CLEAR CHANNEL COMMUNICATIONS INC
Form 10-K
March 10, 2006

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549
FORM 10-K

þ **Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended December 31, 2005,

or

o **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 1-9645
CLEAR CHANNEL COMMUNICATIONS, INC.
(Exact name of registrant as specified in its charter)

Texas	74-1787539
(State of Incorporation)	(I.R.S. Employer Identification No.)

200 East Basse Road
San Antonio, Texas 78209
Telephone (210) 822-2828
(Address, including zip code, and telephone number,
including area code, of registrant s principal executive offices)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, $0.10 par value per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. YES þ NO o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. YES o NO þ

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 þ NO o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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

Large accelerated filer þ Accelerated filer o Non-accelerated filer o

Indicate by checkmark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2). YES o NO þ

As of June 30, 2005, the aggregate market value of the Common Stock beneficially held by non-affiliates of the registrant was approximately $10.8 billion based on the closing sale price as reported on the New York Stock Exchange. (For purposes hereof, directors, executive officers and 10% or greater shareholders have been deemed affiliates).

On February 28, 2006, there were 516,831,938 outstanding shares of Common Stock, excluding 21,760,838 shares held in treasury.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of our Definitive Proxy Statement for the 2006 Annual Meeting, expected to be filed within 120 days of our fiscal year end, are incorporated by reference into Part III.

CLEAR CHANNEL COMMUNICATIONS, INC.
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PART I

ITEM 1. Business

The Company

Clear Channel Communications, Inc. is a diversified media company with three reportable business segments: radio broadcasting, outdoor advertising, which is reported geographically as the Americas and international. We were incorporated in Texas in 1974. As of December 31, 2005, we owned 1,182 radio stations and a leading national radio network operating in the United States. In addition, we had equity interests in various international radio broadcasting companies. For the year ended December 31, 2005, the radio broadcasting segment represented 53% of our total revenue. As of December 31, 2005, we also owned or operated 164,634 Americas outdoor advertising display faces and 710,638 international outdoor advertising display faces. For the year ended December 31, 2005, the Americas and international outdoor advertising segments represented 18% and 22% of our total revenue, respectively. As of December 31, 2005 we also owned or programmed 41 television stations and own a media representation firm, as well as other general support services and initiatives, all of which are within the category other . This segment represented 7% of our total revenue for the year ended December 31, 2005. Prior to December 21, 2005, we also operated a live entertainment and sports representation business.

Our principal executive offices are located at 200 East Basse Road, San Antonio, Texas 78209 (telephone: 210-822-2828).

On April 29, 2005, we announced a plan to strategically realign our businesses. The plan included an initial public offering, or IPO, of approximately 10% of the common stock of Clear Channel Outdoor Holdings, Inc., or CCO, comprised of our Americas and international outdoor segments, and a 100% spin-off of our live entertainment segment and sports representation business, which now operates under the name Live Nation. We completed the IPO on November 11, 2005 and the spin-off on December 21, 2005.

The IPO consisted of the sale of 35.0 million shares of Class A common stock of CCO, our indirect, wholly owned subsidiary prior to the IPO. After the offering, we own all of CCO s outstanding shares of Class B common stock, representing approximately 90% of the outstanding shares of CCO s common stock and approximately 99% of the total voting power of CCO s common stock. The net proceeds from the offering, after deducting underwriting discounts and offering expenses, was approximately $600.6 million. All of the net proceeds of the offering were used to repay a portion of the outstanding balances of intercompany notes owed to us by CCO.

The spin-off consisted of a dividend of .125 share of Live Nation common stock for each share of our common stock held on December 21, 2005, the date of the distribution. Our Board of Directors determined that the spin-off was in the best interests of our shareholders because: (i) it would enhance both our success and the success of Live Nation by enabling each company to resolve management and systemic problems that arose by the operation of the businesses within a single affiliated group; (ii) it would improve the competitiveness of our business by resolving inherent conflicts and the appearance of such conflicts with artists and promoters; (iii) it would simplify and reduce our and Live Nation s regulatory burdens and risks; (iv) it would enhance our ability and the ability of Live Nation to issue equity efficiently and effectively for acquisitions and financings; and (v) it would enhance the efficiency and effectiveness of our and Live Nation s equity-based compensation.

Operating Segments

After the realignment, our business consists of three reportable operating segments: radio broadcasting, Americas outdoor advertising and international outdoor advertising. The radio broadcasting segment includes radio stations for which we are the licensee and for which we program and/or sell air time under local marketing agreements or joint sales agreements. The radio broadcasting segment also operates radio networks. Our Americas outdoor advertising segment consists of our operations in the United States, Canada and Latin America, with approximately 94% of our 2005 revenues in this segment derived from the United States. Our international outdoor advertising segment consists of our advertising operations in Europe, Australia, Asia and Africa, with approximately 51% of our 2005 revenues in this segment derived from France and the United Kingdom. The Americas and international outdoor advertising segments include advertising display faces which we own or operate under lease management agreements. We also own television stations and a media representation business.

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Information relating to the operating segments of our radio broadcasting, Americas outdoor advertising and international outdoor advertising operations for 2005, 2004 and 2003 is included in Note O Segment Data in the Notes to Consolidated Financial Statements in Item 8 included elsewhere in this Report.

Company Strategy

Utilize media assets to serve the needs of local communities

Our strategy is to serve the needs of the local communities in which we operate by using our media assets to provide products and services on a local, regional and national level and to be a contributing member of the communities in which we operate. We believe that by serving the needs of local communities, we will be able to grow revenues and earnings, creating economic value that will ultimately be translated into value for our shareholders.

Provide compelling content on our media assets

We are trusted with public radio and television airwaves. This trust requires our constant focus and determination to deliver the best product in order to attract listeners and viewers. We attract listeners and viewers by providing compelling musical, news and information content on our stations. We conduct research to determine what listeners and viewers want and deliver it to them on a continuous basis. We strive to maintain compelling programming to create listener and viewer loyalty. In addition, we bring content to our outdoor business to make our displays interesting and informative for consumers.

Provide diverse product mix to assist clients in selling their products and services

We believe one measure of our success is how well we assist our clients in selling their products and services. To this end, we offer advertisers a geographically diverse platform of media assets designed to provide the most efficient and cost-effective means to reach consumers. Our entrepreneurial managers work creatively and expertly to help our clients, at all levels, market their goods and services. If we are successful helping advertisers and sponsors reach their consumers, we will gain their continued business and long-term commitments. Those commitments build our revenue and ultimately build value for our shareholders.

Own more than one type of media in each of our markets

We seek to create situations in which we own more than one type of media in the same market. We have found that access to multiple types of media assets in a single market gives our clients more flexibility in the distribution of their messages. Aside from the added flexibility to our clients, this provides us ancillary benefits, such as the use of otherwise vacant advertising space to cross promote our other media assets, or the sharing of on-air talent and news and information across our radio and televisions stations.

Maintain an entrepreneurial culture

We maintain an entrepreneurial and customer-oriented culture by empowering local market managers to operate their businesses as separate profit centers, subject to centralized oversight. A portion of our managers compensation is dependent upon the financial success of their individual business units. This culture motivates local market managers to maximize our cash flow from operations by providing high quality service to our clients and seeking innovative ways to deploy capital to further grow their businesses. Our managers also have full access to our extensive centralized resources, including sales training, research tools, shared best practices, global procurement and financial and legal support.

Pursue strategic opportunities

We evaluate strategic opportunities both within and outside our existing lines of business and may from time to time purchase or sell assets or businesses. Although we have no definitive agreements with respect to significant acquisitions or dispositions not set forth in this report, we expect from time to time to pursue additional acquisitions and may decide to dispose of certain businesses. Such acquisitions or dispositions could be material.

Radio Broadcasting

Strategy

Our radio strategy centers on providing programming and services to the local communities in which we operate. By providing listeners with programming that is compelling, we are able to provide advertisers with an effective platform to reach their consumers. In the first quarter of 2005, we implemented a new initiative called *Less is More* in an effort to improve the appeal of our radio programming to our listeners as well as our advertisers. Specifically, we placed a lower ceiling on the amount of commercial minutes played per hour, as well as limiting the length and number of units in any given commercial break. In addition to reducing commercial capacity, we also reduced and limited the amount of promotional interruption on all of our radio stations. The specific ceilings apply to every radio station and vary by format and time of day. We believe this new strategy has improved the experience for listeners while providing advertisers with more effective opportunities and value for their advertising dollar.

