-based compensation	4,927	5,818
(Gain) loss on disposal of operating and fixed assets	(101,473)	1,463
Gain on marketable securities	(579)	-
Equity in loss of nonconsolidated affiliates	359	13,343
Loss on extinguishment of debt	2,201	51,419
Other reconciling items, net	(36,546)	(14,037)
Changes in operating assets and liabilities, net of effects of acquisitions and dispositions:		
(Increase) decrease in accounts receivable	(73,764)	9,714
Decrease in accrued expenses	(61,342)	(15,820)
Decrease in accounts payable	(6,126)	(19,928)
Increase in accrued interest	50,620	31,816
Increase in deferred income	56,230	67,696
Changes in other operating assets and liabilities	(38,342)	(24,922)
Net cash used in operating activities	(239,606)	(46,204)
Cash flows from investing activities:		
Proceeds from sale of other investments	579	220,830
Purchases of property, plant and equipment	(124,877)	(141,421)
Proceeds from disposal of assets	393,637	5,899
Purchases of other operating assets	(3,970)	(1,733)
Change in other, net	(28,994)	(2,009)
Net cash provided by investing activities	236,375	81,566
Cash flows from financing activities:		
Draws on credit facilities	120,000	820
Payments on credit facilities	(122,638)	(248,675)
Proceeds from long-term debt	950,000	1,059,975
Payments on long-term debt	(931,324)	(731,254)
Payments to purchase noncontrolling interests	(42,564)	-
Dividends and other payments to noncontrolling interests	(28,099)	(9,673)
Deferred financing charges	(10,021)	(15,526)
Change in other, net	2,602	(165)
Net cash provided by (used for) financing activities	(62,044)	55,502
Effect of exchange rate changes on cash	(4,300)	(577)
Net increase (decrease) in cash and cash equivalents	(69,575)	90,287
Cash and cash equivalents at beginning of period	457,024	708,151
Cash and cash equivalents at end of period	$ 387,449	$ 798,438
SUPPLEMENTAL DISCLOSURES:		
Cash paid for interest	$ 808,354	$ 756,322
Cash paid for taxes	24,465	19,233

See Notes to Consolidated Financial Statements

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iHeartCommunications, Inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 1 – BASIS OF PRESENTATION

Preparation of Interim Financial Statements

All references in this Quarterly Report on Form 10-Q to the "Company," "we," "us" and "our" refer to iHeartCommunications, 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 2014 Annual Report on Form 10-K.

We are a holding company and have no significant assets other than the ownership interests in our subsidiaries. All of our operations and all of our operating assets are held by our subsidiaries. Certain of our outstanding indebtedness is fully and unconditionally guaranteed on a joint and several basis by our parent, iHeartMedia Capital I, LLC ("Capital I"), and certain of our direct and indirect wholly-owned domestic subsidiaries. Not all of our subsidiaries guarantee our obligations under such outstanding indebtedness. For a presentation of the allocation of assets, liabilities, equity, revenues and expenses attributable to the guarantors of our indebtedness in conformity with the SEC's Regulation S-X Rule 3-10(d), please refer to Note 10 to the consolidated financial statements of Parent as of and for the period ending June 30, 2015.

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. Certain prior-period amounts have been reclassified to conform to the 2015 presentation.

During the first quarter of 2015, in connection with the appointment of the new chief executive officer for Clear Channel Outdoor Holdings, Inc. ("CCOH") and a new chief executive officer for the Americas outdoor business, the Company reevaluated its segment reporting and determined that its Latin American operations should be managed by its Americas outdoor leadership team. As a result, the operations of Latin America are no longer reflected within the Company's International outdoor segment and are included in the results of its Americas outdoor segment. In addition, the Company reorganized a portion of its national representation business such that the cost of sales personnel for iHM radio stations are now included in the iHM segment and its national representation business no longer charges iHM for intercompany cost allocations. Accordingly, the Company has recast the corresponding segment disclosures for prior periods to include Latin America within the Americas outdoor segment and has also recast the corresponding segment disclosures to reflect internal representation services as direct expenses of iHM.

The Company is a Texas corporation with all of its common stock being held by Capital I. All of Capital I's interests are held by iHeartMedia Capital II, LLC, a direct, wholly-owned subsidiary of iHeartMedia, Inc. ("Parent"). Parent was formed in May 2007 by private equity funds sponsored by Bain Capital Partners, LLC and Thomas H. Lee Partners, L.P. (together, the "Sponsors") for the purpose of acquiring the business of the Company.

Omission of Per Share Information

Net loss per share information is not presented as Capital I owns 100% of the Company's common stock. The Company does not have any publicly traded common stock.

New Accounting Pronouncements

During the first quarter of 2015, the Company adopted the Financial Accounting Standards Board's ("FASB") ASU No. 2014-08, *Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360), Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity*. This update provides guidance for the recognition,

iHeartCommunications, Inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

measurement and disclosure of discontinued operations. The update is effective for annual periods beginning on or after 15 December 2014 and interim periods within those years. The adoption of this guidance did not have a material effect on the Company's consolidated financial statements.

During the first quarter of 2015, the FASB issued ASU No. 2015-02, *Consolidation (Topic 810), Amendments to the Consolidation Analysis*. This new standard eliminates the deferral of FAS 167, which has allowed entities with interest in certain investment funds to follow the previous consolidation guidance in FIN 46(R) and makes other changes to both the variable interest model and the voting model. The standard is effective for annual periods, and for interim periods within those annual periods, beginning after December 15, 2015. The Company is currently evaluating the impact of the provisions of this new standard on its financial position and results of operations.

