

AMC Networks Inc.  
Form 10-Q  
November 05, 2015

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, 2015

or  
 Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission File Number: 1-35106

AMC Networks Inc.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of  
incorporation or organization)

27-5403694  
(I.R.S. Employer  
Identification No.)

11 Penn Plaza,  
New York, NY  
(Address of principal executive offices)  
(212) 324-8500  
(Registrant's telephone number, including area code)

10001  
(Zip Code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company (as defined in Exchange Act Rule 12b-2).

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

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

The number of shares of common stock outstanding as of October 31, 2015:  
Class A Common Stock par value \$0.01 per share 60,904,498  
Class B Common Stock par value \$0.01 per share 11,484,408

AMC NETWORKS INC. AND SUBSIDIARIES  
FORM 10-Q  
TABLE OF CONTENTS

|  | Page      |
|--|-----------|
| <u>PART I. FINANCIAL INFORMATION</u>   |           |
| <u>Item 1. Financial Statements (unaudited)</u>  |           |
| <u>Condensed Consolidated Balance Sheets - September 30, 2015 and December 31, 2014</u>                                    | <u>1</u>  |
| <u>Condensed Consolidated Statements of Income - Three and Nine Months Ended September 30, 2015 and 2014</u>               | <u>2</u>  |
| <u>Condensed Consolidated Statements of Comprehensive Income - Three and Nine Months Ended September 30, 2015 and 2014</u> | <u>3</u>  |
| <u>Condensed Consolidated Statements of Cash Flows - Nine Months Ended September 30, 2015 and 2014</u>                     | <u>4</u>  |
| <u>Notes to Condensed Consolidated Financial Statements</u>  | <u>5</u>  |
| <u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>                       | <u>27</u> |
| <u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>  | <u>46</u> |
| <u>Item 4. Controls and Procedures</u>   | <u>47</u> |
| <u>PART II. OTHER INFORMATION</u>  |           |
| <u>Item 1. Legal Proceedings</u>   | <u>47</u> |
| <u>Item 6. Exhibits</u>  | <u>47</u> |
| <u>SIGNATURES</u>  | <u>48</u> |

---

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

AMC NETWORKS INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS(Dollars in thousands, except per share amounts)  
(unaudited)

|   | September 30, 2015 | December 31, 2014 |
|---|--------------------|-------------------|
| <b>ASSETS</b>   |                    |                   |
| Current Assets:   |                    |                   |
| Cash and cash equivalents   | \$ 307,555         | \$ 201,367        |
| Accounts receivable, trade (less allowance for doubtful accounts of \$4,498 and \$4,276)  | 571,460            | 587,193           |
| Amounts due from related parties, net   | 4,033              | 4,102             |
| Current portion of program rights, net  | 477,218            | 437,302           |
| Prepaid expenses and other current assets   | 83,531             | 74,294            |
| Deferred tax asset, net   | 37,537             | 24,822            |
| Total current assets  | 1,481,334          | 1,329,080         |
| Property and equipment, net of accumulated depreciation of \$215,324 and \$186,242  | 145,217            | 133,844           |
| Program rights, net   | 996,206            | 959,941           |
| Deferred carriage fees, net   | 53,199             | 46,737            |
| Intangible assets, net  | 549,599            | 590,824           |
| Goodwill  | 717,057            | 734,356           |
| Other assets  | 227,199            | 181,805           |
| Total assets  | \$4,169,811        | \$3,976,587       |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>   |                    |                   |
| Current Liabilities:  |                    |                   |
| Accounts payable  | \$ 135,788         | \$ 101,866        |
| Accrued liabilities   | 184,243            | 204,786           |
| Current portion of program rights obligations   | 302,473            | 271,199           |
| Deferred revenue  | 52,250             | 36,888            |
| Promissory note payable   | —                  | 40,000            |
| Current portion of long-term debt   | 129,500            | 74,000            |
| Current portion of capital lease obligations  | 2,921              | 2,953             |
| Total current liabilities   | 807,175            | 731,692           |
| Program rights obligations  | 422,930            | 465,672           |
| Long-term debt  | 2,576,446          | 2,685,566         |
| Capital lease obligations   | 24,815             | 27,386            |
| Deferred tax liability, net   | 127,455            | 128,066           |
| Other liabilities   | 94,019             | 85,503            |
| Total liabilities   | 4,052,840          | 4,123,885         |
| Commitments and contingencies   |                    |                   |
| Redeemable noncontrolling interests   | 210,420            | 204,611           |
| Stockholders' deficiency:   |                    |                   |
| Class A Common Stock, \$0.01 par value, 360,000,000 shares authorized, 62,108,853 and 61,762,944 shares issued and 60,898,582 and 60,552,673 shares outstanding, respectively | 621                | 618               |
| Class B Common Stock, \$0.01 par value, 90,000,000 shares authorized, 11,484,408 shares issued and outstanding, respectively  | 115                | 115               |
| Preferred stock, \$0.01 par value, 45,000,000 shares authorized; none issued  | —                  | —                 |

Edgar Filing: AMC Networks Inc. - Form 10-Q

|  |             |             |   |
|--|-------------|-------------|---|
| Paid-in capital  | 115,579     | 100,642     |   |
| Accumulated deficit  | (65,190)    | ) (341,889  | ) |
| Treasury stock, at cost (1,210,271 shares Class A Common Stock,<br>respectively) | (51,993)    | ) (51,993   | ) |
| Accumulated other comprehensive loss   | (118,010)   | ) (79,248   | ) |
| Total AMC Networks stockholders' deficiency                                      | (118,878)   | ) (371,755  | ) |
| Non-redeemable noncontrolling interests  | 25,429      | 19,846      |   |
| Total stockholders' deficiency   | (93,449)    | ) (351,909  | ) |
| Total liabilities and stockholders' deficiency                                   | \$4,169,811 | \$3,976,587 |   |
| See accompanying notes to condensed consolidated financial statements.           |             |             |   |

1

---

AMC NETWORKS INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share amounts)  
(unaudited)

|   | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |             |
|---|-------------------------------------|-----------|------------------------------------|-------------|
|   | 2015                                | 2014      | 2015                               | 2014        |
| Revenues, net (including revenues, net from related parties of \$6,407, \$6,475, \$19,619 and \$21,689, respectively)           | \$632,165                           | \$519,550 | \$1,901,985                        | \$1,566,197 |
| Operating expenses:   |                                     |           |                                    |             |
| Technical and operating (excluding depreciation and amortization)   | 293,096                             | 252,556   | 814,999                            | 701,771     |
| Selling, general and administrative (including charges from related parties of \$972, \$928, \$3,190 and \$2,477, respectively) | 156,308                             | 132,851   | 469,767                            | 420,097     |
| Restructuring expense   | 2,631                               | 5,619     | 5,941                              | 6,772       |
| Depreciation and amortization   | 20,862                              | 18,295    | 62,429                             | 50,220      |
| Total operating expenses  | 472,897                             | 409,321   | 1,353,136                          | 1,178,860   |
| Operating income  | 159,268                             | 110,229   | 548,849                            | 387,337     |
| Other income (expense):   |                                     |           |                                    |             |
| Interest expense  | (31,927                             | ) (31,665 | ) (97,522                          | ) (97,360   |
| Interest income   | 557                                 | 349       | 1,786                              | 1,008       |
| Miscellaneous, net  | (7,640                              | ) (11,766 | ) (6,486                           | ) (16,007   |
| Total other income (expense)  | (39,010                             | ) (43,082 | ) (102,222                         | ) (112,359  |
| Income from continuing operations before income taxes   | 120,258                             | 67,147    | 446,627                            | 274,978     |
| Income tax expense  | (43,358                             | ) (13,078 | ) (155,609                         | ) (88,742   |
| Net income from continuing operations   | 76,900                              | 54,069    | 291,018                            | 186,236     |
| Loss from discontinued operations, net of income taxes  | —                                   | (966      | ) —                                | (3,448      |
| Net income including noncontrolling interests   | 76,900                              | 53,103    | 291,018                            | 182,788     |
| Net (income) loss attributable to noncontrolling interests  | (4,130                              | ) 57      | (14,319                            | ) 394       |
| Net income attributable to AMC Networks' stockholders   | \$72,770                            | \$53,160  | \$276,699                          | \$183,182   |

Basic net income per share attributable to AMC Networks' stockholders:

|                                       |        |         |        |         |
|---------------------------------------|--------|---------|--------|---------|
| Net income from continuing operations | \$1.00 | \$0.75  | \$3.82 | \$2.59  |
| Loss from discontinued operations     | \$—    | \$(0.01 | ) \$—  | \$(0.04 |
| Net income                            | \$1.00 | \$0.74  | \$3.82 | \$2.55  |

Diluted net income per share attributable to AMC Networks' stockholders:

|                                       |        |         |        |         |
|---------------------------------------|--------|---------|--------|---------|
| Net income from continuing operations | \$0.99 | \$0.74  | \$3.78 | \$2.57  |
| Loss from discontinued operations     | \$—    | \$(0.01 | ) \$—  | \$(0.05 |
| Net income                            | \$0.99 | \$0.73  | \$3.78 | \$2.52  |

Weighted average common shares:

|  |        |        |        |        |
|--|--------|--------|--------|--------|
| Basic weighted average common shares   | 72,503 | 72,075 | 72,386 | 71,966 |
| Diluted weighted average common shares | 73,222 | 72,890 | 73,108 | 72,604 |

See accompanying notes to condensed consolidated financial statements.



AMC NETWORKS INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Dollars in thousands)  
 (unaudited)

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2015                                | 2014      | 2015                               | 2014      |
| Net income including noncontrolling interests                        | \$76,900                            | \$53,103  | \$291,018                          | \$182,788 |
| Other comprehensive income (loss):                                   |                                     |           |                                    |           |
| Foreign currency translation adjustment                              | (3,086                              | ) (52,181 | ) (39,792                          | ) (42,129 |
| Unrealized gain on interest rate swaps                               | 528                                 | 1,571     | 1,898                              | 3,528     |
| Other comprehensive loss, before income taxes                        | (2,558                              | ) (50,610 | ) (37,894                          | ) (38,601 |
| Income tax expense   | (4,532                              | ) (569    | ) (868                             | ) (1,291  |
| Other comprehensive loss, net of income taxes                        | (7,090                              | ) (51,179 | ) (38,762                          | ) (39,892 |
| Comprehensive income   | 69,810                              | 1,924     | 252,256                            | 142,896   |
| Comprehensive (income) loss attributable to noncontrolling interests | (4,130                              | ) 2,467   | (14,319                            | ) 1,957   |
| Comprehensive income attributable to AMC Networks' stockholders      | \$65,680                            | \$4,391   | \$237,937                          | \$144,853 |

See accompanying notes to condensed consolidated financial statements.

AMC NETWORKS INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)  
(unaudited)

|   | Nine Months Ended September |             |
|---|-----------------------------|-------------|
|   | 30,                         | 2014        |
|   | 2015                        | 2014        |
| Cash flows from operating activities:   |                             |             |
| Net income including noncontrolling interests   | \$291,018                   | \$182,788   |
| Loss from discontinued operations   | —                           | 3,448       |
| Adjustments to reconcile income from continuing operations to net cash from operating activities: |                             |             |
| Depreciation and amortization   | 62,429                      | 50,220      |
| Share-based compensation expense related to equity classified awards                              | 23,910                      | 21,569      |
| Amortization and write-off of program rights  | 525,609                     | 458,176     |
| Amortization of deferred carriage fees  | 12,013                      | 8,148       |
| Unrealized foreign currency transaction loss  | 5,739                       | 14,997      |
| Unrealized loss (gain) on derivative contracts, net   | 1,355                       | (2,417)     |
| Amortization of deferred financing costs and discounts on indebtedness                            | 6,743                       | 6,436       |
| Bad debt expense  | 2,151                       | 2,357       |
| Deferred income taxes   | (9,849)                     | (23,926)    |
| Excess tax benefits from share-based compensation arrangements                                    | (4,297)                     | (5,662)     |
| Other, net  | (2,073)                     | (2,113)     |
| Changes in assets and liabilities:  |                             |             |
| Accounts receivable, trade  | 6,155                       | 7,712       |
| Amounts due from related parties, net   | 69                          | 3,301       |
| Prepaid expenses and other assets   | (43,665)                    | 600         |
| Program rights and obligations, net   | (616,047)                   | (510,384)   |
| Income taxes payable  | 16,107                      | 18,553      |
| Deferred revenue  | 15,446                      | 16,219      |
| Deferred carriage fees, net   | (18,825)                    | (13,234)    |
| Accounts payable, accrued expenses and other liabilities  | 26,985                      | 25,042      |
| Net cash provided by operating activities   | 300,973                     | 261,830     |
| Cash flows from investing activities:   |                             |             |
| Capital expenditures  | (48,810)                    | (24,340)    |
| Payments for acquisition of a business, net of cash acquired                                      | (6,545)                     | (1,024,427) |
| Purchases of investments  | (24,250)                    | (3,984)     |
| Proceeds from insurance settlements   | —                           | 654         |
| Net cash used in investing activities   | (79,605)                    | (1,052,097) |
| Cash flows from financing activities:   |                             |             |
| Proceeds from the issuance of long-term debt  | —                           | 600,000     |
| Principal payments on long-term debt  | (55,500)                    | —           |
| Payment of Promissory Note  | (40,000)                    | —           |
| Payments for financing costs  | —                           | (9,266)     |
| Deemed repurchases of restricted stock/units  | (14,454)                    | (17,804)    |
| Proceeds from stock option exercises  | 1,183                       | 1,070       |
| Excess tax benefits from share-based compensation arrangements                                    | 4,297                       | 5,662       |
| Principal payments on capital lease obligations   | (2,392)                     | (2,707)     |
| Distributions to noncontrolling interest  | (3,154)                     | —           |
| Contributions from noncontrolling interest  | 1,354                       | 835         |



Edgar Filing: AMC Networks Inc. - Form 10-Q

|   |           |           |   |
|---|-----------|-----------|---|
| Net cash (used in) provided by financing activities                             | (108,666  | ) 577,790 | ) |
| Net increase (decrease) in cash and cash equivalents from continuing operations | 112,702   | (212,477  | ) |
| Cash flows from discontinued operations:  |           |           |   |
| Net cash used in operating activities   | —         | (2,955    | ) |
| Net decrease in cash and cash equivalents from discontinued operations          | —         | (2,955    | ) |
| Effect of exchange rate changes on cash and cash equivalents                    | (6,514    | ) (9,897  | ) |
| Cash and cash equivalents at beginning of period                                | 201,367   | 521,951   |   |
| Cash and cash equivalents at end of period                                      | \$307,555 | \$296,622 |   |
| See accompanying notes to condensed consolidated financial statements.          |           |           |   |

4

---

AMC NETWORKS INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(Dollars in thousands, except per share amounts)  
(unaudited)

Note 1. Description of Business and Basis of Presentation

Description of Business

AMC Networks Inc. (“AMC Networks”) and its subsidiaries (collectively referred to as the “Company”) own and operate entertainment businesses and assets. The Company is comprised of two operating segments:

**National Networks:** Principally includes five nationally distributed programming networks: AMC, WE tv, BBC AMERICA, IFC and SundanceTV. These programming networks are distributed throughout the United States (“U.S.”) via cable and other multichannel video programming distribution platforms, including direct broadcast satellite (“DBS”) and platforms operated by telecommunications providers (the Company refers collectively to these cable and other multichannel video programming distributors as “multichannel video programming distributors” or “distributors”). AMC, IFC and SundanceTV are also distributed in Canada. The National Networks operating segment also includes AMC Networks Broadcasting & Technology, which primarily services most of the nationally distributed programming networks.

**International and Other:** Principally includes AMC Networks International, the Company’s international programming businesses consisting of a portfolio of channels in Europe, Latin America, the Middle East and parts of Asia and Africa; IFC Films, the Company’s independent film distribution business; AMC Networks International - DMC, the broadcast solutions unit of certain networks of AMC Networks International and third party networks; and various developing digital content distribution initiatives.

Basis of Presentation

Principles of Consolidation

These unaudited condensed consolidated financial statements include the accounts of AMC Networks and its majority owned or controlled subsidiaries. All intercompany transactions and balances have been eliminated in consolidation. Investments in business entities in which the Company lacks control but does have the ability to exercise significant influence over operating and financial policies are accounted for using the equity method of accounting.

Unaudited Interim Financial Statements

These condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) for interim financial information and Article 10 of Regulation S-X of the Securities and Exchange Commission (“SEC”), and should be read in conjunction with the Company’s consolidated financial statements and notes thereto for the year ended December 31, 2014 contained in the Company’s Annual Report on Form 10-K (“2014 Form 10-K”) filed with the SEC. The condensed consolidated financial statements presented in this Quarterly Report on Form 10-Q are unaudited; however, in the opinion of management, such financial statements reflect all adjustments, consisting solely of normal recurring adjustments, necessary for a fair presentation of the results for the interim periods presented.

The results of operations for interim periods are not necessarily indicative of the results that might be expected for future interim periods or for the full year ending December 31, 2015.

Program Rights

The Company periodically reviews the programming usefulness of its licensed and owned original program rights based on a series of factors, including expected future revenue generation from airings on the Company’s networks and other exploitation opportunities, ratings, type and quality of program material, standards and practices, and fitness for exhibition through various forms of distribution. If it is determined that film or other program rights have no future programming usefulness, a write-off of the unamortized cost is recorded in technical and operating expense. Program rights write-offs included in technical and operating expense of \$13,199 and \$9,030 were recorded for the three months ended September 30, 2015 and 2014, respectively, and program rights write-offs of \$26,800 and \$16,523 were recorded for the nine months ended September 30, 2015 and 2014, respectively.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reported period. Actual results could differ from those estimates. Significant estimates and judgments inherent in the preparation of the consolidated financial statements include the valuation of acquisition-related assets and liabilities, the useful lives and methodologies used to amortize and assess recoverability of program

AMC NETWORKS INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

rights, the estimated useful lives of intangible assets, valuation and recoverability of goodwill and intangible assets and income tax assets and liabilities.

Reclassifications

Certain reclassifications were made to the prior period amounts to conform to the current period presentation.

Recently Issued Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-03 Simplifying the Presentation of Debt Issuance Costs. ASU 2015-03 requires debt issuance costs to be presented in the balance sheet as a direct deduction from the carrying value of the debt. ASU 2015-03 will be applied retrospectively and is effective for the first quarter of 2016 with early adoption permitted. The adoption of ASU 2015-03, which is planned in the fourth quarter of 2015, is not expected to have a material impact on the Company's consolidated financial statements.

In February 2015, the FASB issued ASU No. 2015-02 Consolidation (Topic 810): Amendments to the Consolidation Analysis. ASU 2015-02 amends current GAAP principles relating to the requirements of the reporting entity to consolidate other legal entities, and may require reporting entities that hold variable interests in other legal entities to re-evaluate consolidation assessments and disclosures. The new standard (i) introduces a separate analysis specific to limited partnerships and similar entities for assessing if the equity holders at risk lack decision making rights, (ii) changes the manner in which a reporting entity assesses if an entity is a variable interest entity when decision-making over the entity's most significant activities has been outsourced, (iii) modifies the related-party requirement for the power and economics test when determining the primary beneficiary, and (iv) reduces situations where the related-party tiebreaker test is performed. ASU 2015-02 is effective for the first quarter of 2016 with early adoption permitted. The adoption of ASU 2015-02 is not expected to have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU No. 2014-09 Revenue from Contracts with Customers (Topic 606). ASU 2014-09 provides new guidance related to how an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The standard requires an evaluation of (i) transfer of control, (ii) variable consideration, (iii) allocation of selling price for multiple elements, (iv) intellectual property licenses, (v) time value of money, and (vi) contract costs. The standard also expands the required disclosures related to revenue and cash flows from contracts with customers to provide greater insight into both revenue that has been recognized, and revenue that is expected to be recognized in the future from existing contracts. On July 9, 2015, the FASB voted to approve a one year delay of the effective date of the standard to the first quarter of 2018, and to permit companies to voluntarily adopt the new standard as of the original effective date of January 1, 2017. The Company is currently determining its implementation approach and assessing the impact the adoption will have on its consolidated financial statements.