We compete in our markets with all advertising media, including satellite radio, television, newspapers, outdoor advertising, direct mail, cable television, yellow pages, the Internet, wireless media alternatives, cellular phones and other forms of advertisement. Therefore, our radio strategy also entails improving the ongoing operations of our stations through effective programming, reduction of costs and aggressive promotion, marketing and sales. Our broad programming and content across our geographically diverse portfolio of radio stations allows us to deliver targeted messages for specific audiences to advertisers on a local, regional and national basis. We believe owning multiple radio stations in a market allows us to provide our listeners with a more diverse programming selection and a more efficient means for our advertisers to reach those listeners. By owning multiple stations in a market, we are also able to operate our stations with more highly skilled local management teams and eliminate duplicative operating and overhead expenses.

Sources of Revenue

Most of our radio broadcasting revenue is generated from the sale of local and national advertising. Additional revenue is generated from network compensation and event payments, barter and other miscellaneous transactions. Our radio stations employ various formats for their programming. A station s format can be important in determining the size and characteristics of its listening audience. Advertising rates charged by a radio station are based primarily on the station s ability to attract audiences having certain demographic characteristics in the market area that advertisers want to reach, as well as the number of stations and other advertising media competing in the market and the relative demand for radio in any given market.

Advertising rates generally are the highest during morning and evening drive-time hours. Depending on the format of a particular station, there are certain numbers of advertisements that are broadcast each hour. We determine the number of advertisements broadcast hourly that can maximize available revenue dollars without jeopardizing listening levels.

Radio Stations

As of December 31, 2005, we owned 360 AM and 822 FM domestic radio stations, of which 150 stations were in the top 25 U.S. markets according to the Arbitron rankings as of January 2006. In addition, we currently own equity interests in various international radio broadcasting companies located in Australia, New Zealand and Mexico, which we account for under the equity method of accounting. The following table sets forth certain selected information with regard to our radio broadcasting stations.

Market	Market Rank*	Number of Stations
New York, NY	1	5
Los Angeles, CA	2	8
Chicago, IL	3	6
San Francisco, CA	4	7
Dallas-Ft. Worth, TX	5	6
Philadelphia, PA	6	6
Houston-Galveston, TX	7	8
Washington, DC	8	8
Detroit, MI	9	7
Atlanta, GA	10	6
Boston, MA	11	4
Miami-Ft. Lauderdale-Hollywood, FL	12	7
Seattle-Tacoma, WA	14	5
Phoenix, AZ	15	8
Minneapolis-St. Paul, MN	16	7
San Diego, CA	17	8
Nassau-Suffolk (Long Island), NY	18	2
Tampa-St. Petersburg-Clearwater, FL	19	8
St. Louis, MO	20	6
Baltimore, MD	21	3
Denver-Boulder, CO	22	8
Pittsburgh, PA	23	6
Portland, OR	24	5
Cleveland, OH	25	6
Sacramento, CA	26	4
Riverside-San Bernardino, CA	27	5
Cincinnati, OH	28	8
San Antonio, TX	30	8
Salt Lake City-Ogden-Provo, UT	31	7
Las Vegas, NV	32	4
Milwaukee-Racine, WI	33	6
San Jose, CA	34	3
Charlotte-Gastonia-Rock Hill, NC-SC	35	5
Providence-Warwick-Pawtucket, RI	36	4
Orlando, FL	37	7
Columbus, OH	38	5
Norfolk-Virginia Beach-Newport News, VA	40	4
Indianapolis, IN	41	3
Austin, TX	42	6
Raleigh-Durham, NC	43	4
Nashville, TN	44	5
Greensboro-Winston Salem-High Point, NC	45	4
West Palm Beach-Boca Raton, FL	46	7
New Orleans, LA	47	7
Jacksonville, FL	48	7

Memphis, TN	49	6
Hartford-New Britain-Middletown, CT	50	5

Market	Market Rank*	Number of Stations
Oklahoma City, OK	53	5
Rochester, NY	54	7
Louisville, KY	55	8
Richmond, VA	56	6
Birmingham, AL	57	4
Dayton, OH	58	8
McAllen-Brownsville-Harlingen, TX	59	5
Greenville-Spartanburg, SC	60	6
Tucson, AZ	61	7
Albany-Schenectady-Troy, NY	62	7
Honolulu, HI	63	7
Ft. Myers-Naples-Marco Island, FL	64	3
Tulsa, OK	65	6
Fresno, CA	66	8
Grand Rapids, MI	67	7
Allentown-Bethlehem, PA	68	4
Albuquerque, NM	70	8
Omaha-Council Bluffs, NE-IA	72	5
Akron, OH	73	6
Sarasota-Bradenton, FL	74	6
Wilmington, DE	75	2
El Paso, TX	76	5
Syracuse, NY	77	7
Harrisburg-Lebanon-Carlisle, PA	78	6
Monterey-Salinas-Santa Cruz, CA	79	4
Bakersfield, CA	81	6
Springfield, MA	82	4
Baton Rouge, LA	83	6
Toledo, OH	84	3
Little Rock, AR	85	5
Charleston, SC	88	6
Columbia, SC	90	6
Des Moines, IA	91	5
Spokane, WA	92	6
Mobile, AL	93	5
Melbourne-Titusville-Cocoa, FL	94	4
Wichita, KS	95	4
Madison, WI	96	6
Colorado Springs, CO	97	4
Ft. Pierce-Stuart-Vero Beach, FL	100	5
Various U.S. Cities	101-150	148
Various U.S. Cities	151-200	131
Various U.S. Cities	201-250	134
Various U.S. Cities	251+	104
Various U.S. Cities	unranked	169

Total [a]	1,182

* Per Arbitron Rankings as of January, 2006

(a) Excluded from the 1,182 radio stations owned or operated by us are 11 radio stations programmed pursuant to a local marketing agreement or a joint sales agreement (FCC licenses not owned by us) and three Mexican radio stations that we provide programming to and sell airtime under exclusive sales agency arrangements. Also excluded are radio stations in Australia, New Zealand and Mexico for which we own a 50%, 50% and 40% equity interest respectively.

Radio Networks

In addition to radio stations, our radio broadcasting segment includes a national radio network that produces or distributes more than 70 syndicated radio programs and services for more than 5,000 radio stations. Some of our more popular radio programs include *Rush Limbaugh, Delilah* and *Bob and Tom Show*. We also own various sports, news and agriculture networks serving Georgia, Ohio, Iowa, Kentucky, Arkansas, Illinois, Oklahoma and Florida.

Outdoor Advertising

Strategy

We seek to capitalize on our global network and diversified product mix to maximize revenues and increase profits. We believe we can increase our operating margins by spreading our fixed investment costs over our broad asset base. In addition, by sharing best practices from both the Americas and internationally, we believe we can quickly and effectively replicate our successes throughout the markets in which we operate. We believe that our diversified product mix and long-standing presence in many of our existing markets provide us with the platform necessary to launch new products and test new initiatives in a reliable and cost-effective manner.

We seek to enhance revenue opportunities by focusing on specific initiatives that highlight the value of outdoor advertising relative to other media. We have made significant investments in research tools that enable our clients to better understand how our displays can successfully reach their target audiences and promote their advertising campaigns. Also, we are working closely with clients, advertising agencies and other diversified media companies to develop more sophisticated systems that will provide improved demographic measurements of outdoor advertising. We believe that these measurement systems will further enhance the attractiveness of outdoor advertising for both existing clients and new advertisers.

We continue to focus on achieving operating efficiencies throughout our global network. For example, in most of our U.S. markets, we have been transitioning our compensation programs in our operations departments from hourly-wage scales to productivity-based programs. We have decreased operating costs and capital needs by introducing energy-saving lighting systems and innovative processes for changing advertising copy on our displays. Additionally, in certain heavy storm areas, we have converted large format billboards to sectionless panels that face less wind resistance, reducing our weather-related losses in such areas.

We believe that customer service is critical, and we have made significant commitments to provide innovative services to our clients. For example, we provide our U.S. clients with online access to information about our inventory, including pictures, locations and other pertinent display data that is helpful in their buying decisions. Additionally, in the United States we recently introduced a service guaranty in which we have committed to specific monitoring and reporting services to provide greater accountability and enhance customer satisfaction. We also introduced a proprietary online proof-of-performance system that is an additional tool our clients may use to measure our accountability. This system provides our clients with information about the dates on which their advertising copy is installed or removed from any display in their advertising program.