NOTE 2 – Property, plant and equipment, INTANGIBLE ASSETS AND GOODWILL

Dispositions

During the first quarter of 2015, the Company sold two office buildings located in San Antonio, Texas for $34.3 million. Concurrently with the sale of these properties, the Company entered into lease agreements for the continued use of the buildings, pursuant to which the Company will have annual lease payments of $2.6 million. The Company recognized a gain of $8.1 million on the sale of one of the buildings, which is being recognized over the term of the lease.

On December 11, 2014, Parent announced that its subsidiary had entered into an agreement with Vertical Bridge Holdings, LLC ("Vertical Bridge") for the sale of up to 411 of our broadcast communications tower sites. On April 3, 2015, an affiliate of Parent and certain of the Company's subsidiaries completed the first closing for the sale of 367 of the Company's broadcast communications tower sites and related assets for $369.2 million. Simultaneous with the sale, the Company entered into lease agreements for the continued use of 360 of the towers sold. The Company incurred $5.1 million in relation to these lease agreements in the three months ended June 30, 2015. Upon completion of the transaction, the Company realized a net gain of $207.2 million, of which $108.1 million will be deferred and recognized over the lease term. On July 16, 2015, Parent and certain of the Company's subsidiaries completed the second closing for the sale of an additional nine of the Company's broadcast communication tower sites and related assets for approximately $5.9 million. Simultaneous with the sale, the Company entered into lease agreements for the continued use of seven of the towers, pursuant to which the Company will have annual lease payments of $0.3 million. The leases entered into as a part of these transactions are for a term of fifteen years and include three optional five-year renewal periods.

Property, Plant and Equipment

The Company's property, plant and equipment consisted of the following classes of assets as of June 30, 2015 and December 31, 2014, respectively:

(In thousands)	June 30, 2015	December 31, 2014
Land, buildings and improvements	$ 626,050	$ 731,925
Structures	3,005,159	2,999,582
Towers, transmitters and studio equipment	341,815	453,044
Furniture and other equipment	563,168	536,255
Construction in progress	70,953	95,671
	4,607,145	4,816,477
Less: accumulated depreciation	2,202,219	2,117,413
Other property, plant and equipment, net	$ 2,404,926	$ 2,699,064

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 advertising segment and in Latin America are subject to long-term,

iHeartCommunications, Inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

finite contracts, unlike the Company's permits in the United States and Canada. Accordingly, there are no indefinite-lived intangible assets in the International outdoor advertising segment.

Other Intangible Assets

Other intangible assets include definite-lived intangible assets and permanent easements. The Company's definite-lived intangible assets include primarily transit and street furniture contracts, talent and representation contracts, customer and advertiser relationships, and site-leases, all of which are amortized over 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 June 30, 2015 and December 31, 2014, respectively:

(In thousands)	June 30, 2015		December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture and other outdoor contractual rights	$ 675,466	$ (465,228)	$ 716,723	$ (476,523)
Customer / advertiser relationships	1,222,518	(831,137)	1,222,518	(765,596)
Talent contracts	319,384	(238,231)	319,384	(223,936)
Representation contracts	241,158	(215,977)	238,313	(206,338)
Permanent easements	171,641	-	171,271	-
Other	388,122	(183,737)	388,160	(177,249)
Total	$ 3,018,289	$ (1,934,310)	$ 3,056,369	$ (1,849,642)

Total amortization expense related to definite-lived intangible assets for the three months ended June 30, 2015 and 2014 was $60.7 million and $66.3 million, respectively. Total amortization expense related to definite-lived intangible assets for the six months ended June 30, 2015 and 2014 was $123.6 million and $133.2 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)		
2016	$	220,130
2017		197,105
2018		130,993
2019		43,102
2020		36,115

iHeartCommunications, Inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

Goodwill

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 Advertising	International Outdoor Advertising	Other	Consolidated
Balance as of December 31, 2013	$ 3,234,807	$ 585,227	$ 264,907	$ 117,246	$ 4,202,187
Acquisitions	17,900	-	-	299	18,199
Foreign currency	-	(653)	(32,369)	-	(33,022)
Other	60	-	-	-	60
Balance as of December 31, 2014	$ 3,252,767	$ 584,574	$ 232,538	$ 117,545	$ 4,187,424
Acquisitions	-	-	-	-	-
Foreign currency	-	(312)	(9,340)	-	(9,652)
Other	-	-	-	-	-
Balance as of June 30, 2015	$ 3,252,767	$ 584,262	$ 223,198	$ 117,545	$ 4,177,772

iHeartCommunications, Inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 3 – LONG-TERM DEBT

Long-term debt outstanding as of June 30, 2015 and December 31, 2014 consisted of the following:

(In thousands)	June 30, 2015	December 31, 2014
Senior Secured Credit Facilities[(1)]	$6,300,000	$7,231,222
Receivables Based Credit Facility Due 2017[(2)]	-	-
9.0% Priority Guarantee Notes Due 2019	1,999,815	1,999,815
9.0% Priority Guarantee Notes Due 2021	1,750,000	1,750,000
11.25% Priority Guarantee Notes Due 2021	575,000	575,000
9.0% Priority Guarantee Notes Due 2022	1,000,000	1,000,000
10.625% Priority Guarantee Notes Due 2023	950,000	-
Subsidiary Revolving Credit Facility Due 2018[(3)]	-	-
Other Secured Subsidiary Debt[(4)]	17,404	19,257
Total Consolidated Secured Debt	12,592,219	12,575,294
14.0% Senior Notes Due 2021[(5)]	1,678,314	1,661,697
The Company's Legacy Notes[(6)]	667,900	667,900
10.0% Senior Notes Due 2018	730,000	730,000
Subsidiary Senior Notes due 2022	2,725,000	2,725,000
Subsidiary Senior Subordinated Notes due 2020	2,200,000	2,200,000
Other Subsidiary Debt	302	1,024
Purchase accounting adjustments and original issue discount	(219,207)	(234,897)
Total debt	20,374,528	20,326,018
Less: current portion	2,725	3,604
Total long-term debt	$ 20,371,803	$ 20,322,414

(1) Term Loan D and Term Loan E mature in 2019.