Note 2. Acquisitions

BBC AMERICA

In October 2014, a subsidiary of AMC Networks entered into a membership interest purchase agreement with BBC Worldwide Americas, Inc. ("BBCWA"), pursuant to which such subsidiary acquired 49.9% of the limited liability company interests of New Video Channel America, L.L.C. ("New Video"), owner of the cable channel BBC AMERICA (the "Transaction"), for a purchase price of \$200,000. The Company funded the purchase price with cash on hand and a \$40,000 promissory note, which was paid on April 23, 2015. In addition to the purchase agreement, such subsidiary entered into a Second Amended and Restated Limited Liability Company Agreement with BBCWA and one of its affiliates (the "Joint Venture Agreement") that sets forth certain rights and obligations of the parties, including certain put rights. The Company has operational control of New Video and the BBC AMERICA channel and as a result consolidates the results of the joint venture from the date of closing. The joint venture is included in the National Networks operating segment. The Company views this joint venture as an important addition to its overall channel portfolio and programming content strategy.

The acquisition accounting for New Video as reflected in these condensed consolidated financial statements is preliminary and based on current estimates and currently available information, and is subject to revision based on final determinations of fair value and final allocations of purchase price to the identifiable assets and liabilities acquired. The primary estimated fair values that are not yet finalized relate to the valuation of program rights and related obligations and accrued liabilities.

6

---

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

The following table summarizes the preliminary valuation of the tangible and identifiable intangible assets acquired and liabilities assumed.

|   |            |   |
|---|------------|---|
| Cash paid, net of cash acquired           | \$ 159,889 |   |
| Promissory note                           | 40,000     |   |
| Total consideration transferred           | 199,889    |   |
| Redeemable noncontrolling interest        | 200,000    |   |
|   | \$399,889  |   |
| Preliminary allocation:                   |            |   |
| Prepaid expenses and other current assets | 621        |   |
| Accounts receivable, trade                | 32,211     |   |
| Program rights                            | 73,242     |   |
| Deferred carriage fees                    | 567        |   |
| Property and equipment                    | 111        |   |
| Intangible assets                         | 113,528    |   |
| Other assets                              | 46,000     |   |
| Accounts payable and accrued liabilities  | (5,376     | ) |
| Program rights obligations                | (30,645    | ) |
| Deferred revenue                          | (3,378     | ) |
| Fair value of net assets acquired         | 226,881    |   |
| Goodwill                                  | 173,008    |   |
|   | \$399,889  |   |

## Chellomedia

In January 2014, certain subsidiaries of AMC Networks purchased substantially all of Chellomedia (a combination of certain programming and content distribution subsidiaries and assets purchased from Liberty Global plc) for a purchase price of €750 million (approximately \$1.0 billion). The Company funded the purchase price with cash on hand and an additional \$600 million borrowed under its Term Loan A Facility.

## Unaudited Pro Forma Financial Information

The following unaudited pro forma financial information is based on (i) the historical consolidated financial statements of the Company, (ii) the historical financial statements of New Video and (iii) the historical combined financial statements of Chellomedia, and is intended to provide information about how these acquisitions and related financing may have affected the Company's historical consolidated financial statements if they had occurred as of January 1, 2014. The unaudited pro forma financial information has been prepared for comparative purposes only and includes adjustments for additional interest expense associated with the terms of the Company's amended and restated credit agreement, estimated additional depreciation and amortization expense as a result of tangible and identifiable intangible assets acquired, and the reclassification of the operating results of the Atmedia business to discontinued operations (see Note 4). The pro forma financial information is not necessarily indicative of the results of operations that would have been achieved had these acquisitions taken place on the date indicated or that may result in the future.

|  | Pro Forma Financial Information for the |                    |
|--|---|--------------------|
|  | Three Months Ended                      | Nine Months Ended  |
|  | September 30, 2014                      | September 30, 2014 |
| Revenues, net  | \$560,315                               | \$1,717,917        |
| Income from continuing operations, net of income taxes | \$57,011                                | \$197,201          |
| Net income per share, basic                            | \$0.79                                  | \$2.74             |
| Net income per share, diluted                          | \$0.78                                  | \$2.72             |



## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Other Acquisitions

In February 2015 and July 2014, the Company acquired the shares of two small international channels. These acquisitions are included in the International and Other segment and build on the Company's international expansion strategy and the potential to provide international long-term growth and value.

Pro forma financial information related to these acquisitions is not provided as the impact was not material to the Company's condensed consolidated financial statements.

## Note 3. Net Income per Share

The following is a reconciliation between basic and diluted weighted average shares outstanding:

|  | Three Months Ended |            | Nine Months Ended |            |
|--|--------------------|------------|-------------------|------------|
|  | September 30,      |            | September 30,     |            |
|  | 2015               | 2014       | 2015              | 2014       |
| Basic weighted average common shares outstanding   | 72,503,000         | 72,075,000 | 72,386,000        | 71,966,000 |
| Effect of dilution:                                |                    |            |                   |            |
| Stock options                                      | 117,000            | 214,000    | 162,000           | 174,000    |
| Restricted stock/units                             | 602,000            | 601,000    | 560,000           | 464,000    |
| Diluted weighted average common shares outstanding | 73,222,000         | 72,890,000 | 73,108,000        | 72,604,000 |

For the three and nine months ended September 30, 2015 and September 30, 2014, there were no restricted stock units that would have been anti-dilutive to the diluted weighted average common shares outstanding. Approximately 125,000 and 476,000 restricted stock units for the three and nine months ended September 30, 2015 and September 30, 2014, respectively, have been excluded from diluted weighted average common shares outstanding since a performance condition on these awards was not met in each of the respective periods.

## Note 4. Discontinued Operations

In connection with the acquisition of Chellomedia (see Note 2), management committed to a plan to dispose of the operations of Chellomedia's advertising sales unit, Atmedia, which was completed in August 2014. The operating results of discontinued operations included revenues, net of \$4,117 and \$22,288, and a net loss of \$966 and \$3,448 for the three and nine months ended September 30, 2014, respectively.

## Note 5. Restructuring

The Company incurred restructuring expense primarily related to severance charges and other exit costs associated with the elimination of certain positions across the Company and the elimination of distribution in certain territories. The following table summarizes the restructuring expense recognized by operating segment:

|                             | Three Months Ended |         | Nine Months Ended |         |
|-----------------------------|--------------------|---------|-------------------|---------|
|                             | September 30,      |         | September 30,     |         |
|                             | 2015               | 2014    | 2015              | 2014    |
| National Networks           | \$100              | \$2,462 | \$817             | \$2,462 |
| International & Other       | 2,531              | 3,157   | 5,124             | 4,310   |
| Total restructuring expense | \$2,631            | \$5,619 | \$5,941           | \$6,772 |



## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

The following table summarizes the accrued restructuring costs:

|                               | Severance and<br>employee-related<br>costs | Other exit costs | Total    |
|-------------------------------|--|------------------|----------|
| Balance at December 31, 2014  | \$ 6,525                                   | \$ 885           | \$ 7,410 |
| Charges incurred              | 2,380                                      | 3,561            | 5,941    |
| Cash payments                 | (7,778                                     | ) (342           | ) (8,120 |
| Non-cash adjustments          | —  | (3,401           | ) (3,401 |
| Currency translation          | (35  | ) (171           | ) (206   |
| Balance at September 30, 2015 | \$ 1,092                                   | \$ 532           | \$ 1,624 |

Liabilities for restructuring costs of \$1,556 and \$68 are included in accrued liabilities and other liabilities, respectively, in the condensed consolidated balance sheet at September 30, 2015. The Company expects that the restructuring will be substantially completed during 2015 and the majority of severance and other costs will be paid in 2015.

## Note 6. Goodwill and Other Intangible Assets

The carrying amount of goodwill, by operating segment is as follows:

|   | National Networks | International and<br>Other | Total     |
|---|-------------------|----------------------------|-----------|
| December 31, 2014                             | \$250,595         | \$483,761                  | \$734,356 |
| Additions and purchase accounting adjustments | (3,363            | ) 3,796                    | 433       |
| Amortization of "second component" goodwill   | (1,893            | ) —                        | (1,893    |
| Foreign currency translation                  | —                 | (15,839                    | ) (15,839 |
| September 30, 2015                            | \$245,339         | \$471,718                  | \$717,057 |

Additions and purchase accounting adjustments included in the National Networks and the International and Other segments relate to the acquisition of New Video and a small international channel, respectively.

The reduction of \$1,893 in the carrying amount of goodwill for the National Networks is due to the realization of a tax benefit for the amortization of "second component" goodwill at SundanceTV. Second component goodwill is the amount of tax deductible goodwill in excess of goodwill for financial reporting purposes. In accordance with the authoritative guidance at the time of the SundanceTV acquisition, the tax benefits associated with this excess are applied to first reduce the amount of goodwill, and then other intangible assets for financial reporting purposes, if and when such tax benefits are realized in the Company's tax returns.

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

The following tables summarize information relating to the Company's identifiable intangible assets:

|                                      | September 30, 2015 |                             |             | Estimated      |
|--------------------------------------|--------------------|-----------------------------|-------------|----------------|
|                                      | Gross              | Accumulated<br>Amortization | Net         | Useful Lives   |
| Amortizable intangible assets:       |                    |                             |             |                |
| Affiliate and customer relationships | \$547,531          | \$(103,141)                 | ) \$444,390 | 17 to 25 years |
| Advertiser relationships             | 46,282             | (3,939)                     | ) 42,343    | 11 years       |
| Trade names                          | 46,743             | (3,788)                     | ) 42,955    | 20 years       |
| Other amortizable intangible assets  | 15                 | (4)                         | ) 11        |                |
| Total amortizable intangible assets  | 640,571            | (110,872)                   | ) 529,699   |                |
| Indefinite-lived intangible assets:  |                    |                             |             |                |
| Trademarks                           | 19,900             | —                           | ) 19,900    |                |
| Total intangible assets              | \$660,471          | \$(110,872)                 | ) \$549,599 |                |
|                                      | December 31, 2014  |                             |             |                |
|                                      | Gross              | Accumulated<br>Amortization | Net         |                |
| Amortizable intangible assets:       |                    |                             |             |                |
| Affiliate and customer relationships | \$555,742          | \$(80,351)                  | ) \$475,391 |                |
| Advertiser relationships             | 45,827             | (655)                       | ) 45,172    |                |
| Trade names                          | 52,698             | (2,351)                     | ) 50,347    |                |
| Other amortizable intangible assets  | 16                 | (2)                         | ) 14        |                |
| Total amortizable intangible assets  | 654,283            | (83,359)                    | ) 570,924   |                |
| Indefinite-lived intangible assets:  |                    |                             |             |                |
| Trademarks                           | 19,900             | —                           | ) 19,900    |                |
| Total intangible assets              | \$674,183          | \$(83,359)                  | ) \$590,824 |                |

Aggregate amortization expense for amortizable intangible assets for the nine months ended September 30, 2015 and 2014 was \$32,482 and \$21,807, respectively. Estimated aggregate amortization expense for intangible assets subject to amortization for each of the following five years is:

| Years Ending December 31, |          |
|---------------------------|----------|
| 2015                      | \$41,755 |
| 2016                      | 37,972   |
| 2017                      | 37,972   |
| 2018                      | 37,969   |
| 2019                      | 37,969   |

## Note 7. Accrued Liabilities

Accrued liabilities consist of the following:

|                           | September 30, 2015 | December 31, 2014 |
|---------------------------|--------------------|-------------------|
| Interest                  | \$21,687           | \$28,685          |
| Employee related costs    | 95,066             | 102,608           |
| Income taxes payable      | 22,917             | 11,876            |
| Other accrued expenses    | 44,573             | 61,617            |
| Total accrued liabilities | \$184,243          | \$204,786         |

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Note 8. Long-term Debt

The Company's long-term debt consists of:

|  | September 30, 2015 | December 31, 2014 |
|--|--------------------|-------------------|
| Senior Secured Credit Facility: <sup>(a)</sup> |                    |                   |
| Term Loan A Facility                           | \$1,424,500        | \$1,480,000       |
| Senior Notes:                                  |                    |                   |
| 7.75% Notes due July 2021                      | 700,000            | 700,000           |
| 4.75% Notes due December 2022                  | 600,000            | 600,000           |
| Total long-term debt                           | 2,724,500          | 2,780,000         |
| Unamortized discount                           | (18,554            | ) (20,434         |
| Long-term debt, net                            | 2,705,946          | 2,759,566         |
| Current portion of long-term debt              | 129,500            | 74,000            |
| Noncurrent portion of long-term debt           | \$2,576,446        | \$2,685,566       |

<sup>(a)</sup> The Company's \$500,000 revolving credit facility remains undrawn at September 30, 2015. Total undrawn revolver commitments are available to be drawn for general corporate purposes of the Company.

## Note 9. Fair Value Measurement

The fair value hierarchy is based on inputs to valuation techniques that are used to measure fair value that are either observable or unobservable. Observable inputs reflect assumptions market participants would use in pricing an asset or liability based on market data obtained from independent sources while unobservable inputs reflect a reporting entity's pricing based upon their own market assumptions. The fair value hierarchy consists of the following three levels:

Level I - Quoted prices for identical instruments in active markets.

Level II - Quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level III - Instruments whose significant value drivers are unobservable.

The following table presents for each of these hierarchy levels, the Company's financial assets and liabilities that are measured at fair value on a recurring basis:

|                              | Level I  | Level II | Total    |
|------------------------------|----------|----------|----------|
| At September 30, 2015:       |          |          |          |
| Assets:                      |          |          |          |
| Cash equivalents             | \$36,112 | \$—      | \$36,112 |
| Foreign currency derivatives | \$—      | \$3,665  | \$3,665  |
| Liabilities:                 |          |          |          |
| Interest rate swap contracts | \$—      | \$3,359  | \$3,359  |
| Foreign currency derivatives | \$—      | \$2,853  | \$2,853  |
| At December 31, 2014:        |          |          |          |
| Assets:                      |          |          |          |
| Cash equivalents             | \$11,058 | \$—      | \$11,058 |
| Foreign currency derivatives | \$—      | \$3,949  | \$3,949  |
| Liabilities:                 |          |          |          |
| Interest rate swap contracts | \$—      | \$6,613  | \$6,613  |
| Foreign currency derivatives | \$—      | \$2,346  | \$2,346  |



## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

The Company's cash equivalents represents investment in funds that invest primarily in money market securities and are classified within Level I of the fair value hierarchy because they are valued using quoted market prices.

The Company's interest rate swap contracts and foreign currency derivatives (see Note 10) are classified within Level II of the fair value hierarchy and their fair values are determined based on a market approach valuation technique that uses readily observable market parameters and the consideration of counterparty risk.

The Company does not have any recurring assets or liabilities measured at fair value that would be considered Level III.

Fair value measurements are also used in nonrecurring valuations performed in connection with acquisition accounting. These nonrecurring valuations primarily include the valuation of affiliate and customer relationships intangible assets, advertiser relationship intangible assets and property and equipment. The inputs used in the Company's discounted cash flow analyses, such as forecasts of future cash flows, are based on assumptions. The valuation of affiliate and customer relationships and advertiser relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the relationships, considering such factors as estimated life of the relationships and the revenue expected to be generated over the life of such relationships. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level III of the fair value hierarchy.

## Credit Facility Debt and Senior Notes

The fair values of each of the Company's debt instruments are based on quoted market prices for the same or similar issues or on the current rates offered to the Company for instruments of the same remaining maturities.

The carrying values and estimated fair values of the Company's financial instruments, excluding those that are carried at fair value in the condensed consolidated balance sheets, are summarized as follows:

|                               | September 30, 2015 |                         |
|-------------------------------|--------------------|-------------------------|
|                               | Carrying<br>Amount | Estimated<br>Fair Value |
| Debt instruments:             |                    |                         |
| Term Loan A Facility          | \$1,423,417        | \$1,410,255             |
| 7.75% Notes due July 2021     | 690,594            | 740,320                 |
| 4.75% Notes due December 2022 | 591,935            | 573,000                 |
|                               | \$2,705,946        | \$2,723,575             |
|                               |                    |                         |
|                               | December 31, 2014  |                         |
|                               | Carrying<br>Amount | Estimated<br>Fair Value |
| Debt instruments:             |                    |                         |
| Term Loan A Facility          | \$1,478,659        | \$1,465,200             |
| 7.75% Notes due July 2021     | 689,659            | 761,250                 |
| 4.75% Notes due December 2022 | 591,248            | 585,000                 |
|                               | \$2,759,566        | \$2,811,450             |

Fair value estimates related to the Company's debt instruments presented above are made at a specific point in time, based on relevant market information and information about the financial instrument. These estimates are subjective in nature and involve uncertainties and matters of significant judgments and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

## Note 10. Derivative Financial Instruments

## Interest Rate Risk

To manage interest rate risk, the Company enters into interest rate swap contracts to adjust the amount of total debt that is subject to variable interest rates.

As of September 30, 2015, the Company had interest rate swap contracts outstanding with notional amounts aggregating \$269,188, which consists of interest rate swap contracts with notional amounts of \$69,188 that are designated as cash flow hedges

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

and interest rate swap contracts with notional amounts of \$200,000 that are not designated as hedging instruments. The Company's outstanding interest rate swap contracts have varying maturities ranging from October 2015 to July 2017. At September 30, 2015, the Company's interest rate swap contracts designated as cash flow hedges were highly effective.

## Foreign Currency Exchange Rate Risk

We are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our or our subsidiaries' respective functional currencies (non-functional currency risk), such as affiliation agreements, programming contracts, certain accounts payable and trade receivables (including intercompany amounts) that are denominated in a currency other than the applicable functional currency.

The fair values of the Company's derivative financial instruments included in the condensed consolidated balance sheets are as follows:

|  | Balance Sheet<br>Location                 | September 30,<br>2015 | December 31,<br>2014 |
|--|---|-----------------------|----------------------|
| Derivatives designated as hedging instruments:     |   |                       |                      |
| Liabilities:                                       |   |                       |                      |
| Interest rate swap contracts                       | Accrued liabilities                       | \$17                  | \$2,388              |
| Derivatives not designated as hedging instruments: |   |                       |                      |
| Assets:  |   |                       |                      |
| Foreign currency derivatives                       | Prepaid expenses and other current assets | 1,520                 | 1,808                |
| Foreign currency derivatives                       | Other assets                              | 2,145                 | 2,141                |
| Liabilities:                                       |   |                       |                      |
| Interest rate swap contracts                       | Accrued liabilities                       | 924                   | —                    |
| Interest rate swap contracts                       | Other liabilities                         | 2,418                 | 4,225                |
| Foreign currency derivatives                       | Accrued liabilities                       | 1,292                 | 914                  |
| Foreign currency derivatives                       | Other liabilities                         | 1,561                 | 1,432                |

The amounts of the gains and losses related to the Company's derivative financial instruments designated as hedging instruments are as follows:

|   | Amount of Gain or<br>(Loss) Recognized<br>in OCI on Derivatives<br>(Effective Portion) | Location of Gain or<br>(Loss)<br>Reclassified from<br>Accumulated OCI into<br>Earnings<br>(Effective Portion) | Amount of Gain or<br>(Loss) Reclassified<br>from Accumulated OCI into<br>Earnings<br>(Effective Portion)(a) |
|---|--|---|---|
|   | Three Months Ended<br>September 30,<br>2015  |   | Three Months Ended<br>September 30,<br>2015   |
| Derivatives in cash flow hedging relationships: |  |   |   |
| Interest rate swap contracts                    | \$(126 ) \$185   | Interest expense  | \$654 \$(1,386 )  |

There were no gains or losses recognized in earnings related to any ineffective portion of hedging relationships or (a) related to any amount excluded from the assessment of hedge effectiveness for the three months ended September 30, 2015 and 2014.





## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

|  | Amount of Gain or (Loss) Recognized in OCI on Derivatives (Effective Portion) |      | Location of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion) | Amount of Gain or (Loss) Reclassified from Accumulated OCI into Earnings (Effective Portion)(a) |      |
|--|---|------|--|---|------|
|  | Nine Months Ended September 30,   |      |  | Nine Months Ended September 30,   |      |
|  | 2015  | 2014 |  | 2015  | 2014 |

Derivatives in cash flow hedging relationships:

|                              |           |           |                  |          |          |
|------------------------------|-----------|-----------|------------------|----------|----------|
| Interest rate swap contracts | \$ (595 ) | \$ (451 ) | Interest expense | \$ 2,493 | \$ 3,979 |
|------------------------------|-----------|-----------|------------------|----------|----------|

There were no gains or losses recognized in earnings related to any ineffective portion of hedging relationships or (a) related to any amount excluded from the assessment of hedge effectiveness for the nine months ended

September 30, 2015 and 2014.