Advances in electronic displays, including flat screens, LCDs and LEDs, as well as corresponding reductions in costs, allow us to provide these technologies as alternatives to traditional methods of displaying our clients advertisements. These electronic displays may be linked through centralized computer systems to instantaneously and simultaneously change static advertisements on a large number of displays. We believe that these capabilities will allow us to transition from selling space on a display to a single advertiser to selling time on that display to multiple advertisers. We believe this transition will create new advertising opportunities for our existing clients and will attract new advertisers, such as certain retailers that desire to change advertisements frequently and on short notice. For example, these technologies will allow retailers to promote weekend sales with the flexibility during the sales to make multiple changes to the advertised products and prices.

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Outdoor Advertising Americas

Sources of Revenue

Outdoor advertising revenue is derived from the sale of advertising copy placed on our display inventory. Our display inventory consists primarily of billboards, street furniture displays and transit displays, with billboards contributing approximately 73% of our 2005 Americas revenues. The margins on our billboard contracts also tend to be higher than those on contracts for other displays.

Billboards

Our billboard inventory primarily includes bulletins and posters.

Bulletins

Bulletins vary in size, with the most common size being 14 feet high by 48 feet wide. Almost all of the advertising copy displayed on bulletins is computer printed on vinyl and transported to the bulletin where it is secured to the display surface. Because of their greater size and impact, we typically receive our highest rates for bulletins. Bulletins generally are located along major expressways, primary commuting routes and main intersections that are highly visible and heavily trafficked. Our clients may contract for individual bulletins or a network of bulletins, meaning the clients advertisements are rotated among bulletins to increase the reach of the campaign. Reach is the percent of a target audience exposed to an advertising message at least once during a specified period of time, typically during a period of four weeks. Our client contracts for bulletins generally have terms ranging from one month to one year, or longer.

Posters

Posters are available in two sizes, 30-sheet and 8-sheet displays. The 30-sheet posters are approximately 11 feet high by 23 feet wide, and the eight-sheet posters are approximately 5 feet high by 11 feet wide. Advertising copy for posters is printed using silk-screen or lithographic processes to transfer the designs onto paper that is then transported and secured to the poster surfaces. Posters generally are located in commercial areas on primary and secondary routes near point-of-purchase locations, facilitating advertising campaigns with greater demographic targeting than those displayed on bulletins. Our poster rates typically are less than our bulletin rates, and our client contracts for posters generally have terms ranging from four weeks to one year. Two types of posters are premiere panels and squares. Premiere displays are innovative hybrids between bulletins and posters that we developed to provide our clients with an alternative for their targeted marking campaigns. The premiere displays utilize one or more poster panels, but with vinyl advertising stretched over the panels similar to bulletins. Our intent is to combine the creative impact of bulletins with the additional reach and frequency of posters. Frequency is the average number of exposures an individual has to an advertising message during a specified period of time. Out-of-home frequency is typically measured over a four-week period.

Street Furniture Displays

Our street furniture displays, marketed under our global Adshel™ brand, are advertising surfaces on bus shelters, information kiosks, public toilets, freestanding units and other public structures, and primarily are located in major metropolitan cities and along major commuting routes. Generally, we own the street furniture structures and are responsible for their construction and maintenance. Contracts for the right to place our street furniture in the public domain and sell advertising space on them are awarded by municipal and transit authorities in competitive bidding processes governed by local law. Generally, these contracts have terms ranging from 10 to 20 years. As compensation for the right to sell advertising space on our street furniture structures, we pay the municipality or transit authority a fee or revenue share that is either a fixed amount or a percentage of the revenues derived from the street furniture displays. Typically, these revenue sharing arrangements include payments by us of minimum guaranteed amounts. Client contracts for street furniture displays typically have terms ranging from four weeks to one year, or longer, and, similar to billboards, may be for network packages.

Transit Displays

Our transit displays are advertising surfaces on various types of vehicles or within transit systems, including on the interior and exterior sides of buses, trains, trams and taxis and within the common areas of rail stations and airports. Similar to street furniture, contracts for the right to place our displays on such vehicles or within such transit systems and sell advertising space on them generally are awarded by public transit authorities in competitive bidding processes or are negotiated with private transit operators. These contracts typically have terms of up to five years. Our client contracts for transit displays generally have terms ranging from four weeks to one year, or longer.

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Other Inventory

The balance of our display inventory consists of spectaculars, mall displays and wallscapes. Spectaculars are customized display structures that often incorporate video, multidimensional lettering and figures, mechanical devices and moving parts and other embellishments to create special effects. The majority of our spectaculars are located in Dundas Square in Toronto, Times Square and Penn Plaza in New York City, Fashion Show in Las Vegas, Sunset Strip in Los Angeles and across from the Target Center in Minneapolis. Client contracts for spectaculars typically have terms of one year or longer. We also own displays located within the common areas of malls on which our clients run advertising campaigns for periods ranging from four weeks to one year. Contracts with mall operators grant us the exclusive right to place our displays within the common areas and sell advertising on those displays. Our contracts with mall operators generally have terms ranging from five to ten years. Client contracts for mall displays typically have terms ranging from six to eight weeks. A wallscape is a display that drapes over or is suspended from the sides of buildings or other structures. Generally, wallscapes are located in high-profile areas where other types of outdoor advertising displays are limited or unavailable. Clients typically contract for individual wallscapes for extended terms.

Advertising inventory and markets

At December 31, 2005, we owned or operated approximately 164,634 displays in our Americas outdoor segment. The following table sets forth certain selected information with regard to our Americas outdoor advertising inventory, with our markets listed in order of their DMA® region ranking (DMA® is a registered trademark of Nielson Media Research, Inc.):

DMA® Region Rank	Markets	Billboards Bulletins(1)	Billboards Posters	Street Furniture Displays	Transit Displays	Other Displays(2)	Total Displays
	United States						
1	New York, NY						18,614
2	Los Angeles, CA						11,729
3	Chicago, IL				(3)		11,612
4	Philadelphia, PA						5,408
5	Boston, MA (Manchester, NH)						6,893
6	San Francisco-Oakland-San Jose, CA						6,671
7	Dallas-Ft. Worth, TX						6,906
8	Washington, DC (Hagerstown, MD)						3,775
9	Atlanta, GA						3,284
10	Houston, TX				(3)		4,717
11	Detroit, MI						539
12	Tampa-St. Petersburg (Sarasota), FL						1,953
13	Seattle-Tacoma, WA						3,293
14	Phoenix (Prescott), AZ					(3)	1,465
15	Minneapolis-St. Paul, MN						1,978
16	Cleveland-Akron (Canton), OH						2,445
17	Miami-Ft. Lauderdale, FL					(3)	3,614
18	Denver, CO						824
19	Sacramento-Stockton-Modesto, CA						950
20	Orlando-Daytona Beach-Melbourne, FL						3,431
21	St. Louis, MO						234
22	Pittsburgh, PA				(3)		546
23	Portland, OR						1,269
24	Baltimore, MD					(3)	2,011
25	Indianapolis, IN						1,978
26	San Diego, CA					(3)	1,323

27	Charlotte, NC			12
28	Hartford-New Haven, CT			10
29	Raleigh-Durham (Fayetteville), NC			11
30	Nashville, TN			21
31	Kansas City, KS/MO	(3)		
32	Columbus, OH			1,401
33	Milwaukee, WI			1,689
34	Cincinnati, OH			8
36	Salt Lake City, UT			124
37	San Antonio, TX	(3)	(3)	3,006
38	West Palm Beach-Ft. Pierce, FL			377
41	Harrisburg-Lancaster-Lebanon-York, PA			31
42	Norfolk-Portsmouth-Newport News, VA			11
43	New Orleans, LA			2,775
44	Memphis, TN			2,220
45	Oklahoma City, OK			12