(2) The Receivables Based Credit Facility provides for borrowings up to the lesser of $535.0 million (the revolving credit commitment) or the borrowing base, subject to certain limitations contained in the Company's material financing agreements.

(3) The Subsidiary Revolving Credit Facility provides for borrowings up to $75.0 million (the revolving credit commitment).

(4) Other secured subsidiary debt matures at various dates from 2015 through 2045.

(5) The 14.0% Senior Notes due 2021are subject to required payments at various dates from 2018 through 2021.

(6) The Company's Legacy Notes, all of which were issued prior to the acquisition of the Company by Parent in 2008, consist of Senior Notes maturing at various dates in 2016, 2018 and 2027.

The Company’s weighted average interest rates as of June 30, 2015 and December 31, 2014 were 8.4% and 8.1%, respectively. The aggregate market value of the Company’s debt based on market prices for which quotes were available was approximately $19.2 billion and $19.7 billion as of June 30, 2015 and December 31, 2014, respectively. 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.

Debt Issuance

On February 26, 2015, the Company issued at par $950.0 million aggregate principal amount of 10.625% Priority Guarantee Notes due 2023. The notes mature on March 15, 2023 and bear interest at a rate of 10.625% per annum, payable semi-annually in arrears on March 15 and September 15 of each year, beginning on September 15, 2015. The Company used the net proceeds from the offering primarily to prepay its term loan facilities due 2016.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

During the first quarter of 2015, the Company borrowed $120.0 million principal amount under its receivables based credit facility due 2017. During the second quarter of 2015, all outstanding amounts under the receivables based credit facility were repaid.

Debt Repayments, Maturities and Other

On February 26, 2015, the Company prepaid at par $916.1 million of loans outstanding under its Term Loan B facility and $15.2 million of loans outstanding under its Term Loan C asset sale facility, using the net proceeds of the Priority Guarantee Notes due 2023 issued on such date.

Surety Bonds, Letters of Credit and Guarantees

As of June 30, 2015, the Company had outstanding surety bonds, commercial standby letters of credit and bank guarantees of $57.8 million, $108.6 million and $54.2 million, respectively. Bank guarantees of $13.2 million were cash secured. 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 4 – COMMITMENTS AND CONTINGENCIES

The Company and its subsidiaries are involved in certain legal proceedings arising in the ordinary course of business and, as required, have accrued an estimate of the probable costs for the resolution of those claims for which the occurrence of loss is probable and the amount can be reasonably estimated. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in the Company's assumptions or the effectiveness of the Company's 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.

Los Angeles Litigation

In 2008, Summit Media, LLC, one of the Company's competitors, sued the City of Los Angeles (the "City"), Clear Channel Outdoor, Inc. ("CCOI") and OUTFRONT Media Inc. (formerly CBS Outdoor Americas Inc.) in Los Angeles Superior Court (Case No. BS116611) challenging the validity of a settlement agreement that had been entered into in November 2006 among the parties and pursuant to which CCOI had taken down existing billboards and converted 83 existing signs from static displays to digital displays. In 2009, the Los Angeles Superior Court ruled that the settlement agreement constituted an ultra vires act of the City, and nullified its existence. After further proceedings, on April 12, 2013, the Los Angeles Superior Court invalidated 82 digital modernization permits issued to CCOI (77 of which displays were operating at the time of the ruling) and CCOI was required to turn off the electrical power to all affected digital displays on April 15, 2013. The digital display structures remain intact but digital displays are currently prohibited in the City. CCOI is seeking permits under the existing City sign code to either wrap the LED faces with vinyl or convert the LED faces to traditional static signs and has obtained a number of such permits. CCOI is also pursuing a new ordinance to permit digital signage in the City.

International Outdoor Investigation

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

iHeartCommunications, Inc. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(UNAUDITED)

NOTE 5 – INCOME TAXES

Income Tax Benefit (Expense)

The Company's income tax benefit (expense) for the three and six months ended June 30, 2015 and 2014, respectively, consisted of the following components:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Current tax benefit (expense)	$ (23,309)	$ 7,492	$ (63,694)	$ (35,587)
Deferred tax benefit (expense)	1,232	(6,871)	(14,988)	(32,179)
Income tax benefit (expense)	$ (22,077)	$ 621	$ (78,682)	$ (67,766)

The effective tax rates for the three and six months ended June 30, 2015 were (87.5)% and (22.2)%, respectively. The effective tax rates for the three and six months ended June 30, 2014 were 0.4% and (12.6)%, respectively. The effective tax rates for the three and six months ended June 30, 2015 and 2014 were primarily impacted by the valuation allowance recorded against deferred tax assets resulting from applicable period net operating losses in U.S. federal, state and certain foreign jurisdictions due to the uncertainty of the ability to utilize those assets in future periods.

NOTE 6 – SHAREHOLDER'S 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 shareholder's deficit attributable to the Company and the noncontrolling interests of subsidiaries in which the Company has a majority, but not total, ownership interest:

(In thousands)	The Company	Noncontrolling Interests	Consolidated
Balances as of January 1, 2015	$ (9,889,348)	$ 224,140	$ (9,665,208)
Net income (loss)	(439,432)	5,484	(433,948)
Dividends and other payments to noncontrolling interests	-	(28,099)	(28,099)
Purchase of additional noncontrolling interests	(40,742)	(1,822)	(42,564)
Foreign currency translation adjustments	(69,288)	(10,593)	(79,881)
Unrealized holding gain on marketable securities	618	71	689
Other adjustments to comprehensive loss	(1,036)	(118)	(1,154)
Reclassifications	-	-	-