The amount of the gains and losses related to the Company's derivative financial instruments not designated as hedging instruments are as follows:

|  | Location of Gain or (Loss) Recognized in Earnings on Derivatives | Amount of Gain or (Loss) Recognized in Earnings on Derivatives |        | Amount of Gain or (Loss) Recognized in Earnings on Derivatives |             |
|--|--|--|--------|--|-------------|
|  |  | Three Months Ended September 30,                               |        | Nine Months Ended September 30,                                |             |
|  |  | 2015   | 2014   | 2015   | 2014        |
| Derivatives not designated as hedging relationships: |  |  |        |  |             |
| Interest rate swap contracts                         | Interest expense   | \$ (89 )   | \$ 247 | \$ (584 )  | \$ (777 )   |
| Foreign currency option contracts                    | Miscellaneous, net   | —  | —      | —  | (1,754 )    |
| Foreign currency derivatives                         | Miscellaneous, net   | 1,501  | 683    | —  | 415         |
| Total  |  | \$ 1,412   | \$ 930 | \$ (584 )  | \$ (2,116 ) |

## Note 11. Income Taxes

For the three and nine months ended September 30, 2015, income tax expense attributable to continuing operations was \$43,358 and \$155,609, respectively, representing an effective tax rate of 36% and 35%, respectively. The effective tax rate differs from the federal statutory rate of 35% due primarily to state and local income tax expense of \$2,775 and \$9,335, tax benefit of \$409 and \$6,610 from foreign subsidiary earnings indefinitely reinvested outside the U.S., tax benefit from the domestic production activities deduction of \$4,332 and \$14,515 and tax expense of \$3,261 and \$10,049 resulting from an increase in the valuation allowances for foreign and local taxes for the three and nine months ended September 30, 2015, respectively.

For the three and nine months ended September 30, 2014, income tax expense attributable to continuing operations was \$13,078 and \$88,742, respectively, representing an effective tax rate of 20% and 32%, respectively. The effective tax rate differs from the federal statutory rate of 35% due to state and local income tax expense of \$872 and \$4,675, tax benefit from foreign subsidiary earnings indefinitely reinvested outside the U.S. of \$3,176 and \$10,367, tax benefit of \$5,709 and tax expense of \$715 relating to uncertain tax positions (including accrued interest), tax benefit from the domestic production activities deduction of \$2,990 and \$8,414, tax expense of \$1,930 and \$5,089 resulting from an increase in valuation allowances for foreign and local taxes partially offset by a decrease in the valuation allowance

for foreign tax credits and tax benefit of \$1,350 and tax expense of \$802 for the effect of acquisition costs and other items for the three and nine months ended September 30, 2014. The tax benefit relating to reductions in uncertain tax positions is primarily due to an audit settlement and a re-evaluation of certain prior year positions.

At September 30, 2015, the Company had foreign tax credit carry forwards of approximately \$35,000, expiring on various dates from 2016 through 2025. For the nine months ended September 30, 2015, excess tax benefits of \$4,297 relating to share-based compensation awards and \$1,200 relating to amortization of tax deductible second component goodwill were realized as a reduction in tax liability (as determined on a 'with-and-without' approach).

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Note 12. Commitments

As of September 30, 2015, the Company's contractual obligations not reflected on the Company's condensed consolidated balance sheet increased \$66,074 to \$1,473,227 as compared to \$1,407,153 at December 31, 2014. The increase relates primarily to program rights obligations and transmission commitments.

## Note 13. Equity Plans

On June 9, 2015, AMC Networks granted 22,659 restricted stock units under the AMC Networks Inc. Amended and Restated 2011 Non-Employee Directors Plan to non-employee directors that vested on the date of grant.

On May 26, 2015, AMC Networks granted 39,099 restricted stock units to an employee under the AMC Networks Inc. Amended and Restated 2011 Employee Stock Plan that vest in equal annual installments over a three year period. On March 6, 2015, AMC Networks granted 437,717 restricted stock units to certain executive officers and employees under the AMC Networks Inc. Amended and Restated 2011 Employee Stock Plan that vest on the third anniversary of the grant date. The vesting criteria for 125,465 restricted stock units include the achievement of certain performance targets by the Company.

During the nine months ended September 30, 2015, 416,945 restricted stock units of AMC Networks Class A Common Stock previously issued to employees of the Company vested. On the vesting date, 172,947 restricted stock units were surrendered to the Company to cover the required statutory tax withholding obligations and 243,998 new shares of the Company's Class A Common Stock were issued in respect of the remaining restricted stock units. The units surrendered to satisfy the employees' statutory minimum tax withholding obligations for the applicable income and other employment tax had an aggregate value of \$14,454, which has been reflected as a financing activity in the condensed consolidated statement of cash flows for the nine months ended September 30, 2015.

Share-based compensation expense included in selling, general and administrative expense, for the three and nine months ended September 30, 2015 was \$7,821 and \$23,910, respectively and \$7,730 and \$21,569 for the three and nine months ended September 30, 2014, respectively.

As of September 30, 2015, there was \$64,451 of total unrecognized share-based compensation cost related to outstanding unvested restricted stock units. The unrecognized compensation cost is expected to be recognized over a weighted-average remaining period of approximately 2.9 years.

## Note 14. Redeemable Noncontrolling Interests

In connection with the acquisition of the 49.9% interest in New Video in October 2014, the terms of the agreement provide BBCWA with a right to put all of its 50.1% noncontrolling interest to the Company at the greater of the then fair value or the fair value of the initial equity interest at inception. The put option is exercisable on the fifteenth and twenty-fifth year anniversaries of the Joint Venture Agreement.

Additionally, in connection with the creation of another joint venture entity in 2013, the terms of the agreement provide the noncontrolling member with a right to put all of its interest to the Company at the then fair value.

Because exercise of these put rights is outside of the Company's control, the noncontrolling interest in each entity is presented as redeemable noncontrolling interests outside of stockholders' deficiency in the Company's condensed consolidated balance sheet. The activity reflected within redeemable noncontrolling interest for the nine months ended September 30, 2015 is presented below.

|                   | Nine Months Ended<br>September 30, 2015 |
|-------------------|---|
| Beginning balance | \$204,611                               |
| Net earnings      | 8,988                                   |
| Distributions     | (3,154) )                               |
| Other             | (25) )                                  |
| Ending balance    | \$210,420                               |

## Note 15. Related Party Transactions

Edgar Filing: AMC Networks Inc. - Form 10-Q

Members of the Dolan Family, for purposes of Section 13(d) of the Securities Exchange Act of 1934, as amended, including trusts for the benefit of the Dolan Family, collectively beneficially own all of the Company's outstanding Class B Common Stock and own less than 2% of the Company's outstanding Class A Common Stock. Such shares of the Company's Class A Common

15

---

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

Stock and Class B Common Stock, collectively, represent approximately 66% of the aggregate voting power of the Company's outstanding common stock. Members of the Dolan Family are also the controlling stockholders of both Cablevision Systems Corporation and its subsidiaries ("Cablevision") and The Madison Square Garden Company and its subsidiaries ("MSG").

In connection with the spin off from Cablevision in 2011, the Company entered into various agreements with Cablevision, and certain related party arrangements. These agreements govern certain of the Company's relationships with Cablevision subsequent to the spin-off and provide for the allocation of employee benefits, taxes and certain other liabilities and obligations attributable to periods prior to the spin-off as well as a number of on-going commercial relationships. The distribution agreement provides that the Company and Cablevision agree to provide each other with indemnities with respect to liabilities arising out of the businesses Cablevision transferred to the Company.

The Company records revenues, net from subsidiaries of Cablevision and MSG. Revenues, net from related parties amounted to \$6,407 and \$6,475 for the three months ended September 30, 2015 and 2014, respectively. Revenues, net from related parties amounted to \$19,619 and \$21,689 for the nine months ended September 30, 2015 and 2014, respectively.

In addition, the Company and its related parties routinely enter into transactions with each other in the ordinary course of business. Amounts charged to the Company, included in selling, general and administrative expenses, pursuant to transactions with its related parties amounted to \$972 and \$928 for the three months ended September 30, 2015 and 2014, respectively. Selling, general and administrative expenses with its related parties amounted to \$3,190 and \$2,477 for the nine months ended September 30, 2015 and 2014, respectively.

## Note 16. Cash Flows

The Company's non-cash investing and financing activities and other supplemental data are as follows:

|  | Nine Months Ended September 30, |        |
|--|---------------------------------|--------|
|  | 2015                            | 2014   |
| Non-Cash Investing and Financing Activities:   |                                 |        |
| Continuing Operations:                         |                                 |        |
| Increase in capital lease obligations          | —                               | 9,599  |
| Capital expenditures incurred but not yet paid | 1,393                           | 1,461  |
| Supplemental Data:                             |                                 |        |
| Cash interest paid — continuing operations     | 98,028                          | 98,592 |
| Income taxes paid, net — continuing operations | 146,264                         | 75,656 |

## Note 17. Accumulated Other Comprehensive (Loss) Income

The following table details the components of accumulated other comprehensive (loss) income:

|  | Nine Months Ended September 30, 2015  |   |  | Nine Months Ended September 30, 2014  |   |  |
|--|---------------------------------------|---|--|---------------------------------------|---|--|
|  | Currency<br>Translation<br>Adjustment | Gains<br>(Losses) on<br>Cash Flow<br>Hedges | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) | Currency<br>Translation<br>Adjustment | Gains<br>(Losses) on<br>Cash Flow<br>Hedges | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
| Beginning balance  | \$(77,492 )                           | \$(1,756 )                                  | \$(79,248 )  | \$—                                   | \$(4,495 )                                  | \$(4,495 )   |
| Other comprehensive (loss) income before reclassifications     | (39,792 )                             | (595 )                                      | (40,387 )  | (42,129 )                             | (451 )                                      | (42,580 )  |
| Amounts reclassified from accumulated other comprehensive loss | —                                     | 2,493                                       | 2,493  | —                                     | 3,979                                       | 3,979  |
|  | (39,792 )                             | 1,898                                       | (37,894 )  | (42,129 )                             | 3,528                                       | (38,601 )  |

Edgar Filing: AMC Networks Inc. - Form 10-Q

|   |              |          |              |             |            |             |
|---|--------------|----------|--------------|-------------|------------|-------------|
| Net current-period other comprehensive (loss) income, before income taxes |              |          |              |             |            |             |
| Income tax expense  | (174 )       | (694 )   | (868 )       | —           | (1,291 )   | (1,291 )    |
| Net current-period other comprehensive (loss) income, net of income taxes | (39,966 )    | 1,204    | (38,762 )    | (42,129 )   | 2,237      | (39,892 )   |
| Ending balance  | \$(117,458 ) | \$(552 ) | \$(118,010 ) | \$(42,129 ) | \$(2,258 ) | \$(44,387 ) |

16

---

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

Amounts reclassified to net earnings for gains and losses on cash flow hedges are included in interest expense in the condensed consolidated statements of income.

## Note 18. Segment Information

The Company classifies its operations into two operating segments: National Networks and International and Other. These reportable segments represent strategic business units that are managed separately.

The Company generally allocates all corporate overhead costs to the Company's two operating segments based upon their proportionate estimated usage of services, including such costs as executive salaries and benefits, costs of maintaining corporate headquarters, facilities and common support functions (such as human resources, legal, finance, tax, accounting, audit, treasury, risk management, strategic planning and information technology) as well as sales support functions and creative and production services.

The Company evaluates segment performance based on several factors, of which the primary financial measure is operating segment adjusted operating cash flow (defined as operating income (loss) before depreciation and amortization, share-based compensation expense or benefit, and restructuring expense or credit). The Company has presented the components that reconcile adjusted operating cash flow to operating income, an accepted GAAP measure and other information as to the continuing operations of the Company's reportable segments below.

|                                  | Three Months Ended September 30, 2015 |                            |                               |              |
|----------------------------------|---------------------------------------|----------------------------|-------------------------------|--------------|
|                                  | National<br>Networks                  | International<br>and Other | Inter-segment<br>eliminations | Consolidated |
| Revenues, net                    |                                       |                            |                               |              |
| Advertising                      | \$210,194                             | \$20,645                   | \$—                           | \$230,839    |
| Distribution                     | 311,446                               | 93,458                     | (3,578)                       | ) 401,326    |
| Consolidated revenues, net       | \$521,640                             | \$114,103                  | \$(3,578)                     | ) \$632,165  |
| Adjusted operating cash flow     | \$186,574                             | \$6,749                    | \$(2,741)                     | ) \$190,582  |
| Depreciation and amortization    | (7,337)                               | ) (13,525)                 | ) —                           | (20,862 )    |
| Share-based compensation expense | (6,039)                               | ) (1,782)                  | ) —                           | (7,821 )     |
| Restructuring expense            | (100)                                 | ) (2,531)                  | ) —                           | (2,631 )     |
| Operating income (loss)          | \$173,098                             | \$(11,089)                 | ) \$(2,741)                   | ) \$159,268  |

|                                  | Three Months Ended September 30, 2014 |                            |                               |              |
|----------------------------------|---------------------------------------|----------------------------|-------------------------------|--------------|
|                                  | National<br>Networks                  | International<br>and Other | Inter-segment<br>eliminations | Consolidated |
| Revenues, net                    |                                       |                            |                               |              |
| Advertising                      | \$137,993                             | \$15,991                   | \$—                           | \$153,984    |
| Distribution                     | 259,422                               | 106,721                    | (577)                         | ) 365,566    |
| Consolidated revenues, net       | \$397,415                             | \$122,712                  | \$(577)                       | ) \$519,550  |
| Adjusted operating cash flow     | \$128,582                             | \$12,875                   | \$416                         | \$141,873    |
| Depreciation and amortization    | (5,205)                               | ) (13,090)                 | ) —                           | (18,295 )    |
| Share-based compensation expense | (5,661)                               | ) (2,069)                  | ) —                           | (7,730 )     |
| Restructuring expense            | (2,462)                               | ) (3,157)                  | ) —                           | (5,619 )     |
| Operating income (loss)          | \$115,254                             | \$(5,441)                  | ) \$416                       | \$110,229    |

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

|                                  | Nine Months Ended September 30, 2015 |                         |                            | Consolidated  |
|----------------------------------|--------------------------------------|-------------------------|----------------------------|---------------|
|                                  | National Networks                    | International and Other | Inter-segment eliminations |               |
| Revenues, net                    |                                      |                         |                            |               |
| Advertising                      | \$656,345                            | \$61,226                | \$—                        | \$717,571     |
| Distribution                     | 916,751                              | 272,115                 | (4,452)                    | ) 1,184,414   |
| Consolidated revenues, net       | \$1,573,096                          | \$333,341               | \$(4,452)                  | ) \$1,901,985 |
| Adjusted operating cash flow     | \$622,385                            | \$21,038                | \$(2,294)                  | ) \$641,129   |
| Depreciation and amortization    | (21,911)                             | ) (40,518)              | ) —                        | (62,429)      |
| Share-based compensation expense | (18,492)                             | ) (5,418)               | ) —                        | (23,910)      |
| Restructuring expense            | (817)                                | ) (5,124)               | ) —                        | (5,941)       |
| Operating income (loss)          | \$581,165                            | \$(30,022)              | ) \$(2,294)                | ) \$548,849   |
| Capital expenditures             | \$17,095                             | \$31,715                | \$—                        | \$48,810      |

|                                  | Nine Months Ended September 30, 2014 |                         |                            | Consolidated  |
|----------------------------------|--------------------------------------|-------------------------|----------------------------|---------------|
|                                  | National Networks                    | International and Other | Inter-segment eliminations |               |
| Revenues, net                    |                                      |                         |                            |               |
| Advertising                      | \$509,733                            | \$40,481                | \$—                        | \$550,214     |
| Distribution                     | 734,366                              | 283,409                 | (1,792)                    | ) 1,015,983   |
| Consolidated revenues, net       | \$1,244,099                          | \$323,890               | \$(1,792)                  | ) \$1,566,197 |
| Adjusted operating cash flow     | \$443,246                            | \$21,363                | \$1,289                    | \$465,898     |
| Depreciation and amortization    | (15,158)                             | ) (35,062)              | ) —                        | (50,220)      |
| Share-based compensation expense | (16,450)                             | ) (5,119)               | ) —                        | (21,569)      |
| Restructuring expense            | (2,462)                              | ) (4,310)               | ) —                        | (6,772)       |
| Operating income (loss)          | \$409,176                            | \$(23,128)              | ) \$1,289                  | \$387,337     |
| Capital expenditures             | \$7,744                              | \$16,596                | \$—                        | \$24,340      |

Inter-segment eliminations are primarily revenues recognized by AMC Networks Broadcasting & Technology for transmission revenues recognized from the International and Other operating segment as well as distribution licensing revenues recognized between the National Networks and International and Other segments.

|                         | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |             |
|-------------------------|-------------------------------------|-----------|------------------------------------|-------------|
|                         | 2015                                | 2014      | 2015                               | 2014        |
| Inter-segment revenues  |                                     |           |                                    |             |
| National Networks       | \$(3,563)                           | ) \$(407) | ) \$(4,351)                        | ) \$(1,397) |
| International and Other | (15)                                | ) (170)   | ) (101)                            | ) (395)     |
|                         | \$(3,578)                           | ) \$(577) | ) \$(4,452)                        | ) \$(1,792) |

The table below summarizes revenues based on customer location:

|               | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |             |
|---------------|-------------------------------------|-----------|------------------------------------|-------------|
|               | 2015                                | 2014      | 2015                               | 2014        |
| Revenues      |                                     |           |                                    |             |
| United States | \$512,062                           | \$399,597 | \$1,548,145                        | \$1,232,357 |
| Europe        | 84,415                              | 89,088    | 238,357                            | 252,724     |
| Other         | 35,688                              | 30,865    | 115,483                            | 81,116      |
|               | \$632,165                           | \$519,550 | \$1,901,985                        | \$1,566,197 |





## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

The table below summarizes property and equipment based on asset location:

|                             | September 30,<br>2015 | December 31,<br>2014 |
|-----------------------------|-----------------------|----------------------|
| Property and equipment, net |                       |                      |
| United States               | \$ 86,024             | \$ 79,832            |
| Europe                      | 39,130                | 33,380               |
| Other                       | 20,063                | 20,632               |
|                             | \$ 145,217            | \$ 133,844           |

## Note 19. Condensed Consolidating Financial Statements

Long-term debt of AMC Networks includes \$700,000 of 7.75% senior notes due July 2021 and \$600,000 of 4.75% senior notes due December 2022. All outstanding senior notes issued by AMC Networks are guaranteed on a senior unsecured basis by certain of its existing and future domestic restricted subsidiaries (the "Guarantor Subsidiaries"). All Guarantor Subsidiaries are owned 100% by AMC Networks. The outstanding notes are fully and unconditionally guaranteed by the Guarantor Subsidiaries on a joint and several basis.

Set forth below are condensed consolidating financial statements presenting the financial position, results of operations, comprehensive income, and cash flows of (i) the Parent Company, (ii) the Guarantor Subsidiaries on a combined basis (as such guarantees are joint and several), (iii) the direct and indirect non-guarantor subsidiaries of the Parent Company (the "Non-Guarantor Subsidiaries") on a combined basis and (iv) reclassifications and eliminations necessary to arrive at the information for the Company on a consolidated basis.

## Basis of Presentation

In presenting the condensed consolidating financial statements, the equity method of accounting has been applied to (i) the Parent Company's interests in the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries, and (ii) the Guarantor Subsidiaries' interests in the Non-Guarantor Subsidiaries, even though all such subsidiaries meet the requirements to be consolidated under GAAP. All intercompany balances and transactions between the Parent Company, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries have been eliminated, as shown in the column "Eliminations."

The accounting basis in all subsidiaries, including goodwill and identified intangible assets, have been allocated to the applicable subsidiaries.