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DMA® Region Rank	Markets	Billboards Bulletins(1)	Billboards Posters	Street Furniture Displays	Transit Displays	Other Displays(2)	Total Displays
46	Albuquerque-Santa Fe, NM						1,091
48	Las Vegas, NV					(3)	12,475
49	Buffalo, NY						240
50	Louisville, KY						16
51	Providence-New Bedford						25
52	Jacksonville, FL						850
53	Austin, TX				(3)		16
54	Wilkes Barre-Scranton, PA						39
56	Fresno-Visalia, CA						11
60	Richmond-Petersburg, VA						12
64	Charleston-Huntington, WV						9
67	Wichita-Hutchinson, KS						667
71	Tucson (Sierra Vista), AZ						1,546
73	Des Moines-Ames, IA					(3)	651
86	Chattanooga, TN						1,558
88	Cedar Rapids-Waterloo-Iowa City-Dubuque, IA						12
89	Northpark, MS					(3)	6
93	Colorado Springs-Pueblo, CO						7
98	Johnstown-Altoona, PA						20
99	El Paso, TX (Las Cruces, NM)						1,297
102	Youngstown, OH						8
104	Ft. Smith-Fayetteville-Springdale-Rogers, AR						902
109	Tallahassee, FL-Thomasville, GA						9
112	Reno, NV						583
114	Sioux Falls (Mitchell), SD						19
115	Augusta, GA					(3)	16
122	Santa Barbara-Santa Maria-San Luis Obispo						4
125	Monterey-Salinas, CA						40
139	Wilmington, DE				(3)	(3)	1,001
143	Sioux City, IA						8
146	Lubbock, TX						16
148	Salisbury, MD				(3)		1,242
153	Palm Springs, CA						16
162	Ocala-Gainesville, FL						1,310
171	Billings, MT						8
177	Rapid City, SD						10
187	Grand Junction-Aspen-Montrose, CO						12
189	Great Falls, MT						14
	Non-U.S.						
n/a	Brazil						8,320
n/a	Canada						2,663
n/a	Chile						1,278
n/a	Mexico						4,908
n/a	Peru						2,529

Total Americas Displays	164,634

(1) Includes wallscapes.

(2) Includes spectaculars and mall displays.

(3) We have access to additional displays through arrangements with local advertising and other companies.

Outdoor Advertising International

Sources of Revenue

Outdoor advertising revenue is derived from the sale of advertising copy placed on our display inventory. Our international display inventory consists primarily of billboards, street furniture displays and transit displays in approximately 50 countries worldwide, with billboards and street furniture displays collectively contributing approximately 78% of our 2005 international revenues.

Billboards

The sizes of our international billboards are not standardized. The billboards vary in both format and size across our networks, with the majority of our international billboards being similar in size to our Americas posters (30-sheet and eight-sheet displays). Our international billboards are sold to clients as network packages with contract terms ranging from one to two weeks. Long-term client contracts are also available and typically have terms of up to one year.

Billboards include our spectacular and neon displays. DEFI, our international neon subsidiary, is a leading global provider of neon signs with approximately 400 displays in 17 countries worldwide. Client contracts for international neon signs typically have terms ranging from five to ten years.

Street Furniture Displays

Our international street furniture displays are substantially similar to their Americas counterparts, and include bus shelters, freestanding units, public toilets, various types of kiosks and benches. Internationally, contracts with municipal and transit authorities for the right to place our street furniture in the public domain and sell advertising on them typically range from 10 to 15 years. The major difference between our international and Americas street furniture businesses is in the nature of the municipal contracts. In the international outdoor advertising segment, these contracts typically require us to provide the municipality with a broader range of urban amenities such as public wastebaskets and lampposts, as well as space for the municipality to display maps or other public information. In exchange for providing such urban amenities and display space, we are authorized to sell advertising space on certain sections of the structures we erect in the public domain. Our international street furniture is typically sold to clients as network packages with contract terms ranging from one to two weeks. Long-term client contracts are also available and typically have terms of up to one year.

Transit Displays

Our international transit display contracts are substantially similar to their Americas counterparts, and typically require us to make only a minimal initial investment and few ongoing maintenance expenditures. Contracts with public transit authorities or private transit operators typically have terms ranging from three to seven years. Our client contracts for transit displays generally have terms ranging from two weeks to one year, or longer.

Other International Inventory

The balance of our international display inventory and revenues consists primarily of advertising revenue from mall displays, other small displays and, non-advertising revenue from sales of street furniture equipment, cleaning and maintenance services and production revenue. Internationally, our contracts with mall operators generally have terms ranging from five to ten years and client contracts for mall displays generally have terms ranging from one to two weeks, but are available for up to six months. Our international inventory includes other small displays that are counted as separate displays since they form a substantial part of our network and international revenues. Several of our international markets sell equipment or provide cleaning and maintenance services as part of a billboard or street furniture contract with a municipality. Production revenue relates to the production of advertising posters usually to small customers.

Advertising inventory and markets

At December 31, 2005, we owned or operated approximately 710,638 displays in our international outdoor segment. The following table sets forth certain selected information with regard to our international outdoor advertising inventory, with our markets listed in descending order according to 2005 revenue contribution:

International Markets	Billboards[1]	Street Furniture Displays	Transit Displays[2]	Other Displays[3]	Total Displays
France					169,385
United Kingdom					90,505
Italy					51,264
Spain					34,355
China [4]					54,586
Sweden					102,041
Switzerland					16,607
Belgium					22,739
Australia					13,183
Norway					20,554
Denmark					28,836

Ireland	5,975
Finland	44,633
Singapore	10,738
Holland	2,678
Turkey	5,904

International Markets	Billboards[1]	Street Furniture Displays	Transit Displays[2]	Other Displays[3]	Total Displays
Poland					12,365
Russia					4,627
New Zealand					3,124
Greece					1,197
Baltic States					14,554
India					656
Portugal					15
Germany					80
Hungary					25
Austria					4
United Arab Emirates					1
Czech Republic					5
Ukraine					2
		Total International Displays			710,638

(1) Includes spectaculars and neon displays.

(2) Includes small displays.

(3) Includes mall displays and other small displays.

(4) In July 2005, Clear Media became a consolidated subsidiary when we increased our investment to a controlling majority interest. Prior to July 2005, we had a non-controlling equity investment in Clear Media.

In addition to our displays owned and operated worldwide as of December 31, 2005, we have made equity investments in various out-of-home advertising companies that operate in the following markets:

Market	Company	Equity Investment	Billboards[1]	Street Furniture Displays	Transit Displays	Other Displays[2]
South Africa[3]	Clear Channel Independent	50.0%				
Italy	Alessi	34.3%				
Italy	AD Moving SpA	17.5%				
Hong Kong	Buspak	50.0%				
Thailand	Master & More	32.5%				
Korea	Ad Sky Korea	30.0%				
Belgium	MTB	49.0%				
Belgium	Streep	25.0%				
Denmark	City Reklame	45.0%				
Other Media Companies						
Norway	CAPA	50.0%				
Holland	HOA Events	49.0%				

(1) Includes spectaculars and neon displays.

(2) Includes mall displays and other small displays.

(3) Clear Channel Independent is headquartered and has the majority of its operations in South Africa, but also operates in other African countries such as Angola, Botswana, Lesotho, Malawi, Mauritius, Mozambique, Namibia, Swaziland, Tanzania, Uganda and Zambia.

Other

The other category includes our television business, our media representation firm, as well as other general support services and initiatives.

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Television

As of December 31, 2005, we owned, programmed or sold airtime for 41 television stations. Our television stations are affiliated with various television networks, including ABC, CBS, NBC, FOX, UPN, WB, Telemundo and two independent, non-affiliated stations. Television revenue is generated primarily from the sale of local and national advertising. Advertising rates depend primarily on the quantitative and qualitative characteristics of the audience we can deliver to the advertiser. Our sales personnel sell local advertising, while national advertising is primarily sold by national sales representatives.

The primary sources of programming for our ABC, NBC, CBS, FOX and Telemundo affiliated television stations are their respective networks, which produce and distribute programming in exchange for each station s commitment to air the programming at specified times and for commercial announcement time during the programming. We supply the majority of programming to our UPN and WB affiliates by selecting and purchasing syndicated television programs. We compete with other television stations within each market for these broadcast rights. We also provide local news programming for the majority of our television stations.

Media Representation

We own the Katz Media Group, a full-service media representation firm that sells national spot advertising time for clients in the radio and television industries throughout the United States. As of December 31, 2005, Katz Media represented over 3,200 radio stations and 380 television stations.

Katz Media generates revenues primarily through contractual commissions realized from the sale of national spot advertising airtime. National spot advertising is commercial airtime sold to advertisers on behalf of radio and television stations. Katz Media represents its media clients pursuant to media representation contracts, which typically have terms of up to ten years in length.

Employees

At February 28, 2006, we had approximately 26,500 domestic employees and 5,300 international employees of which approximately 31,100 were in operations and approximately 700 were in corporate related activities.