Other, net	975	8,414	9,389
Balances as of June 30, 2015	$ (10,438,253)	$ 197,477	$ (10,240,776)

(In thousands)	The Company	Noncontrolling Interests	Consolidated
Balances as of January 1, 2014	$ (8,942,166)	$ 245,531	$ (8,696,635)
Net income (loss)	(610,820)	6,651	(604,169)
Dividends and other payments to noncontrolling interests	-	(9,673)	(9,673)
Foreign currency translation adjustments	(9,426)	(5,023)	(14,449)
Unrealized holding gain on marketable securities	598	81	679
Reclassifications	3,309	-	3,309
Other, net	705	4,991	5,696
Balances as of June 30, 2014	$ (9,557,800)	$ 242,558	$ (9,315,242)

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The Company does not have any compensation plans under which it grants awards to employees. Parent and CCOH have granted restricted stock, restricted stock units and options to purchase shares of their Class A common stock to certain key individuals.

NOTE 7 — OTHER INFORMATION

Other Comprehensive Income (Loss)

The total (decrease) increase in deferred income tax liabilities of other comprehensive income (loss) related to foreign currency translation adjustments and other for the quarters ended June 30, 2015 and 2014 were $0.0 million and $0.0 million, respectively. The total (decrease) increase in deferred income tax liabilities of other comprehensive income (loss) related to foreign currency translation adjustments and other for the six months ended June 30, 2015 and 2014 were $(0.6) million and $8.2 million, respectively.

Barter and Trade

Barter and trade revenues and expenses from continuing operations are included in consolidated revenue and selling, general and administrative expenses, respectively. Barter and trade revenues were $22.2 million and $17.9 million for the three months ended June 30, 2015 and 2014, respectively, and $52.2 million and $31.5 million for the six months ended June 30, 2015 and 2014, respectively. Barter and trade expenses were $23.4 million and $16.4 million for the three months ended June 30, 2015 and 2014, respectively, and $51.5 million and $29.9 million for the six months ended June 30, 2015 and 2014, respectively.

NOTE 8 – 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, Canada and Latin America. The International outdoor advertising segment primarily includes operations in Europe, Asia and Australia. 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.

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During the first quarter of 2015, the Company revised its segment reporting, as discussed in Note 1. The following table presents the Company's reportable segment results for the three and six months ended June 30, 2015 and 2014:

(In thousands)	iHM	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
Three Months Ended June 30, 2015							
Revenue	$ 840,701	$ 341,286	$ 381,533	$ 40,040	$ -	$ (3,701)	$ 1,599,859
Direct operating expenses	241,826	149,712	222,630	3,039	-	(1,942)	615,265
Selling, general and administrative expenses	266,523	57,346	75,176	26,877	-	(1,759)	424,163
Depreciation and amortization	59,571	51,113	40,956	7,611	9,143	-	168,394
Corporate expenses	-	-	-	-	80,592	-	80,592
Other operating income, net	-	-	-	-	100,754	-	100,754
Operating income	$ 272,781	$ 83,115	$ 42,771	$ 2,513	$ 11,019	$ -	$ 412,199
Intersegment revenues	$ -	$ 1,062	$ -	$ 2,639	$ -	$ -	$ 3,701
Capital expenditures	$ 15,414	$ 15,664	$ 31,752	$ 2,097	$ 3,495	$ -	$ 68,422
Share-based compensation expense	$ -	$ -	$ -	$ -	$ 2,403	$ -	$ 2,403
Three Months Ended June 30, 2014							
Revenue	$ 806,337	$ 344,346	$ 436,859	$ 47,227	$ -	$ (4,615)	$ 1,630,154
Direct operating expenses	227,059	153,875	259,269	6,348	-	(1,681)	644,870
Selling, general and	250,681	58,448	81,823	30,910	-	(2,934)	418,928

administrative expenses													
Depreciation and amortization		59,230		49,848		47,889		8,655		8,440		-	174,062
Impairment charges		-		-		-		-		4,902		-	4,902
Corporate expenses		-		-		-		-		82,197		-	82,197
Other operating expense, net		-		-		-		-		(1,628)		-	(1,628)
Operating income (loss)	$	269,367	$	82,175	$	47,878	$	1,314	$	(97,167)	$	-	$ 303,567
Intersegment revenues	$	-	$	1,094	$	-	$	3,521	$	-	$	-	$ 4,615
Capital expenditures	$	10,392	$	21,683	$	31,776	$	1,079	$	9,083	$	-	$ 74,013
Share-based compensation expense	$	-	$	-	$	-	$	-	$	2,782	$	-	$ 2,782

iHeartCommunications, Inc. AND SUBSIDIARIES

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(UNAUDITED)

(In thousands)	iHM	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate and other reconciling items	Eliminations	Consolidated
Six Months Ended June 30, 2015							
Revenue	$ 1,538,502	$ 637,149	$ 700,713	$ 75,502	$ -	$ (7,443)	$ 2,944,423
Direct operating expenses	455,655	295,946	439,367	6,437	-	(3,621)	1,193,784
Selling, general and administrative expenses	527,872	112,983	146,669	56,649	-	(3,822)	840,351
Depreciation and amortization	120,313	101,453	83,397	15,277	18,407	-	338,847
Corporate expenses	-	-	-	-	157,880	-	157,880
Other operating expense, net	-	-	-	-	91,780	-	91,780
Operating income (loss)	$ 434,662	$ 126,767	$ 31,280	$ (2,861)	$ (84,507)	$ -	$ 505,341
Intersegment revenues	$ -	$ 2,163	$ -	$ 5,280	$ -	$ -	$ 7,443
Capital expenditures	$ 27,327	$ 32,359	$ 56,857	$ 3,148	$ 5,186	$ -	$ 124,877
Share-based compensation expense	$ -	$ -	$ -	$ -	$ 4,927	$ -	$ 4,927
Six Months Ended June 30, 2014							
Revenue	$ 1,476,684	$ 634,956	$ 781,500	$ 88,722	$ -	$ (9,160)	$ 2,972,702
Direct operating expenses	439,005	297,239	497,418	12,736	-	(3,840)	1,242,558
Selling, general and	504,025	114,817	158,404	61,638	-	(5,320)	833,564