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Condensed Consolidating Balance Sheet

September 30, 2015

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations  | Consolidated |
|--|-------------------|---------------------------|-----------------------------------|---------------|--------------|
| <b>ASSETS</b>  |                   |                           |                                   |               |              |
| Current Assets:  |                   |                           |                                   |               |              |
| Cash and cash equivalents  | \$485             | \$155,366                 | \$151,704                         | \$—           | \$307,555    |
| Accounts receivable, trade (less allowance for doubtful accounts)  | —                 | 422,052                   | 149,408                           | —             | 571,460      |
| Amounts due from related parties, net                              | —                 | 3,786                     | 247                               | —             | 4,033        |
| Current portion of program rights, net                             | —                 | 348,128                   | 129,090                           | —             | 477,218      |
| Prepaid expenses, other current assets and intercompany receivable | 35,425            | 152,822                   | 17,466                            | (122,182 )    | 83,531       |
| Deferred tax asset, net  | 35,834            | —                         | 1,703                             | —             | 37,537       |
| Total current assets   | 71,744            | 1,082,154                 | 449,618                           | (122,182 )    | 1,481,334    |
| Property and equipment, net of accumulated depreciation            | —                 | 86,026                    | 59,191                            | —             | 145,217      |
| Investment in affiliates   | 2,064,388         | 778,605                   | —                                 | (2,842,993 )  | —            |
| Program rights, net  | —                 | 890,235                   | 105,971                           | —             | 996,206      |
| Long-term intercompany notes receivable                            | 617,567           | 400,204                   | (864 )                            | (1,016,907 )  | —            |
| Deferred carriage fees, net  | —                 | 50,404                    | 2,795                             | —             | 53,199       |
| Intangible assets, net   | —                 | 192,477                   | 357,122                           | —             | 549,599      |
| Goodwill   | —                 | 72,331                    | 644,726                           | —             | 717,057      |
| Other assets   | 21,898            | 97,428                    | 107,873                           | —             | 227,199      |
| Total assets   | \$2,775,597       | \$3,649,864               | \$1,726,432                       | \$(3,982,082) | \$4,169,811  |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>                    |                   |                           |                                   |               |              |
| Current Liabilities:   |                   |                           |                                   |               |              |
| Accounts payable   | \$6               | \$97,973                  | \$37,809                          | \$—           | \$135,788    |
| Accrued liabilities and intercompany payable                       | 43,192            | 134,803                   | 128,430                           | (122,182 )    | 184,243      |
| Current portion of program rights obligations                      | —                 | 222,708                   | 79,765                            | —             | 302,473      |
| Deferred revenue   | —                 | 42,918                    | 9,332                             | —             | 52,250       |
| Current portion of long-term debt                                  | 129,500           | —                         | —                                 | —             | 129,500      |
| Current portion of capital lease obligations                       | —                 | 2,346                     | 575                               | —             | 2,921        |
| Total current liabilities  | 172,698           | 500,748                   | 255,911                           | (122,182 )    | 807,175      |
| Program rights obligations   | —                 | 403,332                   | 19,598                            | —             | 422,930      |
| Long-term debt   | 2,576,446         | —                         | —                                 | —             | 2,576,446    |
| Capital lease obligations  | —                 | 9,918                     | 14,897                            | —             | 24,815       |
| Deferred tax liability, net  | 114,085           | —                         | 13,370                            | —             | 127,455      |
| Other liabilities and intercompany notes payable                   | 31,246            | 671,478                   | 408,202                           | (1,016,907 )  | 94,019       |
| Total liabilities  | 2,894,475         | 1,585,476                 | 711,978                           | (1,139,089 )  | 4,052,840    |
| Commitments and contingencies                                      |                   |                           |                                   |               |              |
| Redeemable noncontrolling interests                                | —                 | —                         | 210,420                           | —             | 210,420      |

Edgar Filing: AMC Networks Inc. - Form 10-Q

Stockholders' deficiency:

|   |             |             |             |               |             |
|---|-------------|-------------|-------------|---------------|-------------|
| AMC Networks stockholders' (deficiency) equity          | (118,878 )  | 2,064,388   | 778,605     | (2,842,993 )  | (118,878 )  |
| Total AMC Networks stockholders' (deficiency) equity    | (118,878 )  | 2,064,388   | 778,605     | (2,842,993 )  | (118,878 )  |
| Non-redeemable noncontrolling interests                 | —           | —           | 25,429      | —             | 25,429      |
| Total stockholders' (deficiency) equity                 | (118,878 )  | 2,064,388   | 804,034     | (2,842,993 )  | (93,449 )   |
| Total liabilities and stockholders' (deficiency) equity | \$2,775,597 | \$3,649,864 | \$1,726,432 | \$(3,982,082) | \$4,169,811 |

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Condensed Consolidating Balance Sheet

December 31, 2014

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations   | Consolidated |
|--|-------------------|---------------------------|-----------------------------------|----------------|--------------|
| <b>ASSETS</b>  |                   |                           |                                   |                |              |
| Current Assets:  |                   |                           |                                   |                |              |
| Cash and cash equivalents  | \$ 1,581          | \$ 83,676                 | \$ 116,110                        | \$—            | \$ 201,367   |
| Accounts receivable, trade (less allowance for doubtful accounts)  | —                 | 443,720                   | 143,473                           | —              | 587,193      |
| Amounts due from related parties, net                              | —                 | 3,846                     | 256                               | —              | 4,102        |
| Current portion of program rights, net                             | —                 | 350,750                   | 86,552                            | —              | 437,302      |
| Prepaid expenses, other current assets and intercompany receivable | 44,011            | 75,631                    | 6,702                             | (52,050 )      | 74,294       |
| Deferred tax asset, net  | 22,221            | —                         | 2,601                             | —              | 24,822       |
| Total current assets   | 67,813            | 957,623                   | 355,694                           | (52,050 )      | 1,329,080    |
| Property and equipment, net of accumulated depreciation            | —                 | 80,064                    | 53,780                            | —              | 133,844      |
| Investment in affiliates   | 1,851,065         | 1,237,919                 | —                                 | (3,088,984 )   | —            |
| Program rights, net  | —                 | 878,294                   | 81,647                            | —              | 959,941      |
| Long-term intercompany notes receivable                            | 624,100           | 111,263                   | 198,304                           | (933,667 )     | —            |
| Deferred carriage fees, net  | —                 | 44,644                    | 2,093                             | —              | 46,737       |
| Intangible assets, net   | —                 | 199,785                   | 391,039                           | —              | 590,824      |
| Goodwill   | —                 | 74,224                    | 660,132                           | —              | 734,356      |
| Other assets   | 26,760            | 63,700                    | 91,345                            | —              | 181,805      |
| Total assets   | \$ 2,569,738      | \$ 3,647,516              | \$ 1,834,034                      | \$ (4,074,701) | \$ 3,976,587 |
| <b>LIABILITIES AND STOCKHOLDERS' DEFICIENCY</b>                    |                   |                           |                                   |                |              |
| Current Liabilities:   |                   |                           |                                   |                |              |
| Accounts payable   | \$ 15             | \$ 62,573                 | \$ 39,278                         | \$—            | \$ 101,866   |
| Accrued liabilities and intercompany payable                       | 39,566            | 155,569                   | 61,701                            | (52,050 )      | 204,786      |
| Current portion of program rights obligations                      | —                 | 212,310                   | 58,889                            | —              | 271,199      |
| Deferred revenue   | —                 | 30,184                    | 6,704                             | —              | 36,888       |
| Promissory note payable  | —                 | —                         | 40,000                            | —              | 40,000       |
| Current portion of long-term debt                                  | 74,000            | —                         | —                                 | —              | 74,000       |
| Current portion of capital lease obligations                       | —                 | 2,226                     | 727                               | —              | 2,953        |
| Total current liabilities  | 113,581           | 462,862                   | 207,299                           | (52,050 )      | 731,692      |
| Program rights obligations   | —                 | 453,343                   | 12,329                            | —              | 465,672      |
| Long-term debt   | 2,685,566         | —                         | —                                 | —              | 2,685,566    |
| Capital lease obligations  | —                 | 11,884                    | 15,502                            | —              | 27,386       |
| Deferred tax liability, net  | 113,742           | —                         | 14,324                            | —              | 128,066      |
| Other liabilities and intercompany payable                         | 28,604            | 868,362                   | 122,204                           | (933,667 )     | 85,503       |
| Total liabilities  | 2,941,493         | 1,796,451                 | 371,658                           | (985,717 )     | 4,123,885    |
| Commitments and contingencies                                      |                   |                           |                                   |                |              |
| Redeemable noncontrolling interests                                | —                 | —                         | 204,611                           | —              | 204,611      |

Edgar Filing: AMC Networks Inc. - Form 10-Q

Stockholders' deficiency:

|   |             |             |             |               |             |
|---|-------------|-------------|-------------|---------------|-------------|
| AMC Networks stockholders' (deficiency) equity          | (371,755 )  | 1,851,065   | 1,237,919   | (3,088,984 )  | (371,755 )  |
| Total AMC Networks stockholders' (deficiency) equity    | (371,755 )  | 1,851,065   | 1,237,919   | (3,088,984 )  | (371,755 )  |
| Non-redeemable noncontrolling interests                 | —           | —           | 19,846      | —             | 19,846      |
| Total stockholders' (deficiency) equity                 | (371,755 )  | 1,851,065   | 1,257,765   | (3,088,984 )  | (351,909 )  |
| Total liabilities and stockholders' (deficiency) equity | \$2,569,738 | \$3,647,516 | \$1,834,034 | \$(4,074,701) | \$3,976,587 |

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Condensed Consolidating Statement of Income

Three Months Ended September 30, 2015

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|-------------------|---------------------------|-----------------------------------|--------------|--------------|
| Revenues, net   | \$—               | \$494,636                 | \$137,704                         | \$(175 )     | \$632,165    |
| Operating expenses:   |                   |                           |                                   |              |              |
| Technical and operating (excluding depreciation and amortization) | —                 | 220,918                   | 72,366                            | (188 )       | 293,096      |
| Selling, general and administrative                               | —                 | 112,607                   | 43,727                            | (26 )        | 156,308      |
| Restructuring expense   | —                 | 230                       | 2,401                             | —            | 2,631        |
| Depreciation and amortization                                     | —                 | 9,344                     | 11,518                            | —            | 20,862       |
| Total operating expenses  | —                 | 343,099                   | 130,012                           | (214 )       | 472,897      |
| Operating income  | —                 | 151,537                   | 7,692                             | 39           | 159,268      |
| Other income (expense):   |                   |                           |                                   |              |              |
| Interest expense, net   | (19,197 )         | (2,898 )                  | (9,275 )                          | —            | (31,370 )    |
| Share of affiliates' income                                       | 119,870           | (25,028 )                 | —                                 | (94,842 )    | —            |
| Miscellaneous, net  | 1,707             | (1,291 )                  | (8,017 )                          | (39 )        | (7,640 )     |
| Total other income (expense)                                      | 102,380           | (29,217 )                 | (17,292 )                         | (94,881 )    | (39,010 )    |
| Income from continuing operations before income taxes             | 102,380           | 122,320                   | (9,600 )                          | (94,842 )    | 120,258      |
| Income tax expense  | (29,610 )         | (2,450 )                  | (11,298 )                         | —            | (43,358 )    |
| Income (loss) from continuing operations                          | 72,770            | 119,870                   | (20,898 )                         | (94,842 )    | 76,900       |
| Net income (loss) including noncontrolling interest               | 72,770            | 119,870                   | (20,898 )                         | (94,842 )    | 76,900       |
| Net income attributable to noncontrolling interests               | —                 | —                         | (4,130 )                          | —            | (4,130 )     |
| Net income (loss) attributable to AMC Networks' stockholders      | \$72,770          | \$119,870                 | \$(25,028 )                       | \$(94,842 )  | \$72,770     |

## Condensed Consolidating Statement of Income

Three Months Ended September 30, 2014

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|-------------------|---------------------------|-----------------------------------|--------------|--------------|
| Revenues, net   | \$—               | \$420,227                 | \$99,323                          | \$—          | \$519,550    |
| Operating expenses:   |                   |                           |                                   |              |              |
| Technical and operating (excluding depreciation and amortization) | —                 | 196,783                   | 55,773                            | —            | 252,556      |
| Selling, general and administrative                               | —                 | 104,176                   | 28,675                            | —            | 132,851      |
| Restructuring expense   | —                 | 4,746                     | 873                               | —            | 5,619        |
| Depreciation and amortization                                     | —                 | 9,045                     | 9,250                             | —            | 18,295       |
| Total operating expenses  | —                 | 314,750                   | 94,571                            | —            | 409,321      |
| Operating income  | —                 | 105,477                   | 4,752                             | —            | 110,229      |
| Other income (expense):   |                   |                           |                                   |              |              |

Edgar Filing: AMC Networks Inc. - Form 10-Q

|  |          |           |          |              |            |   |
|--|----------|-----------|----------|--------------|------------|---|
| Interest expense, net  | (17,512  | ) (11,904 | ) (1,900 | ) —          | (31,316    | ) |
| Share of affiliates' income                                  | 151,603  | (1,538    | ) —      | (150,065     | ) —        |   |
| Miscellaneous, net   | (57,230  | ) 50,264  | (4,800   | ) —          | (11,766    | ) |
| Total other income (expense)                                 | 76,861   | 36,822    | (6,700   | ) (150,065   | ) (43,082  | ) |
| Income (loss) from continuing operations before income taxes | 76,861   | 142,299   | (1,948   | ) (150,065   | ) 67,147   |   |
| Income tax (expense) benefit                                 | (23,701  | ) 8,853   | 1,770    | —            | (13,078    | ) |
| Income (loss) from continuing operations                     | 53,160   | 151,152   | (178     | ) (150,065   | ) 54,069   |   |
| Loss from discontinued operations, net of income taxes       | —        | —         | (966     | ) —          | (966       | ) |
| Net income (loss) including noncontrolling interest          | 53,160   | 151,152   | (1,144   | ) (150,065   | ) 53,103   |   |
| Net (income) loss attributable to noncontrolling interests   | —        | 451       | (394     | ) —          | 57         |   |
| Net income (loss) attributable to AMC Networks' stockholders | \$53,160 | \$151,603 | \$(1,538 | ) \$(150,065 | ) \$53,160 |   |



## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Condensed Consolidating Statement of Income

Nine Months Ended September 30, 2015

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|-------------------|---------------------------|-----------------------------------|--------------|--------------|
| Revenues, net   | \$—               | \$1,498,447               | \$404,116                         | \$(578 )     | \$1,901,985  |
| Operating expenses:   |                   |                           |                                   |              |              |
| Technical and operating (excluding depreciation and amortization) | —                 | 607,176                   | 208,388                           | (565 )       | 814,999      |
| Selling, general and administrative                               | —                 | 345,174                   | 124,637                           | (44 )        | 469,767      |
| Restructuring expense   | —                 | 902                       | 5,039                             | —            | 5,941        |
| Depreciation and amortization                                     | —                 | 27,514                    | 34,915                            | —            | 62,429       |
| Total operating expenses  | —                 | 980,766                   | 372,979                           | (609 )       | 1,353,136    |
| Operating income  | —                 | 517,681                   | 31,137                            | 31           | 548,849      |
| Other income (expense):   |                   |                           |                                   |              |              |
| Interest expense, net   | (59,571 )         | (15,688 )                 | (20,477 )                         | —            | (95,736 )    |
| Share of affiliates' income                                       | 522,142           | (17,272 )                 | —                                 | (504,870 )   | —            |
| Miscellaneous, net  | (50,645 )         | 44,421                    | (231 )                            | (31 )        | (6,486 )     |
| Total other income (expense)                                      | 411,926           | 11,461                    | (20,708 )                         | (504,901 )   | (102,222 )   |
| Income from continuing operations before income taxes             | 411,926           | 529,142                   | 10,429                            | (504,870 )   | 446,627      |
| Income tax expense  | (135,227 )        | (7,000 )                  | (13,382 )                         | —            | (155,609 )   |
| Income (loss) from continuing operations                          | 276,699           | 522,142                   | (2,953 )                          | (504,870 )   | 291,018      |
| Net income (loss) including noncontrolling interest               | 276,699           | 522,142                   | (2,953 )                          | (504,870 )   | 291,018      |
| Net income attributable to noncontrolling interests               | —                 | —                         | (14,319 )                         | —            | (14,319 )    |
| Net income (loss) attributable to AMC Networks' stockholders      | \$276,699         | \$522,142                 | \$(17,272 )                       | \$(504,870 ) | \$276,699    |

## Condensed Consolidating Statement of Income

Nine Months Ended September 30, 2014

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|-------------------|---------------------------|-----------------------------------|--------------|--------------|
| Revenues, net   | \$—               | \$1,293,088               | \$273,109                         | \$—          | \$1,566,197  |
| Operating expenses:   |                   |                           |                                   |              |              |
| Technical and operating (excluding depreciation and amortization) | —                 | 553,755                   | 148,016                           | —            | 701,771      |
| Selling, general and administrative                               | —                 | 345,516                   | 74,571                            | 10           | 420,097      |
| Restructuring expense   | —                 | 4,746                     | 2,026                             | —            | 6,772        |
| Depreciation and amortization                                     | —                 | 25,765                    | 24,455                            | —            | 50,220       |
| Total operating expenses  | —                 | 929,782                   | 249,068                           | 10           | 1,178,860    |
| Operating income  | —                 | 363,306                   | 24,041                            | (10 )        | 387,337      |
| Other income (expense):   |                   |                           |                                   |              |              |

Edgar Filing: AMC Networks Inc. - Form 10-Q

|  |           |           |          |            |             |   |
|--|-----------|-----------|----------|------------|-------------|---|
| Interest expense, net                                      | (59,697   | ) (32,489 | ) (4,166 | ) —        | (96,352     | ) |
| Share of affiliates' income                                | 390,479   | 4,532     | —        | (395,011   | ) —         |   |
| Miscellaneous, net   | (55,388   | ) 49,930  | (10,559  | ) 10       | (16,007     | ) |
| Total other income (expense)                               | 275,394   | 21,973    | (14,725  | ) (395,001 | ) (112,359  | ) |
| Income from continuing operations before income taxes      | 275,394   | 385,279   | 9,316    | (395,011   | ) 274,978   |   |
| Income tax (expense) benefit                               | (92,212   | ) 3,895   | (425     | ) —        | (88,742     | ) |
| Income from continuing operations                          | 183,182   | 389,174   | 8,891    | (395,011   | ) 186,236   |   |
| Loss from discontinued operations, net of income taxes     | —         | —         | (3,448   | ) —        | (3,448      | ) |
| Net income including noncontrolling interest               | 183,182   | 389,174   | 5,443    | (395,011   | ) 182,788   |   |
| Net (income) loss attributable to noncontrolling interests | —         | 1,305     | (911     | ) —        | 394         |   |
| Net income attributable to AMC Networks' stockholders      | \$183,182 | \$390,479 | \$4,532  | \$(395,011 | ) \$183,182 |   |

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Condensed Consolidating Statement of Comprehensive Income

Three Months Ended September 30, 2015

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|-------------------|---------------------------|-----------------------------------|--------------|--------------|
| Net income (loss) including noncontrolling interest                    | \$72,770          | \$119,870                 | \$(20,898 )                       | \$(94,842 )  | \$76,900     |
| Other comprehensive income (loss):                                     |                   |                           |                                   |              |              |
| Foreign currency translation adjustment                                | (5,121 )          | (5,121 )                  | 2,035                             | 5,121        | (3,086 )     |
| Unrealized gain on interest rate swaps                                 | 528               | —                         | —                                 | —            | 528          |
| Other comprehensive (loss) income, before income taxes                 | (4,593 )          | (5,121 )                  | 2,035                             | 5,121        | (2,558 )     |
| Income tax expense   | (4,532 )          | —                         | —                                 | —            | (4,532 )     |
| Other comprehensive (loss) income, net of income taxes                 | (9,125 )          | (5,121 )                  | 2,035                             | 5,121        | (7,090 )     |
| Comprehensive income (loss)  | 63,645            | 114,749                   | (18,863 )                         | (89,721 )    | 69,810       |
| Comprehensive (income) attributable to noncontrolling interests        | —                 | —                         | (4,130 )                          | —            | (4,130 )     |
| Comprehensive income (loss) attributable to AMC Networks' stockholders | \$63,645          | \$114,749                 | \$(22,993 )                       | \$(89,721 )  | \$65,680     |