Regulation of Our Business

Existing Regulation and 1996 Legislation

Radio and television broadcasting are subject to the jurisdiction of the Federal Communications Commission under the Communications Act of 1934. The Communications Act prohibits the operation of a radio or television broadcasting station except under a license issued by the FCC and empowers the FCC, among other things, to:

- issue, renew, revoke and modify broadcasting licenses;
- assign frequency bands;
- determine stations frequencies, locations, and power;
- regulate the equipment used by stations;
- adopt other regulations to carry out the provisions of the Communications Act;
- impose penalties for violation of such regulations; and
- impose fees for processing applications and other administrative functions.

The Communications Act prohibits the assignment of a license or the transfer of control of a licensee without prior approval of the FCC.

The Telecommunications Act of 1996 represented a comprehensive overhaul of the country s telecommunications laws. The 1996 Act changed both the process for renewal of broadcast station licenses and the broadcast ownership rules. The 1996 Act established a two-step renewal process that limited the FCC s discretion to consider applications filed in competition with an incumbent s renewal application. The 1996 Act also liberalized the national broadcast ownership rules, eliminating the national radio limits and easing the national restrictions on TV ownership. The 1996

Act also relaxed local radio ownership restrictions, but left local TV ownership restrictions in place pending further FCC review.

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License Grant and Renewal

Under the 1996 Act, the FCC grants broadcast licenses to both radio and television stations for terms of up to eight years. The 1996 Act requires the FCC to renew a broadcast license if it finds that:

- the station has served the public interest, convenience and necessity;
- there have been no serious violations of either the Communications Act or the FCC s rules and regulations by the licensee; and
- there have been no other violations which taken together constitute a pattern of abuse.

In making its determination, the FCC may consider petitions to deny and informal objections, and may order a hearing if such petitions or objections raise sufficiently serious issues. The FCC, however, may not consider whether the public interest would be better served by a person or entity other than the renewal applicant. Instead, under the 1996 Act, competing applications for the incumbent s spectrum may be accepted only after the FCC has denied the incumbent s application for renewal of its license.

Although in the vast majority of cases broadcast licenses are renewed by the FCC, even when petitions to deny or informal objections are filed, there can be no assurance that any of our stations licenses will be renewed at the expiration of their terms.

Current Multiple Ownership Restrictions

The FCC has promulgated rules that, among other things, limit the ability of individuals and entities to own or have an attributable interest in broadcast stations and other specified mass media entities.

The 1996 Act mandated significant revisions to the radio and television ownership rules. With respect to radio licensees, the 1996 Act directed the FCC to eliminate the national ownership restriction, allowing one entity to own nationally any number of AM or FM broadcast stations. Other FCC rules mandated by the 1996 Act greatly eased local radio ownership restrictions. The maximum allowable number of radio stations that may be commonly owned in a market varies depending on the total number of radio stations in that market, as determined using a method prescribed by the FCC. In markets with 45 or more stations, one company may own, operate or control eight stations, with no more than five in any one service (AM or FM). In markets with 30-44 stations, one company may own seven stations, with no more than four in any one service. In markets with 15-29 stations, one entity may own six stations, with no more than four in any one service. In markets with 14 stations or less, one company may own up to five stations or 50% of all of the stations, whichever is less, with no more than three in any one service. These new rules permit common ownership of more stations in the same market than did the FCC s prior rules, which at most allowed ownership of no more than two AM stations and two FM stations even in the largest markets.

Irrespective of FCC rules governing radio ownership, however, the Antitrust Division of the United States Department of Justice and the Federal Trade Commission have the authority to determine that a particular transaction presents antitrust concerns. Following the passage of the 1996 Act, the Antitrust Division became more aggressive in reviewing proposed acquisitions of radio stations, particularly in instances where the proposed purchaser already owned one or more radio stations in a particular market and sought to acquire additional radio stations in the same market. The Antitrust Division has, in some cases, obtained consent decrees requiring radio station divestitures in a particular market based on allegations that acquisitions would lead to unacceptable concentration levels. The FCC generally will not approve radio acquisitions when antitrust authorities have expressed concentration concerns, even if the acquisition complies with the FCC s numerical station limits.

With respect to television, the 1996 Act directed the FCC to eliminate the then-existing 12-station national limit for station ownership and increase the national audience reach limitation from 25% to 35%. The 1996 Act left local TV ownership restrictions in place pending further FCC review, and in August 1999 the FCC modified its local television ownership rule. Under the current rule, permissible common ownership of television stations is dictated by Nielsen Designated Market Areas, or DMA®s. A company may own two television stations in a DMA® if the stations Grade B contours do not overlap. Conversely, a company may own television stations in separate DMA®s even if the stations service contours do overlap. Furthermore, a company may own two television stations in a DMA® with overlapping Grade B contours if (i) at least eight independently owned and operating full-power television stations, the Grade B

contours of which overlap with that of at least one of the commonly owned stations, will remain in the DMA® after the combination; and (ii) at least one of the commonly owned stations is not among the top four stations in the market in terms of audience share. The FCC will presumptively waive these criteria and allow the acquisition of a second same-market television station where the station being acquired is shown to be failed or failing (under specific FCC definitions of those terms), or authorized but unbuilt. A buyer seeking such a waiver must also demonstrate, in most cases, that it is the only buyer ready, willing, and able to operate the station, and that sale to an out-of-market buyer

would result in an artificially depressed price. Since the revision of the local television ownership rule, we have acquired a second television station in each of five DMA®s where we previously owned a television station. We have recently agreed to acquire a second television station in a sixth market and have applied to the FCC for approval of that acquisition.

The FCC has adopted rules with respect to so-called local marketing agreements, or LMAs, by which the licensee of one radio or television station provides substantially all of the programming for another licensee s station in the same market and sells all of the advertising within that programming. Under these rules, an entity that owns one or more radio or television stations in a market and programs more than 15% of the broadcast time on another station in the same service (radio or television) in the same market pursuant to an LMA is generally required to count the LMA station toward its media ownership limits even though it does not own the station. As a result, in a market where we own one or more radio or television stations, we generally cannot provide programming under an LMA to another station in the same service (radio or television) if we cannot acquire that station under the various rules governing media ownership.

In adopting its rules concerning television LMAs, however, the FCC provided grandfathering relief for LMAs that were in effect at the time of the rule change in August 1999. Television LMAs that were in place at the time of the new rules and were entered into before November 5, 1996, were allowed to continue at least through 2004, at which time the FCC planned to consider the future treatment of such LMAs in a biennial review proceeding. The FCC did not launch such a review proceeding in 2004, however, and in a recent rulemaking it has proposed instead to consider the future treatment of grandfathered LMAs in 2006. Such LMAs entered into after November 5, 1996 were allowed to continue until August 5, 2001, at which point they were required to be terminated unless they complied with the revised local television ownership rule.

We provide substantially all of the programming under LMAs to television stations in two markets where we also own a television station. Both of these television LMAs were entered into before November 5, 1996. Therefore, both of these television LMAs are permitted to continue at least through the FCC s next periodic (now quadrennial) ownership rule review, which has not yet commenced. Moreover, we may seek permanent grandfathering of these television LMAs by demonstrating to the FCC, among other things, the public interest benefits the LMAs have produced and the extent to which the LMAs have enabled the stations involved to convert to digital operation.

A number of cross-ownership rules pertain to licensees of television and radio stations. FCC rules generally prohibit an individual or entity from having an attributable interest in a radio or television station and a daily newspaper located in the same market.

Prior to August 1999, FCC rules also generally prohibited common ownership of a television station and one or more radio stations in the same market, although the FCC in many cases allowed such combinations under waivers of the rule. In August 1999, however, the FCC comprehensively revised its radio/television cross-ownership rule. The revised rule permits the common ownership of one television and up to seven same-market radio stations, or up to two television and six same-market radio stations, if the market will have at least twenty separately owned broadcast, newspaper and cable voices after the combination. Common ownership of up to two television and four radio stations is permissible when at least ten voices will remain, and common ownership of up to two television stations and one radio station is permissible in all markets regardless of voice count. The radio/television limits, moreover, are subject to the compliance of the television and radio components of the combination with the television duopoly rule and the local radio ownership limits, respectively. Waivers of the radio/television cross-ownership rule are available only where the station being acquired is failed (i.e., off the air for at least four months or involved in court-supervised involuntary bankruptcy or insolvency proceedings). A buyer seeking such a waiver must also demonstrate, in most cases, that it is the only buyer ready, willing, and able to operate the station, and that sale to an out-of-market buyer would result in an artificially depressed price.