administrative expenses													
Depreciation and amortization		119,555		99,559		96,220		17,374		16,225		-	348,933
Impairment charges		-		-		-		-		4,902		-	4,902
Corporate expenses		-		-		-		-		154,902		-	154,902
Other operating income, net		-		-		-		-		(1,463)		-	(1,463)
Operating income (loss)	$	414,099	$	123,341	$	29,458	$	(3,026)	$	(177,492)	$	-	$ 386,380
Intersegment revenues	$	-	$	2,070	$	-	$	7,090	$	-	$	-	$ 9,160
Capital expenditures	$	20,684	$	38,127	$	52,638	$	2,886	$	27,086	$	-	$ 141,421
Share-based compensation expense	$	-	$	-	$	-	$	-	$	5,818	$	-	$ 5,818

NOTE 9 – CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

The Company is a 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 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 three months ended June 30, 2015 and 2014, the Company recognized management fees and reimbursable expenses of $3.9 million and $3.7 million, respectively. For the six months ended June 30, 2015 and 2014, the Company recognized management fees and reimbursable expenses of $7.8 million and $7.7 million, respectively.

Stock Purchases

On August 9, 2010, we announced that our board of directors approved a stock purchase program under which we or our subsidiaries may purchase up to an aggregate of $100.0 million of the Class A common stock of Parent and/or the Class A common stock of CCOH. The stock purchase program did not have a fixed expiration date and could be modified, suspended or terminated at any time at our discretion. As of December 31, 2014, an aggregate $34.2 million was available under this program. In January 2015, CC Finco, LLC ("CC Finco"), an indirect wholly-owned subsidiary of the Company, purchased 2,000,000 shares of CCOH's Class A

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common stock for $20.4 million. On April 2, 2015, CC Finco purchased an additional 2,172,946 shares of CCOH's Class A common stock for $22.2 million, increasing our collective holdings to represent slightly more than 90% of the outstanding shares of CCOH's common stock on a fully-diluted basis, assuming the conversion of all of CCOH's Class B common stock into Class A common stock. As a result of this purchase, the stock purchase program concluded. The purchase of shares in excess of the amount available under the stock purchase program was separately approved by the board of directors.

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 should be read in conjunction with the consolidated financial statements and related footnotes. Our discussion is presented on both a consolidated and segment basis. All references in this Quarterly Report on Form 10-Q to "we," "us" and "our" refer to iHeartCommunications, Inc. and its consolidated subsidiaries. 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 broadcast and digital delivery and also includes our events and national syndication businesses. 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 are our media representation business, Katz Media Group, as well as other general support services and initiatives, which are ancillary to our other businesses. Certain prior-period amounts have been reclassified to conform to the 2015 presentation.

Effective during the first quarter of 2015, and in connection with certain changes in senior management at Clear Channel Outdoor Holdings, Inc. ("CCOH"), an indirect wholly owned subsidiary of the Company, we reevaluated our segment reporting and determined that the Latin American operations were more appropriately aligned with the operations of the Americas Outdoor segment. As a result, the operations of Latin America are no longer reflected within the Company's International Outdoor segment and are currently included in the results of its Americas Outdoor segment. In addition, the Company reorganized a portion of its national representation business such that the cost of sales personnel for iHM radio stations are now included in the iHM segment and the national representation business no longer charges iHM for intercompany cost allocations. These changes have been reflected in the Company's segment reporting beginning in the first quarter of 2015. Accordingly, the Company has recast the corresponding segment disclosures for prior periods presented.

We manage our operating segments primarily focusing 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 benefit are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

Our iHM business utilizes several key measurements to analyze performance, including average minute rates and minutes sold. Our iHM revenue is derived primarily from selling advertising time, or spots, on our radio stations, with advertising contracts typically less than one year in duration. The programming formats of our radio stations are designed to reach audiences with targeted demographic characteristics that appeal to our advertisers. We also provide streaming content via the Internet, mobile and other digital platforms that reach national, regional and local audiences and derive revenues primarily from selling advertising time with advertising contracts similar to those used by our radio stations. Additionally, we promote, produce and curate special nationally-recognized events for our listeners.

Management typically monitors our Americas outdoor and International outdoor advertising businesses 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 Americas outdoor and International 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.

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

Executive Summary

The key developments in our business for the three months ended June 30, 2015 are summarized below:

- Consolidated revenue decreased $30.3 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $69.2 million impact from movements in foreign exchange rates, consolidated revenue increased $38.9 million during the three months ended June 30, 2015 compared to the same period of 2014.

- iHM revenue increased $34.4 million during the three months ended June 30, 2015 compared to the same period of 2014 driven primarily by our core local and national broadcast radio business, as well as traffic and weather, events and syndication businesses.

- Americas outdoor revenue decreased $3.1 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $5.2 million impact from movements in foreign exchange rates, Americas outdoor revenue increased $2.1 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily driven by higher revenues from digital billboards and our Spectacolor business.

- International outdoor revenue decreased $55.3 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $64.0 million impact from movements in foreign exchange rates, International outdoor revenue increased $8.7 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily driven by growth in Europe and Australia.

- Other revenues decreased $7.2 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily as a result of lower political advertising revenues in our media representation business.

- We spent $7.0 million on strategic revenue and efficiency initiatives during the three months ended June 30, 2015 to realign and improve our on-going business operations—a decrease of $13.6 million compared to the same period of 2014.