## Condensed Consolidating Statement of Comprehensive Income

Three Months Ended September 30, 2014

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|-------------------|---------------------------|-----------------------------------|--------------|--------------|
| Net income (loss) including noncontrolling interest                    | \$53,160          | \$151,152                 | \$(1,144 )                        | \$(150,065 ) | \$53,103     |
| Other comprehensive income (loss):                                     |                   |                           |                                   |              |              |
| Foreign currency translation adjustment                                | (57,503 )         | (61,207 )                 | 5,322                             | 61,207       | (52,181 )    |
| Unrealized gain on interest rate swaps                                 | 1,571             | —                         | —                                 | —            | 1,571        |
| Other comprehensive (loss) income, before income taxes                 | (55,932 )         | (61,207 )                 | 5,322                             | 61,207       | (50,610 )    |
| Income tax expense   | (569 )            | —                         | —                                 | —            | (569 )       |
| Other comprehensive (loss) income, net of income taxes                 | (56,501 )         | (61,207 )                 | 5,322                             | 61,207       | (51,179 )    |
| Comprehensive (loss) income  | (3,341 )          | 89,945                    | 4,178                             | (88,858 )    | 1,924        |
| Comprehensive loss attributable to noncontrolling interests            | —                 | 451                       | 2,016                             | —            | 2,467        |
| Comprehensive (loss) income attributable to AMC Networks' stockholders | \$(3,341 )        | \$90,396                  | \$6,194                           | \$(88,858 )  | \$4,391      |

## Condensed Consolidating Statement of Comprehensive Income

Nine Months Ended September 30, 2015

|  | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|--|-------------------|---------------------------|-----------------------------------|--------------|--------------|
|--|-------------------|---------------------------|-----------------------------------|--------------|--------------|

Edgar Filing: AMC Networks Inc. - Form 10-Q

|   |           |           |           |              |             |
|---|-----------|-----------|-----------|--------------|-------------|
| Net income (loss) including noncontrolling interest             | \$276,699 | \$522,142 | \$(2,953) | ) \$(504,870 | ) \$291,018 |
| Other comprehensive income (loss):                              |           |           |           |              |             |
| Foreign currency translation adjustment                         | (69,241   | ) (69,241 | ) 29,449  | 69,241       | (39,792 )   |
| Unrealized gain on interest rate swaps                          | 1,898     | —         | —         | —            | 1,898       |
| Other comprehensive (loss) income, before income taxes          | (67,343   | ) (69,241 | ) 29,449  | 69,241       | (37,894 )   |
| Income tax expense  | (868      | ) —       | —         | —            | (868 )      |
| Other comprehensive (loss) income, net of income taxes          | (68,211   | ) (69,241 | ) 29,449  | 69,241       | (38,762 )   |
| Comprehensive income (loss)                                     | 208,488   | 452,901   | 26,496    | (435,629     | ) 252,256   |
| Comprehensive (income) attributable to noncontrolling interests | —         | —         | (14,319   | ) —          | (14,319 )   |
| Comprehensive income attributable to AMC Networks' stockholders | \$208,488 | \$452,901 | \$12,177  | \$(435,629   | ) \$237,937 |

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Condensed Consolidating Statement of Comprehensive Income

Nine Months Ended September 30, 2014

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|-------------------|---------------------------|-----------------------------------|--------------|--------------|
| Net income including noncontrolling interests                   | \$ 183,182        | \$ 389,174                | \$ 5,443                          | \$(395,011 ) | \$ 182,788   |
| Other comprehensive income (loss):                              |                   |                           |                                   |              |              |
| Foreign currency translation adjustment                         | (42,129 )         | (45,833 )                 | —                                 | 45,833       | (42,129 )    |
| Unrealized gain on interest rate swaps                          | 3,528             | —                         | —                                 | —            | 3,528        |
| Other comprehensive loss, before income taxes                   | (38,601 )         | (45,833 )                 | —                                 | 45,833       | (38,601 )    |
| Income tax expense  | (1,291 )          | —                         | —                                 | —            | (1,291 )     |
| Other comprehensive loss, net of income taxes                   | (39,892 )         | (45,833 )                 | —                                 | 45,833       | (39,892 )    |
| Comprehensive income  | 143,290           | 343,341                   | 5,443                             | (349,178 )   | 142,896      |
| Comprehensive loss attributable to noncontrolling interests     | —                 | 1,305                     | 652                               | —            | 1,957        |
| Comprehensive income attributable to AMC Networks' stockholders | \$ 143,290        | \$ 344,646                | \$ 6,095                          | \$(349,178 ) | \$ 144,853   |

## Condensed Consolidating Statement of Cash Flows

Nine Months Ended September 30, 2015

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations | Consolidated |
|---|-------------------|---------------------------|-----------------------------------|--------------|--------------|
| Cash flows from operating activities:   |                   |                           |                                   |              |              |
| Net cash provided by operating activities                                       | \$ 287,714        | \$ 171,707                | \$ 344,993                        | \$(503,441 ) | \$ 300,973   |
| Cash flows from investing activities:   |                   |                           |                                   |              |              |
| Capital expenditures  | (9 )              | (31,276 )                 | (17,525 )                         | —            | (48,810 )    |
| Payments for acquisitions, net of cash acquired                                 | —                 | —                         | (6,545 )                          | —            | (6,545 )     |
| Acquisition of investments  | —                 | —                         | (24,250 )                         | —            | (24,250 )    |
| (Increase) decrease to investment in affiliates                                 | (152,175 )        | 2,238                     | (284,160 )                        | 434,097      | —            |
| Net cash used in investing activities   | (152,184 )        | (29,038 )                 | (332,480 )                        | 434,097      | (79,605 )    |
| Cash flows from financing activities:   |                   |                           |                                   |              |              |
| Principal payments on long-term debt  | (55,500 )         | —                         | —                                 | —            | (55,500 )    |
| Payment of Promissory Note  | —                 | —                         | (40,000 )                         | —            | (40,000 )    |
| Deemed repurchases of restricted stock/units                                    | (14,454 )         | —                         | —                                 | —            | (14,454 )    |
| Proceeds from stock option exercises  | 1,183             | —                         | —                                 | —            | 1,183        |
| Excess tax benefits from share-based compensation arrangements                  | 4,297             | —                         | —                                 | —            | 4,297        |
| Principal payments on capital lease obligations                                 | —                 | (1,635 )                  | (757 )                            | —            | (2,392 )     |
| Distributions to noncontrolling interest  | —                 | —                         | (3,154 )                          | —            | (3,154 )     |
| Contributions from noncontrolling interest                                      | —                 | —                         | 1,354                             | —            | 1,354        |
| Net cash used in financing activities   | (64,474 )         | (1,635 )                  | (42,557 )                         | —            | (108,666 )   |
| Net increase (decrease) in cash and cash equivalents from continuing operations | 71,056            | 141,034                   | (30,044 )                         | (69,344 )    | 112,702      |
| Cash flows from discontinued operations:  |                   |                           |                                   |              |              |

Edgar Filing: AMC Networks Inc. - Form 10-Q

|  |           |            |            |        |            |
|--|-----------|------------|------------|--------|------------|
| Net cash used in operating activities                                  | —         | —          | —          | —      | —          |
| Net decrease in cash and cash equivalents from discontinued operations | —         | —          | —          | —      | —          |
| Effect of exchange rate changes on cash and cash equivalents           | (72,152 ) | (69,344 )  | 65,638     | 69,344 | (6,514 )   |
| Cash and cash equivalents at beginning of period                       | 1,581     | 83,676     | 116,110    | —      | 201,367    |
| Cash and cash equivalents at end of period                             | \$485     | \$ 155,366 | \$ 151,704 | \$—    | \$ 307,555 |

25

---

## AMC NETWORKS INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - (Continued)

(Dollars in thousands, except per share amounts)

(unaudited)

## Condensed Consolidated Statement of Cash Flows

Nine Months Ended September 30, 2014

|   | Parent<br>Company | Guarantor<br>Subsidiaries | Non-<br>Guarantor<br>Subsidiaries | Eliminations  | Consolidated |
|---|-------------------|---------------------------|-----------------------------------|---------------|--------------|
| Cash flows from operating activities:   |                   |                           |                                   |               |              |
| Net cash provided by operating activities                                       | \$ 166,339        | \$ 292,623                | \$ 25,668                         | \$ (222,800 ) | \$ 261,830   |
| Cash flows from investing activities:   |                   |                           |                                   |               |              |
| Capital expenditures  | (1,426 )          | (16,144 )                 | (6,770 )                          | —             | (24,340 )    |
| Payment for acquisition of a business, net of cash acquired                     | —                 | —                         | (1,024,427 )                      | —             | (1,024,427 ) |
| Acquisition of investments  | —                 | (3,482 )                  | (502 )                            | —             | (3,984 )     |
| Proceeds from insurance settlements   | —                 | 654                       | —                                 | —             | 654          |
| (Increase) decrease to investment in affiliates                                 | (43,581 )         | (133,386 )                | —                                 | 176,967       | —            |
| Net cash used in investing activities   | (45,007 )         | (152,358 )                | (1,031,699 )                      | 176,967       | (1,052,097 ) |
| Cash flows from financing activities:   |                   |                           |                                   |               |              |
| Proceeds from the issuance of long-term debt                                    | 600,000           | —                         | —                                 | —             | 600,000      |
| Payments for financing costs  | (9,266 )          | —                         | —                                 | —             | (9,266 )     |
| Purchase of treasury stock  | (17,804 )         | —                         | —                                 | —             | (17,804 )    |
| Proceeds from stock option exercises  | 1,070             | —                         | —                                 | —             | 1,070        |
| Excess tax benefits from share-based compensation arrangements                  | 5,662             | —                         | —                                 | —             | 5,662        |
| Principal payments on capital lease obligations                                 | —                 | (1,382 )                  | (1,325 )                          | —             | (2,707 )     |
| Long-term intercompany debt   | (651,405 )        | 651,405                   | —                                 | —             | —            |
| Cash contributions from member  | —                 | (1,046,413 )              | 1,046,413                         | —             | —            |
| Contributions from noncontrolling interest                                      | —                 | —                         | 835                               | —             | 835          |
| Net cash (used in) provided by financing activities                             | (71,743 )         | (396,390 )                | 1,045,923                         | —             | 577,790      |
| Net increase (decrease) in cash and cash equivalents from continuing operations | 49,589            | (256,125 )                | 39,892                            | (45,833 )     | (212,477 )   |
| Cash flows from discontinued operations:  |                   |                           |                                   |               |              |
| Net cash used in operating activities   | —                 | —                         | (2,955 )                          | —             | (2,955 )     |
| Net decrease in cash and cash equivalents from discontinued operations          | —                 | —                         | (2,955 )                          | —             | (2,955 )     |
| Effect of exchange rate changes on cash and cash equivalents                    | (45,833 )         | (45,833 )                 | 35,936                            | 45,833        | (9,897 )     |
| Cash and cash equivalents at beginning of period                                | 942               | 519,392                   | 1,617                             | —             | 521,951      |
| Cash and cash equivalents at end of period                                      | \$ 4,698          | \$ 217,434                | \$ 74,490                         | \$ —          | \$ 296,622   |

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Management's Discussion and Analysis of Financial Condition and Results of Operations contains statements that constitute forward-looking information within the meaning of the Private Securities Litigation Reform Act of 1995. In this Management's Discussion and Analysis of Financial Condition and Results of Operations there are statements concerning our future operating results and future financial performance. Words such as "expects," "anticipates," "believes," "estimates," "may," "will," "should," "could," "potential," "continue," "intends," "plans" and similar words and terms used in discussion of future operating results and future financial performance identify forward-looking statements. You are cautioned that any such forward-looking statements are not guarantees of future performance or results and involve risks and uncertainties and that actual results or developments may differ materially from the forward-looking statements as a result of various factors. Factors that may cause such differences to occur include, but are not limited to:

- the level of our revenues;
- market demand for our programming networks and our programming;
- demand for advertising inventory;
- our ability to maintain and renew distribution or affiliation agreements with video programming distributors;
- the cost of, and our ability to obtain or produce, desirable programming content for our networks and independent film distribution businesses;
- market demand for our independent film distribution business;
- the security of our program rights and other electronic data;
- the loss of any of our key personnel and artistic talent;
- the highly competitive nature of the cable programming industry;
- changes in both domestic and foreign laws or regulations under which we operate;
- economic and business conditions and industry trends in the countries in which we operate;
- fluctuations in currency exchange rates and interest rates;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the U.S. or in the countries in which we operate;
- our substantial debt and high leverage;
- reduced access to capital markets or significant increases in costs to borrow;
- the level of our expenses;
- the level of our capital expenditures;
- future acquisitions and dispositions of assets;
- our ability to successfully acquire new businesses and, if acquired, to integrate, and implement our plan with respect to businesses we acquire;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- changes in the nature of key strategic relationships with partners and joint ventures;
- the outcome of litigation and other proceedings;
- whether pending uncompleted transactions, if any, are completed on the terms and at the times set forth (if at all);
- other risks and uncertainties inherent in our programming businesses;
- financial community and rating agency perceptions of our business, operations, financial condition and the industry in which we operate, and the additional factors described herein;
- events that are outside our control, such as political unrest in international markets, terrorist attacks, natural disasters and other similar events; and
- the factors described under Item 1A, "Risk Factors" in our 2014 Annual Report on Form 10-K (the "2014 Form 10-K"), as filed with the Securities and Exchange Commission ("SEC").

We disclaim any obligation to update or revise the forward-looking statements contained herein, except as otherwise required by applicable federal securities laws.

All dollar amounts and subscriber data included in the following Management's Discussion and Analysis of Financial Condition and Results of Operations are presented in thousands.





## Introduction

Management's discussion and analysis, or MD&A, of our results of operations and financial condition is provided as a supplement to, and should be read in conjunction with, the unaudited condensed consolidated financial statements and notes thereto included elsewhere herein and our 2014 Form 10-K to enhance the understanding of our financial condition, changes in financial condition and results of our operations. Unless the context otherwise requires, all references to "we," "us," "our," "AMC Networks" or the "Company" refer to AMC Networks Inc., together with its subsidiaries. MD&A is organized as follows:

**Business Overview.** This section provides a general description of our business and our operating segments, as well as other matters that we believe are important in understanding our results of operations and financial condition and in anticipating future trends.

**Consolidated Results of Operations.** This section provides an analysis of our results of operations for the three and nine months ended September 30, 2015 compared to the three and nine months ended September 30, 2014. Our discussion is presented on both a consolidated and operating segment basis. Our two operating segments are:

(i) National Networks and (ii) International and Other.

**Liquidity and Capital Resources.** This section provides a discussion of our financial condition as of September 30, 2015, as well as an analysis of our cash flows for the nine months ended September 30, 2015 and 2014. The discussion of our financial condition and liquidity includes summaries of (i) our primary sources of liquidity and (ii) our contractual obligations that existed at September 30, 2015 as compared to December 31, 2014.

**Critical Accounting Policies and Estimates.** This section provides an update, if any, to our significant accounting policies or critical accounting estimates since December 31, 2014.

## Business Overview

We manage our business through the following two operating segments:

**National Networks:** Principally includes five nationally distributed programming networks: AMC, WE tv, BBC AMERICA, IFC and SundanceTV. These programming networks are distributed throughout the United States ("U.S.") via cable and other multichannel video programming distribution platforms, including direct broadcast satellite ("DBS") and platforms operated by telecommunications providers (we refer collectively to these cable and other multichannel video programming distributors as "multichannel video programming distributors" or "distributors"). AMC, IFC and SundanceTV are also distributed in Canada. The National Networks operating segment also includes AMC Networks Broadcasting & Technology, the National Networks' technical services business, which primarily services the nationally distributed programming networks of the Company.

**International and Other:** Principally includes AMC Networks International, the Company's international programming businesses consisting of a portfolio of programming networks in Europe, Latin America, the Middle East and parts of Asia and Africa; IFC Films, the Company's independent film distribution business; AMC Networks International - DMC, the broadcast solutions unit of certain networks of AMC Networks International and third party networks; and various developing digital content distribution initiatives.

## Items Impacting Comparability

The comparability of our results of operations between the three and nine months ended September 30, 2015 as compared to the three and nine months ended September 30, 2014 have been impacted by the following significant acquisitions.

### BBC AMERICA

On October 23, 2014, a subsidiary of AMC Networks entered into a membership interest purchase agreement with BBC Worldwide Americas, Inc. ("BBCWA"), pursuant to which, such subsidiary acquired 49.9% of the limited liability company interests of New Video Channel America, L.L.C. ("New Video"), owner of the cable channel BBC AMERICA. The Company has operational control of New Video and the BBC AMERICA channel. The joint venture's results are consolidated in the financial results of AMC Networks from the acquisition date and included in the National Networks operating segment.

### Chellomedia

On January 31, 2014, certain subsidiaries of AMC Networks purchased substantially all of Chellomedia, the international content division of Liberty Global plc. This acquisition has been included in our operating results since the acquisition date and included in the International and Other operating segment. The operating businesses of

Chellomedia were rebranded in 2014 as AMC Networks International.

28

---

## Financial Results Overview

The tables presented below set forth our consolidated revenues, net, operating income (loss) and adjusted operating cash flow (“AOCF”), defined below, for the periods indicated.

|                               | Three Months Ended |           | Nine Months Ended |             |
|-------------------------------|--------------------|-----------|-------------------|-------------|
|                               | September 30,      |           | September 30,     |             |
|                               | 2015               | 2014      | 2015              | 2014        |
| Revenues, net                 |                    |           |                   |             |
| National Networks             | \$521,640          | \$397,415 | \$1,573,096       | \$1,244,099 |
| International and Other       | 114,103            | 122,712   | 333,341           | 323,890     |
| Inter-segment eliminations    | (3,578)            | (577)     | (4,452)           | (1,792)     |
| Consolidated revenues, net    | \$632,165          | \$519,550 | \$1,901,985       | \$1,566,197 |
| Operating income (loss)       |                    |           |                   |             |
| National Networks             | \$173,098          | \$115,254 | \$581,165         | \$409,176   |
| International and Other       | (11,089)           | (5,441)   | (30,022)          | (23,128)    |
| Inter-segment eliminations    | (2,741)            | 416       | (2,294)           | 1,289       |
| Consolidated operating income | \$159,268          | \$110,229 | \$548,849         | \$387,337   |
| AOCF                          |                    |           |                   |             |
| National Networks             | \$186,574          | \$128,582 | \$622,385         | \$443,246   |
| International and Other       | 6,749              | 12,875    | 21,038            | 21,363      |
| Inter-segment eliminations    | (2,741)            | 416       | (2,294)           | 1,289       |
| Consolidated AOCF             | \$190,582          | \$141,873 | \$641,129         | \$465,898   |

We evaluate segment performance based on several factors, of which the primary financial measure is operating segment AOCF. We define AOCF, which is a financial measure that is not calculated in accordance with generally accepted accounting principles (“GAAP”), as operating income (loss) before depreciation and amortization, share-based compensation expense or benefit, and restructuring expense or credit.

We believe that AOCF is an appropriate measure for evaluating the operating performance on both an operating segment and consolidated basis. AOCF and similar measures with similar titles are common performance measures used by investors, analysts and peers to compare performance in the industry.

Internally, we use revenues, net and AOCF measures as the most important indicators of our business performance, and evaluate management’s effectiveness with specific reference to these indicators. AOCF should be viewed as a supplement to and not a substitute for operating income (loss), net income (loss), cash flows from operating activities and other measures of performance and/or liquidity presented in accordance with GAAP. Since AOCF is not a measure of performance calculated in accordance with GAAP, this measure may not be comparable to similar measures with similar titles used by other companies.

The following is a reconciliation of consolidated operating income to AOCF for the periods indicated:

|                                  | Three Months Ended |           | Nine Months Ended |           |
|----------------------------------|--------------------|-----------|-------------------|-----------|
|                                  | September 30,      |           | September 30,     |           |
|                                  | 2015               | 2014      | 2015              | 2014      |
| Operating income                 | \$159,268          | \$110,229 | \$548,849         | \$387,337 |
| Share-based compensation expense | 7,821              | 7,730     | 23,910            | 21,569    |
| Restructuring expense            | 2,631              | 5,619     | 5,941             | 6,772     |
| Depreciation and amortization    | 20,862             | 18,295    | 62,429            | 50,220    |
| AOCF                             | \$190,582          | \$141,873 | \$641,129         | \$465,898 |

## National Networks

In our National Networks segment, which accounted for 83% of our consolidated revenues for the nine months ended September 30, 2015, we earn revenue principally from the distribution of our programming and the sale of advertising. Distribution revenue primarily includes affiliation fees paid by distributors to carry our programming networks and the licensing of original programming for digital, foreign and home video distribution. Affiliation fees paid by distributors represent the largest component of distribution revenue. Our affiliation fee revenues are generally based on a per subscriber fee under multi-year contracts, commonly referred to as “affiliation agreements,” which

generally provide for rate increases. The specific affiliation fee revenues

29

---

we earn vary from period to period, distributor to distributor and also vary among our networks, but are generally based upon the number of each distributor's subscribers who receive our programming, referred to as viewing subscribers. The terms of certain other affiliation agreements provide that the affiliation fee revenues we earn are a fixed contractual monthly fee, which could be adjusted for acquisitions and dispositions of multichannel video programming systems by the distributor. Revenue from the licensing of original programming for digital and foreign distribution is recognized upon availability or distribution by the licensee.