There are more than 20 markets where we own both radio and television stations. In the majority of these markets, the number of radio stations we own complies with the limit imposed by the current rule. Our acquisition of television stations in five markets in our 2002 merger with The Ackerley Group resulted in our owning more radio stations in these markets than is permitted by the current rule. The FCC has given us a temporary period of time to divest the necessary radio or television stations to come into compliance with the rule. We have completed such divestiture with

respect to one such market and have requested an extension of time to complete such divestiture with respect to the other four markets. In the remaining markets where our number of radio stations exceeds the limit under the current rule, we are nonetheless authorized to retain our present television/radio combinations at least until the FCC s next periodic ownership rule review. As with grandfathered television LMAs, we may seek permanent authorization for our non-compliant radio/television combinations by demonstrating to the FCC, among other things, the public interest benefits the combinations have produced and the extent to which the combinations have enabled the television stations involved to convert to digital operation.

Under the FCC s ownership rules, an officer or director of our company or a direct or indirect purchaser of certain types of our securities could cause us to violate FCC regulations or policies if that purchaser owned or acquired an attributable interest in other media properties in the same areas as our stations or in a manner otherwise prohibited by the FCC. All officers and directors of a licensee and any direct or indirect parent, general partners, limited partners and limited liability company members who are not properly insulated from management activities, and stockholders who own five percent or more of the outstanding voting stock of a licensee or its parent, either directly or indirectly, generally will be deemed to have an attributable interest in the licensee. Certain institutional investors who exert no control or influence over a licensee may own up to twenty percent of a licensee s or its parent s outstanding voting stock before attribution occurs. Under current FCC regulations, debt instruments, non-voting stock, minority voting stock interests in corporations having a single majority shareholder, and properly insulated limited partnership and limited liability company interests as to which the licensee certifies that the interest holders are not materially involved in the management and operation of the subject media property generally are not subject to attribution unless such interests implicate the FCC s equity/debt plus, or EDP, rule. Under the EDP rule, an aggregate debt and/or equity interest in excess of 33% of a licensee s total asset value (equity plus debt) is attributable if the interest holder is either a major program supplier (providing over 15% of the licensee s station s total weekly broadcast programming hours) or a same-market media owner (including broadcasters, cable operators, and newspapers). To the best of our knowledge at present, none of our officers, directors or five percent or greater stockholders holds an interest in another television station, radio station, cable television system or daily newspaper that is inconsistent with the FCC s ownership rules and policies.

Developments and Future Actions Regarding Multiple Ownership Rules

Expansion of our broadcast operations in particular areas and nationwide will continue to be subject to the FCC s ownership rules and any further changes the FCC or Congress may adopt. Recent actions by and pending proceedings before the FCC, Congress and the courts may significantly affect our business.

The 1996 Act requires the FCC to review its remaining ownership rules biennially as part of its regulatory reform obligations (although, under recently enacted appropriations legislation, the FCC will be obligated to review the rules every four years rather than biennially). The first two biennial reviews did not result in any significant changes to the FCC s media ownership rules, although the first such review led to the commencement of several separate proceedings concerning specific rules.

In its third biennial review, which commenced in September 2002, the FCC undertook a comprehensive review and reevaluation of all of its media ownership rules, including incorporation of a previously commenced separate rulemaking on the radio ownership rules. This biennial review culminated in a decision adopted by the FCC in June 2003, in which the agency made significant changes to virtually all aspects of the existing media ownership rules. Among other things:

The FCC relaxed the local television ownership rule, allowing common ownership of two television stations in any DMA® with at least five operating commercial and non-commercial television stations. Under the modified rule, a company may own three television stations in a DMA® with at least 18 television stations. In either case, no single entity may own more than one television station that is among the top four stations in a DMA® based on audience ratings. In markets with eleven or fewer television stations, however, the modified rule would allow parties to seek waivers of the top four restriction and permit a case-by-case evaluation of whether joint ownership would serve the public interest, based on a liberalized set of waiver criteria.

The FCC eliminated its rules prohibiting ownership of a daily newspaper and a broadcast station, and limiting ownership of television and radio stations, in the same market. In place of those rules, the FCC adopted new cross-media limits that would apply to certain markets depending on the number of television stations in the relevant television DMA®. These limits would prohibit any cross-media ownership in markets with three or fewer television stations. In markets with between four and eight television stations, the cross-media limits would allow common ownership of one of the following three combinations: (1) one or more daily newspapers, one television station, and up to half of the radio stations that would be permissible under the local radio ownership limits; (2) one or more daily newspapers and as many radio stations as can be owned under the local

radio ownership limits (but no television stations); and (3) two television stations (provided that such ownership would be permissible under the local television ownership rule) and as many radio stations as can be owned under the local radio ownership limits (but no daily newspapers). No cross-media ownership limits would exist in markets with nine or more television stations.

The FCC relaxed the limitation on the nationwide percentage of television households a single entity is permitted to reach, raising the cap from 35% to 45%.

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With respect to local radio ownership, the FCC s June 2003 decision left in place the existing tiered numerical limits on station ownership in a single market. The FCC, however, completely revised the manner of defining local radio markets, abandoning the existing definition based on station signal contours in favor of a definition based on metro markets as defined by Arbitron. Under the modified approach, commercial and non-commercial radio stations licensed to communities within an Arbitron metro market, as well as stations licensed to communities outside the metro market but considered home to that market, are counted as stations in the local radio market for the purposes of applying the ownership limits. For geographic areas outside defined Arbitron metro markets, the FCC adopted an interim market definition methodology based on a modified signal contour overlap approach and initiated a further rulemaking proceeding to determine a permanent market definition methodology for such areas. The further proceeding is still pending. The FCC grandfathered existing combinations of owned stations that would not comply with the modified rules. However, the FCC ruled that such noncompliant combinations could not be sold intact except to certain eligible entities, which the agency defined as entities qualifying as a small business consistent with Small Business Administration standards.

In addition, the FCC s June 2003 decision ruled for the first time that radio joint sales agreements, or JSAs , by which the licensee of one radio station sells substantially all of the advertising for another licensee s station in the same market (but does not provide programming to that station), would be considered attributable to the selling party. Furthermore, the FCC stated that where the newly attributable status of existing JSAs and LMAs resulted in combinations of stations that would not comply with the modified rules, termination of such JSAs and LMAs would be required within two years of the modified rules effectiveness.

Numerous parties, including us, appealed the modified ownership rules adopted by the FCC in June 2003. These appeals were consolidated before the United States Court of Appeals for the Third Circuit. In September 2003, shortly before the modified rules were scheduled to take effect, that court issued a stay preventing the rules implementation pending the court s decision on appeal. In June 2004, the court issued a decision that upheld the modified ownership rules in certain respects and remanded them to the FCC for further justification in other respects. Among other things:

The court upheld the provision of the modified rules prohibiting common ownership of more than one top-four ranked television station in a market, but remanded the FCC s modified numerical limits applicable to same-market combinations of television stations. It also remanded the FCC s elimination of the requirement that, in a transaction that seeks a failing or failed station waiver of the television duopoly rule, the parties demonstrate that no out-of-market buyer is willing to purchase the station.

The court affirmed the FCC s repeal of the newspaper/broadcast cross-ownership rule, while also upholding the FCC s determination to retain some limits on cross-media ownership. However, the court remanded the FCC s cross-media limits for further explanation, finding that the FCC had failed to provide a reasoned analysis for the specific limitations it adopted.

With respect to the modified radio ownership rules, the court affirmed the FCC s switch to an Arbitron-based methodology for defining radio markets, its decision to include noncommercial stations when counting stations in a market, its limitations on transfer of existing combinations of stations that would not comply with the modified rules, its decision to make JSAs attributable to the selling party, and its decision to require termination within two years of the rules effectiveness of existing JSAs and LMAs that resulted in non-compliance with the modified radio rules. However, the court determined that the FCC had insufficiently justified its retention of the existing numerical station caps and remanded the numerical limits to the FCC for further explanation.

In its June 2004 decision, the court left in place the stay on the FCC s implementation of the modified media ownership rules. As a result, the FCC s rules governing local television ownership and radio/television cross-ownership, as modified in 1999, remain in effect. However, in September 2004 the court partially lifted its stay on the modified radio ownership rules, putting into effect the aspects of those rules that establish a new methodology for defining local radio markets and counting stations within those markets, limit our ability to transfer intact combinations of stations that do not comply with the new rules, make JSAs attributable, and require us to terminate within two years (i.e., by September 2006) those of our existing JSAs and LMAs which, because of their newly

attributable status, cause our station combinations in the relevant markets to be non-compliant with the new radio ownership rules. Moreover, in a market where we own one or more radio stations, we generally cannot enter into a JSA with another radio station if we could not acquire that station under the modified rules.