- On April 3, 2015, Parent and certain of our subsidiaries completed the first closing of our previously-announced agreement with an affiliate of Vertical Bridge Holdings, LLC, for the sale of 411 of our broadcast communications tower sites and related assets for up to $400 million. In connection with the first closing, we sold 367 tower sites in exchange for $369 million of proceeds. Simultaneous with the first closing, we entered into lease agreements for the continued use of 360 of the towers sold.

Consolidated Results of Operations

The comparison of our historical results of operations for the three and six months ended June 30, 2015 to the three and six months ended June 30, 2014 is as follows:

(In thousands)	Three Months Ended June 30, 2015	Three Months Ended June 30, 2014	% Change	Six Months Ended June 30, 2015	Six Months Ended June 30, 2014	% Change
Revenue	$ 1,599,859	$ 1,630,154	(1.9%)	$ 2,944,423	$ 2,972,702	(1.0%)
Operating expenses:						
Direct operating expenses (excludes depreciation and amortization)	615,265	644,870	(4.6%)	1,193,784	1,242,558	(3.9%)
Selling, general and administrative expenses (excludes depreciation and amortization)	424,163	418,928	1.2%	840,351	833,564	0.8%
Corporate expenses (excludes depreciation and amortization)	80,592	82,197	(2.0%)	157,880	154,902	1.9%
Depreciation and amortization	168,394	174,062	(3.3%)	338,847	348,933	(2.9%)
Impairment charges	-	4,902	(100.0%)	-	4,902	(100.0%)
Other operating income (expense), net	100,754	(1,628)	(6288.8%)	91,780	(1,463)	(6373.4%)
Operating income	412,199	303,567	35.8%	505,341	386,380	30.8%
Interest expense	452,957	440,605		894,728	871,719	
Gain on marketable securities	-	-		579	-	
Equity in loss of nonconsolidated affiliates	(690)	(16)		(359)	(13,343)	
Loss on extinguishment of debt	-	(47,503)		(2,201)	(51,419)	
Other income, net	16,211	12,157		36,102	13,698	
Loss before income taxes	(25,237)	(172,400)		(355,266)	(536,403)	
Income tax benefit (expense)	(22,077)	621		(78,682)	(67,766)	
Consolidated net loss	(47,314)	(171,779)		(433,948)	(604,169)	
Less amount attributable to noncontrolling interest	7,152	14,852		5,484	6,651	
Net loss attributable to the Company	$ (54,466)	$ (186,631)		$ (439,432)	$ (610,820)	

Consolidated Revenue

Consolidated revenue decreased $30.3 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $69.2 million impact from movements in foreign exchange rates, consolidated revenue increased $38.9 million during the three months ended June 30, 2015 compared to the same period of 2014. iHM revenue increased $34.4 million during the three months ended June 30, 2015 compared to the same period of 2014 driven primarily by our core local and national broadcast radio business, as well as our traffic and weather, events and syndication businesses, partially offset by a decrease in political advertising revenues. Americas outdoor revenue decreased $3.1 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $5.2 million impact from movements in foreign exchange rates, Americas outdoor revenue increased $2.1 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily driven by higher revenues from digital billboards and our Spectacolor business. International outdoor revenue decreased $55.3 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $64.0 million impact from movements in foreign exchange rates, International outdoor revenue increased $8.7 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily driven by new contracts and higher occupancy in Europe and growth in Australia. Other revenues decreased $7.2 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily as a result of lower political advertising revenues in our media representation business.

Consolidated revenue decreased $28.3 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $122.9 million impact from movements in foreign exchange rates, consolidated revenue increased $94.6 million during the six months ended June 30, 2015 compared to the same period of 2014. iHM revenue increased $61.8 million during the six months ended June 30, 2015 compared to the same period of 2014 driven primarily by our core national broadcast, traffic and weather and syndication businesses and events, partially offset by a decrease in political advertising revenues. Americas outdoor revenue increased $2.2 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $8.9 million impact from movements in foreign exchange rates, Americas outdoor revenue increased $11.1 million during the six months ended June 30, 2015 compared to the same period of 2014 primarily driven by higher revenues from digital billboards and our Spectacolor business. International outdoor revenue decreased $80.8 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $114.0 million impact from movements in foreign exchange rates, International outdoor revenue increased $33.2 million during the six months ended June 30, 2015 compared to the same period of 2014 primarily driven by new contracts and growth in Europe, Australia and China. Other revenues decreased $13.2 million during the six months ended June 30, 2015 compared to the same period of 2014 primarily as a result of lower political advertising revenues from our media representation business.

Consolidated Direct Operating Expenses

Consolidated direct operating expenses decreased $29.6 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $42.8 million impact from movements in foreign exchange rates, consolidated direct operating expenses increased $13.2 million during the three months ended June 30, 2015 compared to the same period of 2014. iHM direct operating expenses increased $14.8 million during the three months ended June 30, 2015 compared to the same period of 2014, primarily due to higher lease expense as a result of the sale and subsequent leaseback of radio towers (see Note 2 to the Consolidated Financial Statements located in Item 1 of this Quarterly Report on Form 10-Q), event production costs and music license and performance royalties. Americas outdoor direct operating expenses decreased $4.2 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $3.0 million impact from movements in foreign exchange rates, Americas outdoor direct operating expenses decreased $1.2 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily due to lower production costs. International outdoor direct operating expenses decreased $36.6 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $39.7 million impact from movements in foreign exchange rates, International outdoor direct operating expenses increased $3.1 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily as a result of higher variable costs associated with higher revenue.