Under affiliation agreements with our distributors, we have the right to sell a specified amount of national advertising time on our programming networks. Our advertising revenues are more variable than affiliation fee revenues because the majority of our advertising is sold on a short-term basis, not under long-term contracts. Our advertising arrangements with advertisers provide for a set number of advertising units to air over a specific period of time at a negotiated price per unit for which our programming networks generally guarantee specified viewer ratings for their programming.

Our principal goal is to increase our revenues by increasing distribution and penetration of our services, and increasing our ratings. To do this, we must continue to contract for and produce high-quality, attractive programming. As competition for programming increases and alternative distribution technologies continue to emerge and develop in the industry, costs for content acquisition and original programming may increase. There is a concentration of subscribers in the hands of a few distributors, which could create disparate bargaining power between the largest distributors and us by giving those distributors greater leverage in negotiating the price and other terms of affiliation agreements.

Programming expense, included in technical and operating expense, represents the largest expense of the National Networks segment and primarily consists of amortization and impairments or write-offs of programming rights, such as those for original programming, feature films and licensed series, as well as participation and residual costs. The other components of technical and operating expense primarily include distribution and production related costs and program operating costs, such as origination, transmission, uplinking and encryption.

To an increasing extent, the success of our business depends on original programming, both scripted and unscripted, across all of our networks. In recent years, we have introduced a number of scripted original series. These series generally result in higher audience ratings for our networks. Among other things, higher audience ratings drive increased revenues through higher advertising revenues. The timing of exhibition and distribution of original programming varies from period to period, which results in greater variability in our revenues, earnings and cash flows from operating activities. We will continue to increase our investment in programming across all of our channels. There may be significant changes in the level of our technical and operating expenses due to the amortization of content acquisition and/or original programming costs and/or the impact of management's periodic assessment of programming usefulness. Such costs will also fluctuate with the level of revenues derived from owned original programming in each period as these costs are amortized based on the film-forecast-computation method. Most original series require us to make up-front investments, which are often significant amounts. Not all of our programming efforts are commercially successful, which could result in a write-off of program rights. If it is determined that programming rights have no future programming usefulness based on actual demand or market conditions, a write-off of the unamortized cost is recorded in technical and operating expense. Program rights write-offs of \$12,087 and \$8,877 were recorded for the three months ended September 30, 2015 and 2014, respectively, and program rights write-offs of \$25,667 and \$16,319 were recorded for the nine months ended September 30, 2015 and 2014, respectively.

#### International and Other

Our International and Other segment primarily includes the operations of AMC Networks International and IFC Films.

In our International and Other segment, which accounted for 17% of our consolidated revenues for the nine months ended September 30, 2015, we earn revenue principally from the international distribution of programming and to a lesser extent, the sale of advertising. Distribution revenue primarily includes affiliation fees paid by distributors to carry our programming networks. Affiliation fees paid by distributors represent the largest component of distribution revenue. Our affiliation fee revenues are generally based on either a per subscriber fee or a fixed contractual monthly fee, under multi-year contracts, commonly referred to as "affiliation agreements," which may provide for annual

affiliation rate increases. Most of these revenues are derived primarily from Europe and to a lesser extent, Latin America, the Middle East and parts of Asia and Africa. The International and Other segment also includes IFC Films, our independent film distribution business where revenues are derived principally from theatrical, digital and licensing distribution.

Programming and program operating costs, included in technical and operating expense, represents the largest expense of the International and Other segment and primarily consists of amortization of acquired content, costs of dubbing and sub-titling of programs and participation costs. Program operating costs include costs such as origination, transmission, uplinking and encryption.

We view our international expansion as an important long-term strategy. We may experience an adverse impact to the International and Other segment's operating results and cash flows in periods of increased international investment by the Company.

Similar to our domestic businesses, the most significant business challenges we expect to encounter in our international business include programming competition (from both foreign and domestic programmers), limited channel capacity on distributors' platforms, the growth of subscribers on those platforms and economic pressures on affiliation fees. Other significant business challenges unique to our international operations include increased programming costs for international rights and translation (i.e. dubbing and subtitling), a lack of availability of international rights for a portion of our domestic programming content, increased distribution costs for cable, satellite or fiber feeds and a limited physical presence in some territories, and our exposure to foreign currency exchange rate risk. See also the risk factors described under Item 1A, "Risk Factors - We face risks from doing business internationally" in our 2014 Form 10-K.

#### Corporate Expenses

We allocate corporate overhead to each segment based upon its proportionate estimated usage of services. The segment financial information set forth below, including the discussion related to individual line items, does not reflect inter-segment eliminations unless specifically indicated.

#### Impact of Economic Conditions

Our future performance is dependent, to a large extent, on general economic conditions including the impact of direct competition, our ability to manage our businesses effectively, and our relative strength and leverage in the marketplace, both with suppliers and customers.

Capital and credit market disruptions could cause economic downturns, which may lead to lower demand for our products, such as lower demand for television advertising and a decrease in the number of subscribers receiving our programming networks from our distributors. Events such as these may adversely impact our results of operations, cash flows and financial position.



## Consolidated Results of Operations

The amounts presented and discussed below represent 100% of each operating segment's revenues, net and expenses. Where we have management control of an entity, we consolidate 100% of such entity in our consolidated statements of operations notwithstanding that a third-party owns a significant interest in such entity. The noncontrolling owner's interest in the operating results of majority-owned subsidiaries are reflected in net (income) loss attributable to noncontrolling interests in our consolidated statements of operations.

Three Months Ended September 30, 2015 Compared to Three Months Ended September 30, 2014

The following table sets forth our consolidated results of operations for the periods indicated.

|   | Three Months Ended September 30, |        | 2014               |           | \$ change | % change |           |                    |    |
|---|----------------------------------|--------|--------------------|-----------|-----------|----------|-----------|--------------------|----|
|   | 2015                             | Amount | % of Revenues, net | Amount    |           |          |           | % of Revenues, net |    |
| Revenues, net   | \$632,165                        | 100.0  | %                  | \$519,550 | 100.0     | %        | \$112,615 | 21.7               | %  |
| Operating expenses:   |                                  |        |                    |           |           |          |           |                    |    |
| Technical and operating (excluding depreciation and amortization) | 293,096                          | 46.4   |                    | 252,556   | 48.6      |          | 40,540    | 16.1               |    |
| Selling, general and administrative                               | 156,308                          | 24.7   |                    | 132,851   | 25.6      |          | 23,457    | 17.7               |    |
| Restructuring expense   | 2,631                            | 0.4    |                    | 5,619     | 1.1       |          | (2,988)   | (53.2)             | )  |
| Depreciation and amortization                                     | 20,862                           | 3.3    |                    | 18,295    | 3.5       |          | 2,567     | 14.0               |    |
| Total operating expenses  | 472,897                          | 74.8   |                    | 409,321   | 78.8      |          | 63,576    | 15.5               |    |
| Operating income  | 159,268                          | 25.2   |                    | 110,229   | 21.2      |          | 49,039    | 44.5               |    |
| Other income (expense):   |                                  |        |                    |           |           |          |           |                    |    |
| Interest expense, net   | (31,370)                         | (5.0)  | )                  | (31,316)  | (6.0)     | )        | (54)      | 0.2                |    |
| Miscellaneous, net  | (7,640)                          | (1.2)  | )                  | (11,766)  | (2.3)     | )        | 4,126     | (35.1)             | )% |
| Total other income (expense)                                      | (39,010)                         | (6.2)  | )                  | (43,082)  | (8.3)     | )        | 4,072     | (9.5)              | )  |
| Net income from continuing operations before income taxes         | 120,258                          | 19.0   |                    | 67,147    | 12.9      |          | 53,111    | 79.1               |    |
| Income tax expense  | (43,358)                         | (6.9)  | )                  | (13,078)  | (2.5)     | )        | (30,280)  | 231.5              | )  |
| Income from continuing operations                                 | 76,900                           | 12.2   |                    | 54,069    | 10.4      |          | 22,831    | 42.2               |    |
| Loss from discontinued operations, net of income taxes            | —                                | —      |                    | (966)     | (0.2)     | )        | 966       | n/m                |    |
| Net income including noncontrolling interests                     | 76,900                           | 12.2   |                    | 53,103    | 10.2      |          | 23,797    | 44.8               |    |
| Net (income) loss attributable to noncontrolling interests        | (4,130)                          | (0.7)  | )                  | 57        | —         |          | (4,187)   | n/m                |    |
| Net income attributable to AMC Networks' stockholders             | \$72,770                         | 11.5   | %                  | \$53,160  | 10.2      | %        | \$19,610  | 36.9               | %  |

The following is a reconciliation of our consolidated operating income to AOCF:

|                                  | Three Months Ended |           | \$ change | % change |   |
|----------------------------------|--------------------|-----------|-----------|----------|---|
|                                  | 2015               | 2014      |           |          |   |
| Operating income                 | \$159,268          | \$110,229 | \$49,039  | 44.5     | % |
| Share-based compensation expense | 7,821              | 7,730     | 91        | 1.2      |   |
| Restructuring expense            | 2,631              | 5,619     | (2,988)   | (53.2)   | ) |
| Depreciation and amortization    | 20,862             | 18,295    | 2,567     | 14.0     |   |
| Consolidated AOCF                | \$190,582          | \$141,873 | \$48,709  | 34.3     | % |

## National Networks Segment Results

The following table sets forth our National Networks segment results for the periods indicated.

|   | Three Months Ended September 30,<br>2015 |                    | 2014        |                    | \$ change   | % change |   |  |
|---|--|--------------------|-------------|--------------------|-------------|----------|---|--|
|   | Amount                                   | % of Revenues, net | Amount      | % of Revenues, net |             |          |   |  |
| Revenues, net   | \$521,640                                | 100.0              | % \$397,415 | 100.0              | % \$124,225 | 31.3     | % |  |
| Operating expenses:   |  |                    |             |                    |             |          |   |  |
| Technical and operating (excluding depreciation and amortization) | 223,521                                  | 42.8               | 185,122     | 46.6               | 38,399      | 20.7     |   |  |
| Selling, general and administrative                               | 117,584                                  | 22.5               | 89,372      | 22.5               | 28,212      | 31.6     |   |  |
| Restructuring expense   | 100                                      | —                  | 2,462       | 0.6                | (2,362)     | n/m      |   |  |
| Depreciation and amortization                                     | 7,337                                    | 1.4                | 5,205       | 1.3                | 2,132       | 41.0     |   |  |
| Operating income  | \$173,098                                | 33.2               | % \$115,254 | 29.0               | % \$57,844  | 50.2     | % |  |
| Share-based compensation expense                                  | 6,039                                    | 1.2                | 5,661       | 1.4                | 378         | 6.7      |   |  |
| Depreciation and amortization                                     | 7,337                                    | 1.4                | 5,205       | 1.3                | 2,132       | 41.0     |   |  |
| Restructuring expense   | 100                                      | —                  | 2,462       | 0.6                | (2,362)     | n/m      |   |  |
| AOCF  | \$186,574                                | 35.8               | % \$128,582 | 32.4               | % \$57,992  | 45.1     | % |  |

## International and Other Segment Results

The following table sets forth our International Networks segment results for the periods indicated.

|   | Three Months Ended September 30,<br>2015 |                    | 2014         |                    | \$ change    | % change |   |   |
|---|--|--------------------|--------------|--------------------|--------------|----------|---|---|
|   | Amount                                   | % of Revenues, net | Amount       | % of Revenues, net |              |          |   |   |
| Revenues, net   | \$114,103                                | 100.0              | % \$122,712  | 100.0              | % \$(8,609)  | (7.0)    | ) | % |
| Operating expenses:   |  |                    |              |                    |              |          |   |   |
| Technical and operating (excluding depreciation and amortization) | 70,400                                   | 61.7               | 68,411       | 55.7               | 1,989        | 2.9      |   |   |
| Selling, general and administrative                               | 38,736                                   | 33.9               | 43,495       | 35.4               | (4,759)      | (10.9)   | ) |   |
| Restructuring expense   | 2,531                                    | 2.2                | 3,157        | 2.6                | (626)        | (19.8)   | ) |   |
| Depreciation and amortization                                     | 13,525                                   | 11.9               | 13,090       | 10.7               | 435          | 3.3      |   |   |
| Operating loss  | \$(11,089)                               | (9.7)              | )% \$(5,441) | (4.4)              | )% \$(5,648) | 103.8    | ) | % |
| Share-based compensation expense                                  | 1,782                                    | 1.6                | 2,069        | 1.7                | (287)        | (13.9)   | ) |   |
| Depreciation and amortization                                     | 13,525                                   | 11.9               | 13,090       | 10.7               | 435          | 3.3      |   |   |
| Restructuring expense   | 2,531                                    | 2.2                | 3,157        | 2.6                | (626)        | (19.8)   | ) |   |
| AOCF  | \$6,749                                  | 5.9                | % \$12,875   | 10.5               | % \$(6,126)  | (47.6)   | ) | % |

Revenues, net

Revenues, net increased \$112,615 to \$632,165 for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The net change by segment was as follows:

|                            | Three Months Ended September 30, |            |             |            |             |          |
|----------------------------|----------------------------------|------------|-------------|------------|-------------|----------|
|                            | 2015                             | % of total | 2014        | % of total | \$ change   | % change |
| National Networks          | \$521,640                        | 82.5       | % \$397,415 | 76.5       | % \$124,225 | 31.3     |
| International and Other    | 114,103                          | 18.0       | 122,712     | 23.6       | (8,609 )    | (7.0 )   |
| Inter-segment eliminations | (3,578 )                         | (0.6 )     | (577 )      | (0.1 )     | (3,001 )    | n/m      |
| Consolidated revenues, net | \$632,165                        | 100.0      | % \$519,550 | 100.0      | % \$112,615 | 21.7     |

National Networks

The increase in National Networks revenues, net was attributable to the following:

|              | Three Months Ended September 30, |            |             |            |             |          |
|--------------|----------------------------------|------------|-------------|------------|-------------|----------|
|              | 2015                             | % of total | 2014        | % of total | \$ change   | % change |
| Advertising  | \$210,194                        | 40.3       | % \$137,993 | 34.7       | % \$72,201  | 52.3     |
| Distribution | 311,446                          | 59.7       | 259,422     | 65.3       | 52,024      | 20.1     |
|              | \$521,640                        | 100.0      | % \$397,415 | 100.0      | % \$124,225 | 31.3     |

Advertising revenues increased \$72,201 across all of our networks, with the largest increase at AMC as well as the inclusion of the results of BBC AMERICA. This increase resulted from higher pricing per unit sold due to an increased demand for our programming by advertisers at all of our networks. Most of our advertising revenues vary based on the timing of our original programming series and the popularity of our programming as measured by Nielsen. Due to these factors, we expect advertising revenues to vary from quarter to quarter.

Distribution revenues increased \$52,024 due to an increase of \$39,088 principally from affiliation fee revenues across all of our networks, with the largest increase at AMC as well as the inclusion of the results of BBC AMERICA. The increase in affiliation fee revenues resulted from an increase in rates, primarily at AMC, from recent renewals.

Additionally, digital distribution and licensing revenues derived from our original programming increased.

Distribution revenues vary based on the impact of renewals of affiliation agreements and the timing of availability of our programming to distributors. Because of these factors, we expect distribution revenues to vary from quarter to quarter.

The increase in total revenues, net of \$124,225 includes \$37,493 due to the inclusion of the results of BBC AMERICA for the three months ended September 30, 2015.

The following table presents certain subscriber information at September 30, 2015, June 30, 2015 and September 30, 2014:

| National Programming Networks: | Estimated Domestic Subscribers <sup>(1)</sup> |               |                    |
|--------------------------------|---|---------------|--------------------|
|                                | September 30, 2015                            | June 30, 2015 | September 30, 2014 |
| AMC                            | 93,800  | 94,500        | 95,600             |
| WE tv                          | 86,500  | 85,400        | 85,300             |
| BBC AMERICA <sup>(2)</sup>     | 77,100  | 77,800        | 78,500             |
| IFC                            | 71,700  | 72,900        | 73,000             |
| SundanceTV                     | 60,100  | 60,800        | 56,700             |

(1) Estimated U.S. subscribers as measured by Nielsen.

(2) Acquired in October 2014 (see discussion above).



## International and Other

The decrease in International and Other revenues, net was attributable to the following:

|              | Three Months Ended September 30, |            |           |            |           |          |
|--------------|----------------------------------|------------|-----------|------------|-----------|----------|
|              | 2015                             | % of total | 2014      | % of total | \$ change | % change |
| Advertising  | \$20,645                         | 18.1       | \$15,991  | 13.0       | \$4,654   | 29.1     |
| Distribution | 93,458                           | 81.9       | 106,721   | 87.0       | (13,263)  | (12.4)   |
|              | \$114,103                        | 100.0      | \$122,712 | 100.0      | \$(8,609) | (7.0)    |

The increase in advertising revenues is due to an increase at AMC Networks International principally due to increased demand for our programming by advertisers, which was partially offset by the unfavorable impact of foreign currency fluctuations of approximately \$2,100. The decrease in distribution revenues is primarily due to a net decrease at AMC Networks International of \$7,366 principally due to the unfavorable impact of foreign currency translation of approximately \$10,700, partially offset by growth in distribution revenues. In addition, distribution revenues at IFC Films decreased \$6,135 primarily due to the release of Boyhood in July 2014.

Technical and operating expense (excluding depreciation and amortization)

The components of technical and operating expense primarily include the amortization and impairments or write-offs of program rights, such as those for original programming, feature films and licensed series, participation and residual costs, distribution and production related costs and program operating costs, such as origination, transmission, uplinking and encryption.

Technical and operating expense (excluding depreciation and amortization) increased \$40,540 to \$293,096 for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The net change by segment was as follows:

|                             | Three Months Ended September 30, |           |           |          |
|-----------------------------|----------------------------------|-----------|-----------|----------|
|                             | 2015                             | 2014      | \$ change | % change |
| National Networks           | \$223,521                        | \$185,122 | \$38,399  | 20.7     |
| International and Other     | 70,400                           | 68,411    | 1,989     | 2.9      |
| Inter-segment eliminations  | (825)                            | (977)     | 152       | (15.6)   |
| Total                       | \$293,096                        | \$252,556 | \$40,540  | 16.1     |
| Percentage of revenues, net | 46.4                             | 48.6      |           |          |

The increase in the National Networks segment was attributable to increased program rights amortization expense of \$21,442 and an increase of \$16,957 for other direct programming related costs, primarily participation and residuals, and other development costs. The increase in program rights amortization expense is due to our increased investment in owned scripted original series and the inclusion of the results of BBC AMERICA for the three months ended September 30, 2015. Program rights amortization expense for the three months ended September 30, 2015 includes write-offs of \$12,087 primarily related to management's assessment of programming usefulness of certain scripted series at SundanceTV and unscripted series at WE tv, as compared to write-offs of \$8,877 for the three months ended September 30, 2014 based on management's assessment of programming usefulness of certain unscripted series, primarily at AMC. There may be significant changes in the level of our technical and operating expenses due to content acquisition and/or original programming costs and/or the impact of management's periodic assessment of programming usefulness. Such costs will also fluctuate with the level of revenues derived from owned original programming in each period as these costs are amortized based on the film-forecast-computation method. As additional competition for programming increases and alternate distribution technologies continue to develop in the industry, costs for content acquisition and original programming may increase.

## International and Other

The increase in the International and Other segment was primarily due to an increase at AMC Networks International of \$586 and an increase in content acquisition costs at IFC Films of \$958. The increase at AMC Networks International was due to an increase in program rights amortization expense and other direct programming related costs, which was substantially offset by a favorable impact of foreign currency translation of approximately \$7,200.



## Selling, general and administrative expense

The components of selling, general and administrative expense primarily include sales, marketing and advertising expenses, administrative costs and costs of facilities.