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In addition, the FCC has commenced a separate proceeding to consider whether television JSAs, like radio JSAs, should be attributed to the selling party. Such a rule, if adopted, could prevent us from entering into a JSA with another television station that we could not acquire under the local television ownership rules.

The FCC has not yet commenced its proceeding on remand of the modified media ownership rules. Those rules are also subject to further court appeals, various petitions for reconsideration before the FCC and possible actions by Congress. In the 2004 Consolidated Appropriations Act, Congress effectively overrode the FCC s modified national television ownership reach cap of 45% and set it at 39%. The legislation also changed the FCC s obligation to periodically review the media ownership rules from every two years to every four years.

We cannot predict the impact of any of these developments on our business. In particular, we cannot predict the ultimate outcome of the FCC s most recent media ownership proceeding or its effect on our ability to acquire broadcast stations in the future, to complete acquisitions that we have agreed to make, to continue to own and freely transfer groups of stations that we have already acquired, or to continue our existing agreements to provide programming to or sell advertising on stations we do not own. Moreover, we cannot predict the impact of future reviews or any other agency or legislative initiatives upon the FCC s broadcast rules. Further, the 1996 Act s relaxation of the FCC s ownership rules has increased the level of competition in many markets in which our stations are located.

Alien Ownership Restrictions

The Communications Act restricts the ability of foreign entities or individuals to own or hold certain interests in broadcast licenses. Foreign governments, representatives of foreign governments, non-U.S. citizens, representatives of non-U.S. citizens, and corporations or partnerships organized under the laws of a foreign nation are barred from holding broadcast licenses. Non-U.S. citizens, collectively, may own or vote up to twenty percent of the capital stock of a corporate licensee. A broadcast license may not be granted to or held by any entity that is controlled, directly or indirectly, by a business entity more than one-fourth of whose capital stock is owned or voted by non-U.S. citizens or their representatives, by foreign governments or their representatives or by non-U.S. business entities, if the FCC finds that the public interest will be served by the refusal or revocation of such license. The FCC has interpreted this provision of the Communications Act to require an affirmative public interest finding before a broadcast license may be granted to or held by any such entity, and the FCC has made such an affirmative finding only in limited circumstances. Since we serve as a holding company for subsidiaries that serve as licensees for our stations, we are effectively restricted from having more than one-fourth of our stock owned or voted directly or indirectly by non-U.S. citizens or their representatives, foreign governments, representatives of foreign governments or foreign business entities.

Other Regulations Affecting Broadcast Stations

General. The FCC has significantly reduced its past regulation of broadcast stations, including elimination of formal ascertainment requirements and guidelines concerning amounts of certain types of programming and commercial matter that may be broadcast. There are, however, statutes and rules and policies of the FCC and other federal agencies that regulate matters such as network-affiliate relations, the ability of stations to obtain exclusive rights to air syndicated programming, cable and satellite systems carriage of syndicated and network programming on distant stations, political advertising practices, obscenity and indecency in broadcast programming, application procedures and other areas affecting the business or operations of broadcast stations.

Indecency. Provisions of federal law regulate the broadcast of obscene, indecent or profane material. The FCC has substantially increased its monetary penalties for violations of these regulations. Congress currently has under consideration legislation that addresses the FCC s enforcement of its rules in this area. Potential changes to enhance the FCC s authority in this area include the ability to impose substantially higher monetary penalties, consider violations to be serious offenses in the context of license renewal applications, and, under certain circumstances, designate a license for hearing to determine whether such license should be revoked. We cannot predict the likelihood that this, or similar legislation, will ultimately be enacted into law.

Public Interest Programming. Broadcasters are required to air programming addressing the needs and interests of their communities of license, and to place issues/programs lists in their public inspection files to provide their communities with information on the level of public interest programming they air. In October 2000, the FCC commenced a proceeding seeking comment on whether it should adopt a standardized form for reporting information

on a station s public interest programming and whether it should require television broadcasters to post the new form as well as all other documents in their public inspection files either on station websites or the websites of state broadcasters associations. Moreover, in August 2003 the FCC introduced a Localism in Broadcasting initiative that, among other things, has resulted in the creation of an FCC Localism Task Force, localism hearings at various locations throughout the country, and the July 2004 initiation of a proceeding to consider whether additional FCC rules and procedures are necessary to promote localism in broadcasting.

Equal Employment Opportunity. The FCC s equal employment opportunity rules generally require broadcasters to engage in broad and inclusive recruitment efforts to fill job vacancies, keep a considerable amount of recruitment data and report much of this data to the FCC and to the public via stations public files and websites. The FCC is still considering whether to apply these rules to part-time employment positions. Broadcasters are also obligated not to engage in employment discrimination based on race, color, religion, national origin or sex.

Digital Radio. The FCC has adopted spectrum allocation and service rules for satellite digital audio radio service. Satellite digital audio radio service systems can provide regional or nationwide distribution of radio programming with fidelity comparable to compact discs. Two companies Sirius Satellite Radio Inc. and XM Radio have launched satellite digital audio radio service systems and are currently providing nationwide service. The FCC is currently considering what rules to impose on both licensees operation of terrestrial repeaters that support their satellite services. The FCC also has approved a technical standard for the provision of in band, on channel terrestrial digital radio broadcasting by existing radio broadcasters (except for nighttime broadcasting by AM stations, which is undergoing further testing), and has allowed radio broadcasters to convert to a hybrid mode of digital/analog operation on their existing frequencies. We and other broadcasters have intensified efforts to roll out terrestrial digital radio service. The FCC has commenced a rulemaking to address formal standards and related licensing and service rule changes for terrestrial digital audio broadcasting. We cannot predict the impact of either satellite or terrestrial digital audio radio service on our business.

Low Power FM Radio Service. In January 2000, the FCC created two new classes of noncommercial low power FM radio stations (LPFM). One class (LP100) is authorized to operate with a maximum power of 100 watts and a service radius of about 3.5 miles. The other class (LP10) is authorized to operate with a maximum power of 10 watts and a service radius of about 1 to 2 miles. In establishing the new LPFM service, the FCC said that its goal is to create a class of radio stations designed to serve very localized communities or underrepresented groups within communities. The FCC has accepted applications for LPFM stations and has granted some of these applications. In December 2000, Congress passed the Radio Broadcasting Preservation Act of 2000. This legislation requires the FCC to maintain interference protection requirements between LPFM stations and full-power radio stations on third-adjacent channels. It also requires the FCC to conduct field tests to determine the impact of eliminating such requirements. The FCC has commissioned a preliminary report on such impact and on the basis of that report, has recommended to Congress that such requirements be eliminated. We cannot predict the number of LPFM stations that eventually will be authorized to operate or the impact of such stations on our business.

Other. The FCC has adopted rules on children s television programming pursuant to the Children s Television Act of 1990 and rules requiring closed captioning of television programming. The FCC has also taken steps to implement digital television broadcasting in the U.S. Furthermore, the 1996 Act contains a number of provisions related to television violence. We cannot predict the effect of the FCC s present rules or future actions on our television broadcasting operations.

Finally, Congress and the FCC from time to time consider, and may in the future adopt, new laws, regulations and policies regarding a wide variety of other matters that could affect, directly or indirectly, the operation and ownership of our broadcast properties. In addition to the changes and proposed changes noted above, such matters have included, for example, spectrum use fees, political advertising rates, and potential restrictions on the advertising of certain products such as beer and wine. Other matters that could affect our broadcast properties include technological innovations and developments generally affecting competition in the mass communications industry, such as direct broadcast satellite service, the continued establishment of wireless cable systems and low power television stations, streaming of audio and video programming via the Internet, digital television and radio technologies, the establishment of a low power FM radio service, and possible telephone company participation in the provision of video programming service.

The foregoing is a brief summary of certain provisions of the Communications Act, the 1996 Act, and specific regulations and policies of the FCC thereunder. This description does not purport to be comprehensive and reference should be made to the Communications Act, the 1996 Act, the FCC s rules and the public notices and rulings of the FCC for further information concerning the nature and extent of federal regulation of broadcast stations. Proposals for additional or revised regulations and requirements are pending before and are being considered by Congress and

federal regulatory agencies from time to time. Also, various of the foregoing matters are now, or may become, the subject of court litigation, and we cannot predict the outcome of any such litigation or its impact on our broadcasting business.