Consolidated direct operating expenses decreased $48.8 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $78.8 million impact from movements in foreign exchange rates, consolidated direct operating expenses increased $30.0 million during the six months ended June 30, 2015 compared to the same period of 2014. iHM direct operating expenses increased $16.7 million during the six months ended June 30, 2015 compared to the same period of 2014, primarily due to higher lease expense as a result of the sale and subsequent leaseback of radio towers and music license and performance royalties. Americas outdoor direct operating expenses decreased $1.3 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $5.2 million impact from movements in foreign exchange rates, Americas outdoor direct operating expenses increased $3.9 million during the six months ended June 30, 2015 compared to the same period of 2014 primarily due to higher variable site lease expenses related to the increase in revenues. International outdoor direct operating expenses decreased $58.1 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $73.6 million impact from movements in foreign exchange rates, International outdoor direct operating expenses increased $15.5 million during the six months ended June 30, 2015 compared to the same period of 2014 primarily as a result of higher variable costs associated with higher revenue.

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

Consolidated SG&A expenses increased $5.2 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $14.7 million impact from movements in foreign exchange rates, consolidated SG&A expenses increased $19.9 million during the three months ended June 30, 2015 compared to the same period of 2014. iHM SG&A expenses increased $15.8 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily due to higher advertising and promotion expenses, including barter and trade, and higher sales expense, including commissions, related to higher revenue. Americas outdoor SG&A expenses decreased $1.1 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $1.4 million impact from movements in foreign exchange rates, Americas outdoor SG&A expenses increased $0.3 million during the three months ended June 30, 2015 compared to the same period of 2014. International outdoor SG&A expenses decreased $6.6 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $13.3 million impact from movements in foreign exchange rates, International outdoor SG&A expenses increased $6.7 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily due to higher compensation expense as well as higher litigation expenses.

Consolidated SG&A expenses increased $6.8 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $27.2 million impact from movements in foreign exchange rates, consolidated SG&A expenses increased $34.0 million during the six months ended June 30, 2015 compared to the same period of 2014. iHM SG&A expenses increased $23.8 million during the six months ended June 30, 2015 compared to the same period of 2014 primarily due to higher advertising and promotion expenses, including barter and trade. Americas outdoor SG&A expenses decreased $1.8 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $2.3 million impact from movements in foreign exchange rates, Americas outdoor SG&A expenses increased $0.5 million during the six months ended June 30, 2015 compared to the same period of 2014. International outdoor SG&A expenses decreased $11.7 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $24.9 million impact from movements in foreign exchange rates, International outdoor SG&A expenses increased $13.2 million during the six months ended June 30, 2015 compared to the same period of 2014 primarily due to higher compensation expense, including commissions in connection with higher revenues.

Corporate Expenses

Corporate expenses decreased $1.6 million during the three months ended June 30, 2015 compared to the same period of 2014. Excluding the $1.1 million impact from movements in foreign exchange rates, corporate expenses decreased $0.5 million during the three months ended June 30, 2015 compared to the same period of 2014. Corporate expenses were primarily impacted by a $3.4 million increase in expenses related to the negotiation of digital royalties before the Copyright Royalty Board offset by a $4.0 million decrease in costs related to revenue and efficiency initiatives for the three months ended June 30, 2015 as compared to the three months ended June 30, 2014.

Corporate expenses increased $3.0 million during the six months ended June 30, 2015 compared to the same period of 2014. Excluding the $2.4 million impact from movements in foreign exchange rates, corporate expenses increased $5.4 million during the six months ended June 30, 2015 compared to the same period of 2014 primarily due to increased property and casualty insurance costs and employee benefits, as well as the impact of an $8.5 million insurance recovery related to shareholder litigation recognized in the first quarter of 2014. These increases were partially offset by lower severance costs, primarily as a result of the $6.3 million incurred in the first quarter 2014 related to the separation of the former iHM segment CEO. In addition, Corporate expenses were impacted by a $5.5 million increase in expenses related to the negotiation of digital royalties before the Copyright Royalty Board for the six months ended June 30, 2015 as compared to the six months ended June 30, 2014.

Revenue and Efficiency Initiatives

Included in the amounts for direct operating expenses, SG&A and corporate expenses discussed above are expenses incurred in connection with our strategic revenue and efficiency initiatives. These costs consist primarily of severance related to workforce initiatives, consolidation of locations and positions, consulting expenses, and other costs incurred in connection with improving our businesses. These costs are expected to provide benefits in future periods as the initiative results are realized.

Strategic revenue and efficiency costs were $7.0 million during the three months ended June 30, 2015. Of these costs, $1.6 million was incurred by our iHM segment, $0.5 million was incurred by our Americas outdoor segment, $1.2 million was incurred by our International outdoor segment, $0.5 million was incurred in our Other category and $3.2 million was incurred by Corporate. Of these expenses, $2.0 million are reported within direct operating expenses,

$1.8 million are reported within SG&A and $3.2 million are reported within corporate expense. In the second quarter of 2014, strategic revenue and efficiency costs of $1.5 million were reported within direct operating expenses, $11.8 million were reported within SG&A and $7.2 million were reported within corporate expenses.

Strategic revenue and efficiency costs were $17.1 million during the six months ended June 30, 2015. Of these costs, $3.5 million was incurred by our iHM segment, $1.0 million was incurred by our Americas outdoor segment, $1.9 million was incurred by our International outdoor segment, $3.3 million was incurred by our Other category and $7.4 million was incurred by Corporate. Additionally, $3.1 million are reported within direct operating expenses, $6.6 million are reported within SG&A and $7.4 million are reported within corporate expense. In the first six months of 2014, strategic revenue and efficiency costs of $2.7 million were reported within direct operating expenses, $13.7 million were reported within SG&A and $17.3 million were reported within corporate expenses.

Depreciation and Amortization

Depreciation and amortization decreased $5.7 million and $10.1 million during the three and six months ended June 30, 2015, respectively, compared to the same periods of 2014. The decreases were primarily due to the impact from movements in foreign exchange rates.