Selling, general and administrative expense increased \$23,457 to \$156,308 for the three months ended September 30, 2015, as compared to the three months ended September 30, 2014. The net change by segment was as follows:

|                             | Three Months Ended September 30, |            |           |          |   |
|-----------------------------|----------------------------------|------------|-----------|----------|---|
|                             | 2015                             | 2014       | \$ change | % change |   |
| National Networks           | \$ 117,584                       | \$ 89,372  | \$ 28,212 | 31.6     | % |
| International and Other     | 38,736                           | 43,495     | (4,759)   | (10.9)   | ) |
| Inter-segment eliminations  | (12)                             | (16)       | 4         | (25.0)   | ) |
| Total                       | \$ 156,308                       | \$ 132,851 | \$ 23,457 | 17.7     | % |
| Percentage of revenues, net | 24.7                             | % 25.6     | %         |          |   |

## National Networks

The increase in the National Networks segment was primarily attributable to an increase in marketing costs of \$14,275 attributable to the promotion of our original programming, an increase in advertising sales related expenses of \$4,565 due to the overall increase in advertising sales revenue, an increase in general and administrative expenses of \$4,980 primarily due to increased corporate allocations, and an increase in share-based compensation expense and expenses relating to long-term incentive compensation of \$4,065. These increases are affected by the inclusion of the results of BBC AMERICA for the three months ended September 30, 2015. There may be significant changes in the level of our selling, general and administrative expense from quarter to quarter and year to year due to the timing of promotion and marketing of original programming series and subscriber retention marketing efforts.

## International and Other

The decrease in the International and Other segment was primarily due to a decrease in marketing and selling expenses at IFC Films of \$7,090 principally due to the exploitation of Boyhood released in July 2014, partially offset by an increase in selling, general and administrative expenses of \$2,570, net of favorable foreign currency translation of approximately \$2,600 at AMC Networks International.

## Restructuring expense

The restructuring expense of \$2,631 during the three months ended September 30, 2015 is principally due to a charge of \$2,531 in the International and Other segment related to the elimination of distribution in certain territories and severance charges incurred related to employee terminations associated with the elimination of certain positions.

The restructuring expense of \$5,619 during the three months ended September 30, 2014 is principally due to severance charges incurred related to employee terminations associated with the elimination of certain positions.

## Depreciation and amortization

Depreciation and amortization increased \$2,567 to \$20,862 for the three months ended September 30, 2015, as compared to the three months ended September 30, 2014. The net change by segment was as follows:

|                         | Three Months Ended September 30, |           |           |          |   |
|-------------------------|----------------------------------|-----------|-----------|----------|---|
|                         | 2015                             | 2014      | \$ change | % change |   |
| National Networks       | \$ 7,337                         | \$ 5,205  | \$ 2,132  | 41.0     | % |
| International and Other | 13,525                           | 13,090    | 435       | 3.3      |   |
|                         | \$ 20,862                        | \$ 18,295 | \$ 2,567  | 14.0     | % |

The increase in depreciation and amortization expense in the National Networks segment was primarily attributable to an increase in amortization expense of \$1,937 related to identifiable intangible assets acquired in connection with the BBC AMERICA acquisition.

## AOCF

AOCF increased \$48,709 for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014. The net change by segment was as follows:

|                            | Three Months Ended |                    | \$ change | % change |   |
|----------------------------|--------------------|--------------------|-----------|----------|---|
|                            | September 30, 2015 | September 30, 2014 |           |          |   |
| National Networks          | \$186,574          | \$128,582          | \$57,992  | 45.1     | % |
| International and Other    | 6,749              | 12,875             | (6,126)   | (47.6)   | ) |
| Inter-segment eliminations | (2,741)            | ) 416              | (3,157)   | n/m      | ) |
| AOCF                       | \$190,582          | \$141,873          | \$48,709  | 34.3     | % |

National Networks AOCF increased due to an increase in revenues, net of \$124,225, partially offset by an increase in technical and operating expenses of \$38,399 resulting primarily from an increase in program rights expense driven by increased amortization and an increase in selling, general and administrative expenses of \$27,834. Additionally, National Networks AOCF increased due to the inclusion of the results of BBC AMERICA for the three months ended September 30, 2015. As a result of the factors discussed above impacting the variability in revenues and operating expenses, we expect AOCF to vary from quarter to quarter.

International and Other AOCF decreased primarily due to a decrease in revenues, net of \$8,609 and an increase in technical and operating expenses of \$1,989, partially offset by a decrease in selling, general and administrative expenses of \$4,472. In addition to these factors, foreign currency translation had an unfavorable impact to AOCF of approximately \$3,000.

## Miscellaneous, net

The decrease in miscellaneous, net of \$4,126 for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 is primarily the result of a decrease in foreign currency transaction losses of \$1,878 due to the translation of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity, an increase in the net earnings of our equity method investments of \$1,256, and an increase in a gain of \$818 on derivative contracts.

## Income tax expense

For the three months ended September 30, 2015, income tax expense attributable to continuing operations was \$43,358 representing an effective tax rate of 36%. The effective tax rate differs from the federal statutory rate of 35% due primarily to state and local income tax expense of \$2,775, tax benefit of \$409 from foreign subsidiary earnings indefinitely reinvested outside the U.S., tax benefit from the domestic production activities deduction of \$4,332 and tax expense of \$3,261 resulting from an increase in the valuation allowances for foreign and local taxes for the three months ended September 30, 2015.

For the three months ended September 30, 2014, income tax expense attributable to continuing operations was \$13,078 representing an effective tax rate of 20%. The effective tax rate differs from the federal statutory rate of 35% due to state and local income tax expense of \$872, tax benefit from foreign subsidiary earnings indefinitely reinvested outside of the U.S. of \$3,176, tax benefit of \$5,709 relating to uncertain tax positions (including accrued interest), tax benefit from the domestic production activities deduction of \$2,990, tax expense of \$1,930 resulting from an increase in the valuation allowances for foreign and local taxes, partially offset by a decrease in the valuation allowance for foreign tax credits and tax benefit of \$1,350 for the effect of acquisition costs and other items for the three months ended September 30, 2014. The tax benefit relating to reductions in uncertain tax positions is primarily due to an audit settlement and a re-evaluation of certain prior year positions.

## Net (income) loss attributable to noncontrolling interests

Net (income) loss attributable to noncontrolling interests consists of the noncontrolling parties' share of net earnings of consolidated joint ventures. The net change for the three months ended September 30, 2015 as compared to the three months ended September 30, 2014 is due to the impact of the acquisition of BBC AMERICA (October 23, 2014).



Edgar Filing: AMC Networks Inc. - Form 10-Q

Nine Months Ended September 30, 2015 Compared to Nine Months Ended September 30, 2014

The following table sets forth our consolidated results of operations for the periods indicated.

|   | Nine Months Ended September 30,<br>2015 |                    | 2014          |                    | \$ change   | % change |   |
|---|---|--------------------|---------------|--------------------|-------------|----------|---|
|   | Amount                                  | % of Revenues, net | Amount        | % of Revenues, net |             |          |   |
| Revenues, net   | \$1,901,985                             | 100.0              | % \$1,566,197 | 100.0              | % \$335,788 | 21.4     | % |
| Operating expenses:   |   |                    |               |                    |             |          |   |
| Technical and operating (excluding depreciation and amortization) | 814,999                                 | 42.8               | 701,771       | 44.8               | 113,228     | 16.1     |   |
| Selling, general and administrative                               | 469,767                                 | 24.7               | 420,097       | 26.8               | 49,670      | 11.8     |   |
| Restructuring expense   | 5,941                                   | 0.3                | 6,772         | 0.4                | (831)       | (12.3)   | ) |
| Depreciation and amortization                                     | 62,429                                  | 3.3                | 50,220        | 3.2                | 12,209      | 24.3     |   |
| Total operating expenses  | 1,353,136                               | 71.1               | 1,178,860     | 75.3               | 174,276     | 14.8     |   |
| Operating income  | 548,849                                 | 28.9               | 387,337       | 24.7               | 161,512     | 41.7     |   |
| Other income (expense):   |   |                    |               |                    |             |          |   |
| Interest expense, net   | (95,736)                                | (5.0)              | (96,352)      | (6.2)              | 616         | (0.6)    | ) |
| Miscellaneous, net  | (6,486)                                 | (0.3)              | (16,007)      | (1.0)              | 9,521       | (59.5)   | ) |
| Total other income (expense)                                      | (102,222)                               | (5.4)              | (112,359)     | (7.2)              | 10,137      | (9.0)    | ) |
| Net income from continuing operations before income taxes         | 446,627                                 | 23.5               | 274,978       | 17.6               | 171,649     | 62.4     |   |
| Income tax expense  | (155,609)                               | (8.2)              | (88,742)      | (5.7)              | (66,867)    | 75.3     | ) |
| Income from continuing operations                                 | 291,018                                 | 15.3               | 186,236       | 11.9               | 104,782     | 56.3     |   |
| Loss from discontinued operations, net of income taxes            | —                                       | —                  | (3,448)       | (0.2)              | 3,448       | n/m      |   |
| Net income including noncontrolling interests                     | 291,018                                 | 15.3               | 182,788       | 11.7               | 108,230     | 59.2     |   |
| Net (income) loss attributable to noncontrolling interests        | (14,319)                                | (0.8)              | 394           | —                  | (14,713)    | n/m      | ) |
| Net income attributable to AMC Networks' stockholders             | \$276,699                               | 14.5               | % \$183,182   | 11.7               | % \$93,517  | 51.1     | % |

The following is a reconciliation of our consolidated operating income to AOCF:

|                                  | Nine Months Ended September 30, |           | \$ change | % change |   |
|----------------------------------|---------------------------------|-----------|-----------|----------|---|
|                                  | 2015                            | 2014      |           |          |   |
| Operating income                 | \$548,849                       | \$387,337 | \$161,512 | 41.7     | % |
| Share-based compensation expense | 23,910                          | 21,569    | 2,341     | 10.9     |   |
| Restructuring expense            | 5,941                           | 6,772     | (831)     | (12.3)   | ) |
| Depreciation and amortization    | 62,429                          | 50,220    | 12,209    | 24.3     |   |
| Consolidated AOCF                | \$641,129                       | \$465,898 | \$175,231 | 37.6     | % |

## National Networks Segment Results

The following table sets forth our National Networks segment results for the periods indicated.

|   | Nine Months Ended September 30, |                    | 2014          |                    | \$ change   | % change |   |  |
|---|---------------------------------|--------------------|---------------|--------------------|-------------|----------|---|--|
|   | 2015                            |                    | Amount        | % of Revenues, net |             |          |   |  |
|   | Amount                          | % of Revenues, net | Amount        | % of Revenues, net |             |          |   |  |
| Revenues, net   | \$1,573,096                     | 100.0              | % \$1,244,099 | 100.0              | % \$328,997 | 26.4     | % |  |
| Operating expenses:   |                                 |                    |               |                    |             |          |   |  |
| Technical and operating (excluding depreciation and amortization) | 612,633                         | 38.9               | 516,925       | 41.6               | 95,708      | 18.5     |   |  |
| Selling, general and administrative                               | 356,570                         | 22.7               | 300,378       | 24.1               | 56,192      | 18.7     |   |  |
| Restructuring expense   | 817                             | 0.1                | 2,462         | 0.2                | (1,645)     | (66.8)   | ) |  |
| Depreciation and amortization                                     | 21,911                          | 1.4                | 15,158        | 1.2                | 6,753       | 44.6     |   |  |
| Operating income  | \$581,165                       | 36.9               | % \$409,176   | 32.9               | % \$171,989 | 42.0     | % |  |
| Share-based compensation expense                                  | 18,492                          | 1.2                | 16,450        | 1.3                | 2,042       | 12.4     |   |  |
| Depreciation and amortization                                     | 21,911                          | 1.4                | 15,158        | 1.2                | 6,753       | 44.6     |   |  |
| Restructuring expense   | 817                             | 0.1                | 2,462         | 0.2                | (1,645)     | (66.8)   | ) |  |
| AOCF  | \$622,385                       | 39.6               | % \$443,246   | 35.6               | % \$179,139 | 40.4     | % |  |

## International and Other Segment Results

The following table sets forth our International Networks segment results for the periods indicated.

|   | Nine Months Ended September 30, |                    | 2014          |                    | \$ change    | % change |    |  |
|---|---------------------------------|--------------------|---------------|--------------------|--------------|----------|----|--|
|   | 2015                            |                    | Amount        | % of Revenues, net |              |          |    |  |
|   | Amount                          | % of Revenues, net | Amount        | % of Revenues, net |              |          |    |  |
| Revenues, net   | \$333,341                       | 100.0              | % \$323,890   | 100.0              | % \$9,451    | 2.9      | %  |  |
| Operating expenses:   |                                 |                    |               |                    |              |          |    |  |
| Technical and operating (excluding depreciation and amortization) | 204,495                         | 61.3               | 187,882       | 58.0               | 16,613       | 8.8      |    |  |
| Selling, general and administrative                               | 113,226                         | 34.0               | 119,764       | 37.0               | (6,538)      | (5.5)    | )  |  |
| Restructuring expense   | 5,124                           | 1.5                | 4,310         | 1.3                | 814          | 18.9     |    |  |
| Depreciation and amortization                                     | 40,518                          | 12.2               | 35,062        | 10.8               | 5,456        | 15.6     |    |  |
| Operating loss  | \$(30,022)                      | (9.0)              | )% \$(23,128) | (7.1)              | )% \$(6,894) | 29.8     | %  |  |
| Share-based compensation expense                                  | 5,418                           | 1.6                | 5,119         | 1.6                | 299          | 5.8      |    |  |
| Depreciation and amortization                                     | 40,518                          | 12.2               | 35,062        | 10.8               | 5,456        | 15.6     |    |  |
| Restructuring expense   | 5,124                           | 1.5                | 4,310         | 1.3                | 814          | 18.9     |    |  |
| AOCF  | \$21,038                        | 6.3                | % \$21,363    | 6.6                | % \$(325)    | (1.5)    | )% |  |

Edgar Filing: AMC Networks Inc. - Form 10-Q

Revenues, net

Revenues, net increased \$335,788 to \$1,901,985 for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The net change by segment was as follows:

|                            | Nine Months Ended September 30, |            |                |            |              |          |   |
|----------------------------|---------------------------------|------------|----------------|------------|--------------|----------|---|
|                            | 2015                            | % of total | 2014           | % of total | \$ change    | % change |   |
| National Networks          | \$ 1,573,096                    | 82.7       | % \$ 1,244,099 | 79.4       | % \$ 328,997 | 26.4     | % |
| International and Other    | 333,341                         | 17.5       | 323,890        | 20.7       | 9,451        | 2.9      |   |
| Inter-segment eliminations | (4,452 )                        | (0.2 )     | (1,792 )       | (0.1 )     | (2,660 )     | 148.4    |   |
| Consolidated revenues, net | \$ 1,901,985                    | 100.0      | % \$ 1,566,197 | 100.0      | % \$ 335,788 | 21.4     | % |

National Networks

The increase in National Networks revenues, net was attributable to the following:

|              | Nine Months Ended September 30, |            |                |            |              |          |   |
|--------------|---------------------------------|------------|----------------|------------|--------------|----------|---|
|              | 2015                            | % of total | 2014           | % of total | \$ change    | % change |   |
| Advertising  | \$ 656,345                      | 41.7       | % \$ 509,733   | 41.0       | % \$ 146,612 | 28.8     | % |
| Distribution | 916,751                         | 58.3       | 734,366        | 59.0       | 182,385      | 24.8     |   |
|              | \$ 1,573,096                    | 100.0      | % \$ 1,244,099 | 100.0      | % \$ 328,997 | 26.4     | % |

Advertising revenues increased \$146,612 across all of our networks, with the largest increase at AMC as well as the inclusion of the results of BBC AMERICA. This increase resulted from higher pricing per unit sold due to an increased demand for our programming by advertisers at all of our networks, led by The Walking Dead. Most of our advertising revenues vary based on the timing of our original programming series and the popularity of our programming as measured by Nielsen. Due to these factors, we expect advertising revenues to vary from quarter to quarter.

Distribution revenues increased \$182,385 due to an increase of \$53,906 principally from digital distribution and licensing revenues derived from our original programming, primarily at AMC and SundanceTV, as well as the inclusion of the results of BBC AMERICA. In addition, affiliation fee revenues increased across all networks due to an increase in rates during the nine months ended September 30, 2015 as compared to the same period in 2014.

Distribution revenues vary based on the impact of renewals of affiliation agreements and the timing of availability of our programming to distributors. Because of these factors, we expect distribution revenues to vary from quarter to quarter.

The increase in total revenues, net of \$328,997 includes \$115,042 due to the inclusion of the results of BBC AMERICA for the nine months ended September 30, 2015.

International and Other

The increase in International and Other revenues, net was attributable to the following:

|              | Nine Months Ended September 30, |            |              |            |             |          |   |
|--------------|---------------------------------|------------|--------------|------------|-------------|----------|---|
|              | 2015                            | % of total | 2014         | % of total | \$ change   | % change |   |
| Advertising  | \$ 61,226                       | 18.4       | % \$ 40,481  | 12.5       | % \$ 20,745 | 51.2     | % |
| Distribution | 272,115                         | 81.6       | 283,409      | 87.5       | (11,294 )   | (4.0 )   |   |
|              | \$ 333,341                      | 100.0      | % \$ 323,890 | 100.0      | % \$ 9,451  | 2.9      | % |

The increase in advertising revenues is due to an increase at AMC Networks International which is principally due to the impact of increased demand for our programming by advertisers and the timing of the acquisition of Chellomedia, which occurred on January 31, 2014, partially offset by the unfavorable impact of foreign currency fluctuations of \$8,200. The decrease in distribution revenues is primarily due to a decrease at AMC Networks International of \$9,064 and a net decrease at IFC Films of \$2,534 primarily due to the release of Boyhood in July 2014. The decrease in distribution revenues at AMC Networks International is primarily due to a one-time contract termination benefit of approximately \$9,700 recorded in 2014. In addition, foreign currency translation had a unfavorable impact of approximately \$32,900, which was substantially offset by the timing of the acquisition of Chellomedia which occurred on January 31, 2014.



Technical and operating expense (excluding depreciation and amortization)

The components of technical and operating expense primarily include the amortization and impairments or write-offs of program rights, such as those for original programming, feature films and licensed series, participation and residual costs, distribution and production related costs and program operating costs, such as origination, transmission, uplinking and encryption.

Technical and operating expense (excluding depreciation and amortization) increased \$113,228 to \$814,999 for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The net change by segment was as follows:

|                             | Nine Months Ended September |           |           |          |   |
|-----------------------------|-----------------------------|-----------|-----------|----------|---|
|                             | 2015                        | 2014      | \$ change | % change |   |
| National Networks           | \$612,633                   | \$516,925 | \$95,708  | 18.5     | % |
| International and Other     | 204,495                     | 187,882   | 16,613    | 8.8      |   |
| Inter-segment eliminations  | (2,129 )                    | (3,036 )  | 907       | (29.9 )  |   |
| Total                       | \$814,999                   | \$701,771 | \$113,228 | 16.1     | % |
| Percentage of revenues, net | 42.8                        | % 44.8    | %         |          |   |
| National Networks           |                             |           |           |          |   |

The increase in the National Networks segment was attributable to increased program rights amortization expense of \$57,529 and an increase of \$38,179 for other direct programming related costs, primarily participation and residuals, and other development costs. The increase in program rights amortization expense is due to our increased investment in owned scripted original series and the inclusion of the results of BBC AMERICA for the nine months ended September 30, 2015. Program rights amortization expense for the nine months ended September 30, 2015 includes write-offs of \$25,667 based on management's assessment of programming usefulness of certain scripted series at SundanceTV, unscripted series at WE tv and pilot costs at AMC. Program rights amortization expense for the nine months ended September 30, 2014 includes write-offs of \$16,319 primarily at AMC related to unscripted series and certain pilot costs based on management's decision to focus on scripted programming. There may be significant changes in the level of our technical and operating expenses due to content acquisition and/or original programming costs and/or the impact of management's periodic assessment of programming usefulness. Such costs will also fluctuate with the level of revenues derived from owned original programming in each period as these costs are amortized based on the film-forecast-computation method. As additional competition for programming increases and alternate distribution technologies continue to develop in the industry, costs for content acquisition and original programming may increase.