Other Operating Income (Expense), Net

Other operating income (expense), net was $100.8 million and $91.8 million for the three and six months ended June 30, 2015, respectively, related primarily to the sale and subsequent leaseback of radio towers (see Note 2 to our Consolidated Financial Statements located in Item 1 of this Quarterly Report on Form 10-Q).

Other operating income (expense), net was ($1.6) million and ($1.5) million for the three and six months ended June 30, 2014, respectively, related primarily to the disposal of operating and fixed assets.

Interest Expense

Interest expense increased $12.4 million and $23.0 million during the three and six months ended June 30, 2015, respectively, compared to the same period of 2014, due to a higher weighted average cost of debt.

Equity in Loss of Nonconsolidated Affiliates

Equity in loss of nonconsolidated affiliates was $0.7 million and $0.4 million for the three and six months ended June 30, 2015, respectively.

Equity in loss of nonconsolidated affiliates was $0.1 million and $13.3 million for the three and six months ended June 30, 2014, respectively, related primarily to proceeds from the disposal of operating and fixed assets. The loss of $13.3 million during the six months ended June 30, 2014 primarily related to the loss on the sale of our 50% interest in Australian Radio Network ("ARN"), which included a loss on the sale of $2.4 million and $11.5 million of foreign exchange losses that were reclassified from accumulated other comprehensive income at the date of the sale.

Other Income, Net

Other income, net was $16.2 million and $36.1 million for the three and six months ended June 30, 2015, respectively, which primarily related to foreign currency gains recognized in connection with intercompany notes denominated in foreign currencies.

Loss on Extinguishment of Debt

In connection with the first quarter 2015 prepayment of our Term Loan facilities due 2016, we recognized a loss of $2.2 million.

During June 2014, we redeemed $567.1 million aggregate principal amount of our outstanding 5.5% Senior Notes due 2014 and $241.0 million aggregate principal amount of our outstanding 4.9% Senior Notes due 2015. In connection with these transactions, we recognized a loss of $47.5 million.

During the first quarter of 2014, CC Finco, LLC ("CC Finco"), an indirect wholly-owned subsidiary of ours, repurchased $52.9 million aggregate principal amount of our outstanding 5.5% Senior Notes due 2014 and $9.0 million aggregate principal amount of our outstanding 4.9% Senior Notes due 2015 for a total of $63.1 million, including accrued interest, through open market purchases. In connection with these transactions, we recognized a loss of $3.9 million.

Income Tax Benefit (Expense)

The effective tax rates for the three and six months ended June 30, 2015 were (87.5)% and (22.2)%, respectively. The effective tax rates for the three and six months ended June 30, 2014 were 0.4% and (12.6)%, respectively. The effective tax rates for the three and six months ended June 30, 2015 and 2014 were primarily impacted by the deferred tax valuation allowance recorded against deferred tax assets originating in the period from net operating losses in U.S federal, state and certain foreign jurisdictions.

iHM Results of Operations

Our iHM operating results were as follows:

(In thousands)	Three Months Ended June 30,		%	Six Months Ended June 30,		%
	2015	2014	Change	2015	2014	Change
Revenue	$ 840,701	$ 806,337	4%	$ 1,538,502	$ 1,476,684	4%
Direct operating expenses	241,826	227,059	7%	455,655	439,005	4%
SG&A expenses	266,523	250,681	6%	527,872	504,025	5%
Depreciation and amortization	59,571	59,230	1%	120,313	119,555	1%
Operating income	$ 272,781	$ 269,367	1%	$ 434,662	$ 414,099	5%

Three Months

iHM revenue increased $34.4 million during the three months ended June 30, 2015 compared to the same period of 2014 driven primarily by increases in our core local and national broadcast radio revenue, as well as our traffic and weather business. The remaining increase resulted from events, such as the iHeartRadio Country Festival and our syndication business driven by growth in our news/talk format, as well as higher barter and trade revenue compared to the second quarter of 2014. Partially offsetting these increases was a decrease in political advertising revenues.

iHM direct operating expenses increased $14.8 million during the three months ended June 30, 2015 compared to the same period of 2014, primarily due to higher lease expense as a result of the sale and subsequent leaseback of radio towers (see Note 2 to our Consolidated Financial Statements located in Item 1 of this Quarterly Report on Form 10-Q), higher event production costs and higher music license and performance royalties. iHM SG&A expenses increased $15.8 million during the three months ended June 30, 2015 compared to the same period of 2014 primarily due to higher advertising and promotion expenses, including barter and trade, and higher sales expense, including commissions, related to higher revenue. Strategic revenue and efficiency spending included in SG&A expenses decreased $4.5 million compared to the same period last year.

Six Months

iHM revenue increased $61.8 million during the six months ended June 30, 2015 compared to the same period of 2014 driven primarily by increases in our core national broadcast radio revenue, as well as our traffic and weather business. The remaining increase resulted from higher revenue from events, such as the iHeartRadio Music Awards, the iHeartRadio Country Festival and growth in our syndication business driven by growth in our news/talk format, as well as higher barter and trade revenue. Partially offsetting these increases were decreases in political advertising revenues.

iHM direct operating expenses increased $16.7 million during the six months ended June 30, 2015 compared to the same period of 2014, primarily due to higher lease expense as a result of the sale and subsequent leaseback of radio towers (see Note 2 to our Consolidated Financial Statements located in Item 1 of this Quarterly Report on Form 10-Q) and higher music license and performance royalties. iHM SG&A expenses increased $23.8 million during the six months ended June 30, 2015 compared to the same period of 2014 primarily due to higher advertising and promotion expenses, including barter and trade. Strategic revenue and efficiency spending included in SG&A expenses decreased $3.6 million compared to the same period last year.

Americas Outdoor Advertising Results of Operations

Our Americas outdoor operating results were as follows:

(In thousands)	Three Months Ended	Six Months Ended