International and Other

The increase in the International and Other segment was primarily due to an increase at AMC Networks International of \$13,982 due to an increase in program rights amortization expense and other direct programming related costs due to the increased investment in original programming and timing of the acquisition of Chellomedia which occurred on January 31, 2014. The impact of foreign currency translation had a favorable impact to the change in technical and operating expense of approximately \$24,177.

Selling, general and administrative expense

The components of selling, general and administrative expense primarily include sales, marketing and advertising expenses, administrative costs and costs of facilities.

Selling, general and administrative expense increased \$49,670 to \$469,767 for the nine months ended September 30, 2015, as compared to the nine months ended September 30, 2014. The net change by segment was as follows:

|                            | Nine Months Ended September |           |           |          |   |
|----------------------------|-----------------------------|-----------|-----------|----------|---|
|                            | 2015                        | 2014      | \$ change | % change |   |
| National Networks          | \$356,570                   | \$300,378 | \$56,192  | 18.7     | % |
| International and Other    | 113,226                     | 119,764   | (6,538 )  | (5.5 )   |   |
| Inter-segment eliminations | (29 )                       | (45 )     | 16        | (35.6 )  |   |
| Total                      | \$469,767                   | \$420,097 | \$49,670  | 11.8     | % |

Edgar Filing: AMC Networks Inc. - Form 10-Q

|  |      |   |      |   |
|--|------|---|------|---|
| Percentage of revenues, net<br>National Networks | 24.7 | % | 26.8 | % |
|--|------|---|------|---|

The increase in the National Networks segment was primarily attributable to the inclusion of the results of BBC AMERICA and an increase in share-based compensation expense and expenses relating to long-term incentive compensation of \$8,667 for

41

---

the nine months ended September 30, 2015. There may be significant changes in the level of our selling, general and administrative expense from quarter to quarter and year to year due to the timing of promotion and marketing of original programming series and subscriber retention marketing efforts.

#### International and Other

The decrease in the International and Other segment was primarily due to a decrease at AMC Networks International of \$6,603 due to the absence of acquisition and integration related professional fees of \$16,251 incurred in 2014 related to the acquisition of Chellomedia, partially offset by an increase in selling, general and administrative expenses and the timing of the acquisition of Chellomedia on January 31, 2014. The impact of foreign currency translation had a favorable impact to the change in selling, general and administrative expenses of approximately \$7,400.

#### Restructuring expense

The restructuring expense of \$817 for the nine months ended September 30, 2015 in the National Networks segment primarily represents severance charges incurred related to employee terminations associated with the elimination of certain positions. The restructuring expense of \$5,124 for the nine months ended September 30, 2015 in the International and Other segment primarily represents the costs related to the elimination of distribution in certain territories and severance charges incurred related to employee terminations associated with the elimination of certain positions across the Company and other exit costs.

The restructuring expense of \$6,772 for the nine months ended September 30, 2014 primarily represents severance charges incurred related to employee terminations associated with the elimination of certain positions across the Company.

#### Depreciation and amortization

Depreciation and amortization increased \$12,209 to \$62,429 for the nine months ended September 30, 2015, as compared to the nine months ended September 30, 2014. The net change by segment was as follows:

|                         | Nine Months Ended September 30, |          |           |          |   |
|-------------------------|---------------------------------|----------|-----------|----------|---|
|                         | 2015                            | 2014     | \$ change | % change |   |
| National Networks       | \$21,911                        | \$15,158 | \$6,753   | 44.6     | % |
| International and Other | 40,518                          | 35,062   | 5,456     | 15.6     |   |
|                         | \$62,429                        | \$50,220 | \$12,209  | 24.3     | % |

The increase in depreciation and amortization expense in the National Networks segment was primarily attributable to an increase in amortization expense of \$6,042 related to identifiable intangible assets acquired in connection with the BBC AMERICA acquisition and an increase in depreciation expense due to fixed asset additions.

The increase in depreciation and amortization expense in the International and Other segment was primarily attributable to an increase of \$4,356 in depreciation and amortization of fixed assets and identifiable intangible assets related to the timing of the Chellomedia acquisition which occurred on January 31, 2014.

#### AOCF

AOCF increased \$175,231 for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014. The net change by segment was as follows:

|                            | Nine Months Ended September 30, |           |           |          |   |
|----------------------------|---------------------------------|-----------|-----------|----------|---|
|                            | 2015                            | 2014      | \$ change | % change |   |
| National Networks          | \$622,385                       | \$443,246 | \$179,139 | 40.4     | % |
| International and Other    | 21,038                          | 21,363    | (325)     | (1.5)    | ) |
| Inter-segment eliminations | (2,294)                         | ) 1,289   | (3,583)   | ) n/m    | ) |
| AOCF                       | \$641,129                       | \$465,898 | \$175,231 | 37.6     | % |

National Networks AOCF increased due to an increase in revenues, net of \$328,997, partially offset by an increase in technical and operating expenses of \$95,708 resulting primarily from an increase in program rights expense and an increase in selling, general and administrative expenses of \$54,150. Additionally, National Networks AOCF increased due to the inclusion of the results of BBC AMERICA for the nine months ended September 30, 2015. As a result of the factors discussed above impacting the variability in revenues and operating expenses, we expect AOCF to vary

from quarter to quarter.

International and Other AOCF decreased primarily due to an increase in revenues, net of \$9,451 and a decrease in selling, general and administrative expenses of \$6,837, partially offset by an increase in technical and operating expenses of \$16,613. These changes are affected by the timing of the acquisition of Chellomedia on January 31, 2014 and a smaller acquisition which

42

---



occurred during the three months ended September 30, 2014. In addition, foreign currency translation had an unfavorable impact to AOCF of approximately \$9,800.

Miscellaneous, net

The decrease in miscellaneous, net of \$9,521 for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 is primarily the result of a decrease in foreign currency transaction losses of \$5,307 due to the translation of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity, an increase in the net earnings of our equity method investments of \$3,120, and a net decrease in the loss on derivative contracts of \$1,313.

Income tax expense

For the nine months ended September 30, 2015, income tax expense attributable to continuing operations was \$155,609 representing an effective tax rate of 35%. The items resulting in variances from the federal statutory rate of 35% primarily consist of state and local income tax expense of \$9,335, tax benefit of \$6,610 from foreign subsidiary earnings indefinitely reinvested outside the U.S., tax benefit from the domestic production activities deduction of \$14,515 and tax expense of \$10,049 resulting from an increase in the valuation allowances for foreign and local taxes for the nine months ended September 30, 2015.

For the nine months ended September 30, 2014, income tax expense attributable to continuing operations was \$88,742 representing an effective tax rate of 32%. The effective tax rate differs from the federal statutory rate of 35% due to state and local income tax expense of \$4,675, tax benefit from foreign subsidiary earnings indefinitely reinvested outside of the U.S. of \$10,367, tax expense of \$715 relating to uncertain tax positions (including accrued interest), tax benefit from the domestic production activities deduction of \$8,414, tax expense of \$5,089 resulting from an increase in the valuation allowances for foreign and local taxes, partially offset by a decrease in the valuation allowance for foreign tax credits and tax expense of \$802 for the effect of acquisition costs and other items for the nine months ended September 30, 2014.

Net (income) loss attributable to noncontrolling interests

Net (income) loss attributable to noncontrolling interests consists of the noncontrolling parties' share of net earnings of consolidated joint ventures. The net change for the nine months ended September 30, 2015 as compared to the nine months ended September 30, 2014 is due to the impact of the acquisitions of BBC AMERICA (October 23, 2014) and Chellomedia (January 31, 2014).

## Liquidity and Capital Resources

Our operations have historically generated positive net cash flow from operating activities. However, each of our programming businesses has substantial programming acquisition and production expenditure requirements. Sources of cash primarily include cash flow from operations, amounts available under our revolving credit facility (as described below) and access to capital markets. Although we currently believe that amounts available under our revolving credit facility will be available when and if needed, we can provide no assurance that access to such funds will not be impacted by adverse conditions in the financial markets. As a public company, we may have access to other sources of capital such as the public bond markets. We have a Registration Statement on Form S-3 ("Shelf Registration") filed with the SEC in which we registered debt securities.

Our principal uses of cash include the acquisition and production of programming, investments and acquisitions, debt service and payments for income taxes. We continue to increase our investment in original programming, the funding of which generally occurs six to nine months in advance of a program's airing. We expect this increased investment to continue in 2015. The required principal payments on our Term Loan A facility over the next twelve months will be \$129,500. Historically, our businesses have not required significant capital expenditures, however, we expect capital expenditures in 2015 will be higher than historical years primarily related to investments in our broadcasting and technology facilities. As of September 30, 2015, our consolidated cash and cash equivalents balance includes approximately \$80,339 held by foreign subsidiaries, which have earnings that have not been subject to U.S. tax. Repatriation of earnings not previously subject to U.S. tax would generally require us to accrue and pay U.S. taxes on such amount. However, we intend to either permanently reinvest these funds or repatriate them in a tax-free manner. We believe that a combination of cash-on-hand, cash generated from operating activities and availability under our revolving credit facility will provide sufficient liquidity to service the principal and interest payments on our indebtedness, along with our other funding and investment requirements over the next twelve months and over the longer term. However, we do not expect to generate sufficient cash from operations to repay at maturity the entirety of the then outstanding balances of our debt. As a result, we will then be dependent upon our ability to access the capital and credit markets in order to repay or refinance the outstanding balances of our indebtedness. Failure to raise significant amounts of funding to repay these obligations at maturity would adversely affect our business. In such a circumstance, we would need to take other actions including selling assets, seeking strategic investments from third parties or reducing other discretionary uses of cash.

Our level of debt could have important consequences on our business including, but not limited to, increasing our vulnerability to general adverse economic and industry conditions, limiting the availability of our cash flow to fund future programming investments, capital expenditures, working capital, business activities and other general corporate requirements and limiting our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate. For information relating to our outstanding debt obligations, refer to Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations - Debt Financing Agreements" of our 2014 Form 10-K.

In addition, economic or market disruptions could lead to lower demand for our services, such as lower levels of advertising. These events would adversely impact our results of operations, cash flows and financial position. The revolving credit facility was not drawn upon at September 30, 2015. Total undrawn revolver commitments are available to be drawn for our general corporate purposes.

AMC Networks was in compliance with all of its debt covenants as of September 30, 2015.

## Cash Flow Discussion

The following table is a summary of cash flows provided by (used in) continuing operations and discontinued operations for the nine months ended September 30:

|  | 2015      | 2014        |
|--|-----------|-------------|
| Continuing operations:                                     |           |             |
| Cash provided by operating activities                      | \$300,973 | \$261,830   |
| Cash used in investing activities                          | (79,605)  | (1,052,097) |
| Cash (used in) provided by financing activities            | (108,666) | 577,790     |
| Net increase (decrease) in cash from continuing operations | 112,702   | (212,477)   |
| Discontinued operations:                                   |           |             |

|   |     |          |   |
|---|-----|----------|---|
| Net decrease in cash from discontinued operations | \$— | \$(2,955 | ) |
|---|-----|----------|---|

44

---

## Continuing Operations

### Operating Activities

Net cash provided by operating activities amounted to \$300,973 for the nine months ended September 30, 2015 as compared to \$261,830 for the nine months ended September 30, 2014. Net cash provided by operating activities for the nine months ended September 30, 2015 primarily resulted from \$914,748 of net income before amortization of program rights, depreciation and amortization, and other non-cash items, which was partially offset by payments for program rights of \$616,047. Additionally, net cash provided by operating activities increased due to an increase in accounts payable, accrued expenses and other liabilities of \$26,985 primarily related to timing of cash payments, an increase in taxes payable of \$16,107, an increase in deferred revenue of \$15,446 primarily related to advertising arrangements and a decrease in accounts receivable, trade of \$6,155 primarily related to timing of cash receipts. Decreases to operating cash flows consisted of an increase in prepaid expenses and other assets of \$43,665 primarily related to long-term receivables and payments related to deferred carriage fees, net of \$18,825.

Net cash provided by operating activities amounted to \$261,830 for the nine months ended September 30, 2014 resulted from \$714,021 of net income before amortization of program rights, deferred taxes, depreciation and amortization, and other non-cash items, which was partially offset by payments for program rights of \$510,384. Additionally, net cash provided by operating activities increased due to an increase in accounts payable, accrued expenses and other liabilities of \$25,042 primarily related to timing of cash payments, an increase in taxes payable of \$18,553, and a decrease in accounts receivable, trade of \$7,712 primarily related to the timing of cash receipts.

### Investing Activities

Net cash used in investing activities for the nine months ended September 30, 2015 and 2014 was \$79,605 and \$1,052,097, respectively. Capital expenditures were \$48,810 and \$24,340 for the nine months ended September 30, 2015 and 2014, respectively. For the nine months ended September 30, 2015, net cash used in investing activities included purchases of investments of \$24,250 and the payment for the acquisition of a small international channel, net of cash acquired of \$6,545. For the nine months ended September 30, 2014, net cash used in investing activities primarily related to the payment for the acquisition of Chellomedia and a small international channel, net of cash acquired of \$1,024,427.

### Financing Activities

Net cash used in financing activities amounted to \$108,666 for the nine months ended September 30, 2015 as compared to net cash provided by financing activities of \$577,790 for the nine months ended September 30, 2014. For the nine months ended September 30, 2015, financing activities consisted of the payment of a \$40,000 promissory note issued in connection with the acquisition of New Video, principal payments on long-term debt of \$55,500, taxes paid in lieu of shares issued for equity-based compensation of \$14,454, distributions to noncontrolling interest of \$3,154 and principal payments on capital leases of \$2,392, partially offset by the excess tax benefits from share-based compensation arrangements of \$4,297, contributions from noncontrolling interest of \$1,354 and proceeds from stock option exercises of \$1,183.

Net cash provided by financing activities amounted to \$577,790 for the nine months ended September 30, 2014. Financing activities consisted of proceeds from the issuance of long-term debt of \$600,000, which was used to fund a portion of the Chellomedia purchase price, the excess tax benefits from share-based compensation arrangements of \$5,662, and proceeds from stock option exercises of \$1,070, partially offset by treasury stock acquired from the acquisition of restricted shares of \$17,804, payments for financing costs of \$9,266, and principal payments on capital leases of \$2,707.

### Contractual Obligations

As of September 30, 2015, our contractual obligations not reflected on the condensed consolidated balance sheet increased \$66,074 to \$1,473,227 as compared to \$1,407,153 at December 31, 2014. The increase relates primarily to program rights obligations and transmission commitments.

### Critical Accounting Policies and Estimates

We describe our significant accounting policies in Note 2 to the Company's Consolidated Financial Statements included in our 2014 Form 10-K. We discuss our critical accounting estimates in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the same 2014 Form 10-K. There have been no significant changes in our significant accounting policies or critical accounting estimates since December 31, 2014.

Recently Issued Accounting Pronouncements

See Note 1 to the accompanying Condensed Consolidated Financial Statements of the Company for a discussion of recently issued accounting pronouncements.

45

---

### Item 3. Quantitative and Qualitative Disclosures About Market Risk.

All dollar amounts included in the following discussion under this Item 3 are presented in thousands.

#### Fair Value of Debt

Based on the level of interest rates prevailing at September 30, 2015, the fair value of our fixed rate debt of \$1,313,320 was more than its carrying value of \$1,282,529 by \$30,791. The fair value of these financial instruments is estimated based on reference to quoted market prices for these or comparable securities. A hypothetical 100 basis point decrease in interest rates prevailing at September 30, 2015 would increase the estimated fair value of our fixed rate debt by approximately \$41,300 to approximately \$1,354,700.

#### Managing our Interest Rate Risk

To manage interest rate risk, we enter into interest rate swap contracts from time to time to adjust the amount of total debt that is subject to variable interest rates. Such contracts effectively fix the borrowing rates on floating rate debt to limit the exposure against the risk of rising rates. We do not enter into interest rate swap contracts for speculative or trading purposes and we only enter into interest rate swap contracts with financial institutions that we believe are creditworthy counterparties. We monitor the financial institutions that are counterparties to our interest rate swap contracts and to the extent possible diversify our swap contracts among various counterparties to mitigate exposure to any single financial institution.

As of September 30, 2015, we had \$2,705,946 of debt outstanding (excluding capital leases), of which \$1,423,417 is outstanding under the credit facility and is subject to variable interest rates (before consideration of the interest rate swaps contracts described below).

As of September 30, 2015, we had interest rate swap contracts outstanding with notional amounts aggregating \$269,188. The aggregate fair value of interest rate swap contracts at September 30, 2015 was a liability of \$3,359 (consisting of \$941 included in accrued liabilities and \$2,418 in other liabilities). As a result of these transactions, the interest rate paid on approximately 57% of the Company's debt (excluding capital leases) as of September 30, 2015 is effectively fixed (47% being fixed rate obligations and 10% effectively fixed through utilization of these interest rate swap contracts). Accumulated other comprehensive income (loss) consists of \$552 of cumulative unrealized losses, net of tax, on the portion of floating-to-fixed interest rate swap contracts designated as cash flow hedges. At September 30, 2015, our interest rate swap contracts designated as cash flow hedges were highly effective, in all material respects.

A hypothetical 100 basis point increase in interest rates prevailing at September 30, 2015 would not have a material impact on our annual interest expense.

#### Managing our Foreign Currency Exchange Rate Risk

Historically, our exposure to foreign currency fluctuations was limited to certain trade receivables from the distribution of our programming in certain territories outside of the U.S. that are denominated in a foreign currency. Following the Chellomedia acquisition, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our or our subsidiaries' respective functional currencies (non-functional currency risk), such as affiliation agreements, programming contracts, certain accounts payable and trade receivables (including intercompany amounts) that are denominated in a currency other than the applicable functional currency. Changes in exchange rates with respect to the translation of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity will result in unrealized transaction gains and losses (based upon period-end exchange rates). Unrealized foreign currency transaction gains or losses are non-cash in nature until such time as the amounts are settled. Realized foreign currency transaction gains and losses will result upon settlement of the transactions. Moreover, to the extent that our revenue, costs and expenses are denominated in currencies other than our respective functional currencies, we will experience fluctuations in our revenue, costs and expenses solely as a result of changes in foreign currency exchange rates. The Company recognized \$8,967 of foreign currency transaction losses, net for the nine months ended September 30, 2015. Such amount is included in miscellaneous, net in the condensed consolidated statement of income.

To manage foreign currency exchange rate risk, we may enter into foreign currency contracts from time to time with financial institutions to limit our exposure to fluctuations in foreign currency exchange rates. We do not enter into foreign currency contracts for speculative or trading purposes.

We also are exposed to fluctuations of the U.S. dollar (our reporting currency) against the currencies of our operating subsidiaries when their respective financial statements are translated into U.S. dollars for inclusion in our condensed consolidated financial statements. Cumulative translation adjustments are recorded in accumulated other comprehensive income (loss) as a separate component of equity. Any increase (decrease) in the value of the U.S. dollar against any foreign currency that is the functional currency of one of our operating subsidiaries will cause us to experience unrealized foreign currency translation losses (gains) with respect to amounts already invested in such foreign currencies. Accordingly, we may experience a negative impact on our comprehensive income (loss) and equity with respect to our holdings solely as a result of changes in foreign currency exchange rates.

Item 4. Controls and Procedures.

Disclosure Controls and Procedures

An evaluation was carried out under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). Based upon that evaluation as of September 30, 2015, the Company's Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective.

Changes in Internal Control over Financial Reporting

During the nine months ended September 30, 2015, there were no changes in the Company's internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings.

Since our 2014 Form 10-K, there have been no material developments in legal proceedings in which we are involved. See Note 15, Commitments and Contingencies to the consolidated financial statements included in our 2014 Form 10-K.

Item 6. Exhibits.

(a) Index to Exhibits.

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Certifications of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350.

101.INS XBRL Instance Document.

101.SCH XBRL Taxonomy Extension Schema Document.

101.CAL XBRL Taxonomy Extension Calculation Linkbase Document.

101.DEF XBRL Taxonomy Extension Definition Linkbase.

101.LAB XBRL Taxonomy Extension Label Linkbase Document.

101.PRE XBRL Taxonomy Extension Presentation Linkbase Document.



**SIGNATURES**

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

AMC Networks Inc.

Date: November 5, 2015

By: /s/ Sean S. Sullivan  
Sean S. Sullivan  
Executive Vice President and Chief Financial Officer