Available Information

You can find more information about us at our Internet website located at www.clearchannel.com. Our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and any amendments to those reports are available free of charge on our Internet website as soon as reasonably practicable after we electronically file such material with the SEC.

Item 1A. Risk Factors

We Have a Large Amount of Indebtedness

We currently use a portion of our operating income for debt service. Our leverage could make us vulnerable to an increase in interest rates or a downturn in the operating performance of our businesses due to various factors including a decline in general economic conditions. At December 31, 2005, we had debt outstanding of $7.0 billion and shareholders equity of $8.8 billion. We may continue to borrow funds to finance capital expenditures, share repurchases, acquisitions or to refinance debt, as well as for other purposes. Our debt obligations could increase substantially because of additional share repurchase programs, special dividends, or acquisitions that may be approved by our Board as well as the debt levels of companies that we may acquire in the future.

Such a large amount of indebtedness could have negative consequences for us, including without limitation:

- limitations on our ability to obtain financing in the future;
- much of our cash flow will be dedicated to interest obligations and unavailable for other purposes;
- limiting our liquidity and operational flexibility in changing economic, business and competitive conditions which could require us to consider deferring planned capital expenditures, reducing discretionary spending, selling assets, restructuring existing debt or deferring acquisitions or other strategic opportunities;
- making us more vulnerable to an increase in interest rates, a downturn in our operating performance or a decline in general economic conditions; and
- making us more susceptible to changes in credit ratings which could, particularly in the case of a downgrade below investment grade, impact our ability to obtain financing in the future and increase the cost of such financing.

The failure to comply with the covenants in the agreements governing the terms of our or our subsidiaries indebtedness could be an event of default and could accelerate the payment obligations and, in some cases, could affect other obligations with cross-default and cross-acceleration provisions.

Our Business is Dependent Upon the Performance of Key Employees, On-Air Talent and Program Hosts

Our business is dependent upon the performance of certain key employees. We employ or independently contract with several on-air personalities and hosts of syndicated radio programs with significant loyal audiences in their respective markets. Although we have entered into long-term agreements with some of our executive officers, key on-air talent and program hosts to protect our interests in those relationships, we can give no assurance that all or any of these key employees will remain with us or will retain their audiences. Competition for these individuals is intense and many of our key employees are at-will employees who are under no legal obligation to remain with us. Our competitors may choose to extend offers to any of these individuals on terms which we may be unwilling to meet. In addition, any or all of our key employees may decide to leave for a variety of personal or other reasons beyond our control. Furthermore, the popularity and audience loyalty of our key on-air talent and program hosts is highly sensitive to rapidly changing public tastes. A loss of such popularity or audience loyalty is beyond our control and could limit our ability to generate revenues.

Doing Business in Foreign Countries Creates Certain Risks Not Found in Doing Business in the United States

Doing business in foreign countries carries with it certain risks that are not found in doing business in the United States. The risks of doing business in foreign countries that could result in losses against which we are not insured include:

- exposure to local economic conditions;

potential adverse changes in the diplomatic relations of foreign countries with the United States;

hostility from local populations;

the adverse effect of currency exchange controls;

restrictions on the withdrawal of foreign investment and earnings;

government policies against businesses owned by foreigners;

investment restrictions or requirements;

expropriations of property;

the potential instability of foreign governments;

the risk of insurrections;

risks of renegotiation or modification of existing agreements with governmental authorities;

foreign exchange restrictions;

withholding and other taxes on remittances and other payments by subsidiaries; and

changes in taxation structure.

Exchange Rates May Cause Future Losses in Our International Operations

Because we own assets overseas and derive revenues from our international operations, we may incur currency translation losses due to changes in the values of foreign currencies and in the value of the U.S. dollar. We cannot predict the effect of exchange rate fluctuations upon future operating results.

Extensive Government Regulation May Limit Our Broadcasting Operations

The federal government extensively regulates the domestic broadcasting industry, and any changes in the current regulatory scheme could significantly affect us. Our broadcasting businesses depend upon maintaining broadcasting licenses issued by the FCC for maximum terms of eight years. Renewals of broadcasting licenses can be attained only through the FCC s grant of appropriate applications. Although the FCC rarely denies a renewal application, the FCC could deny future renewal applications resulting in the loss of one or more of our broadcasting licenses.

The federal communications laws limit the number of broadcasting properties we may own in a particular area. While the Telecommunications Act of 1996 relaxed the FCC s multiple ownership limits, any subsequent modifications that tighten those limits could make it impossible for us to complete potential acquisitions or require us to divest stations we have already acquired. Most significantly, in June 2003 the FCC adopted a decision comprehensively modifying its media ownership rules. The modified rules significantly changed the FCC s regulations governing radio ownership, allowed increased ownership of TV stations at the local and national level, and permitted additional cross-ownership of daily newspapers, television stations and radio stations. Soon after their adoption, however, a federal court issued a stay preventing the implementation of the modified media ownership rules while it considered appeals of the rules by numerous parties (including us). In a June 2004 decision, the court upheld the modified rules in certain respects, remanded them to the FCC for further justification in other respects, and left in place the stay on their implementation. In September 2004, the court partially lifted its stay on the modified radio ownership rules, putting into effect aspects of those rules that established a new methodology for defining local radio markets and counting stations within those markets, limit our ability to transfer intact combinations of stations that do not comply with the new rules, and require us to terminate within two years (i.e., by September 2006) certain of our agreements whereby we provide programming to or sell advertising on radio stations we do not own. The modified media ownership rules are subject to various further FCC and court proceedings and recent and possible future actions by Congress. We cannot predict the ultimate outcome of the media ownership proceeding or its effect on our ability to acquire broadcast stations in the future, to complete acquisitions that we have agreed to make, to continue to own and freely transfer groups of stations that we have already acquired, or to continue our existing agreements to provide programming to or sell advertising on stations we do not own.

Moreover, the FCC s existing rules in some cases permit a company to own fewer radio stations than allowed by the Telecommunications Act of 1996 in markets or geographical areas where the company also owns television stations.

These rules could require us to divest radio stations we currently own in markets or areas where we also own television stations. Our acquisition of television stations in five local markets or areas in our merger with The Ackerley Group resulted in our owning more radio stations in these markets or areas than is permitted by these rules. The FCC has given us a temporary period of time to divest the necessary radio and/or television stations to come into compliance with the rules. We have completed such divestiture with respect to one such market and have requested an extension of time to complete such divestiture with respect to the other four markets.

Other changes in governmental regulations and policies may have a material impact on us. For example, we currently provide programming to several television stations we do not own. These programming arrangements are made through contracts known as local marketing agreements. The FCC s rules and policies regarding television local marketing agreements will restrict our ability to enter into television local marketing agreements in the future, and may eventually require us to terminate our programming arrangements under existing local marketing agreements. Moreover, the FCC has begun a proceeding to adopt rules that will restrict our ability to enter into television joint sales agreements, by which we sell advertising on television stations we do not own, and may eventually require us to terminate our existing agreements of this nature. Additionally, the FCC has adopted rules which under certain circumstances subject

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previously nonattributable debt and equity interests in communications media to the FCC s multiple ownership restrictions. These rules may limit our ability to expand our media holdings.

We May Be Adversely Affected By New Statutes Dealing With Indecency

Congress currently has under consideration legislation that addresses the FCC s enforcement of its rules concerning the broadcast of obscene, indecent, or profane material. Potential changes to enhance the FCC s authority in this area include the ability to impose substantially higher monetary penalties, consider violations to be serious offenses in the context of license renewal applications, and, under certain circumstances, designate a license for hearing to determine whether such license should be revoked. In the event that this or similar legislation is ultimately enacted into law, we could face increased costs in the form of fines and a greater risk that we could lose one or more of our broadcasting licenses.

Antitrust Regulations May Limit Future Acquisitions

Additional acquisitions by us of radio and television stations and outdoor advertising properties may require antitrust review by federal antitrust agencies and may require review by foreign antitrust agencies under the antitrust laws of foreign jurisdictions. We can give no assurances that the Department of Justice (DOJ) or the Federal Trade Commission or foreign antitrust agencies will not seek to bar us from acquiring additional radio or television stations or outdoor advertising properties in any market where we already have a significant position. Following passage of the Telecommunications Act of 1996, the DOJ has become more aggressive in reviewing proposed acquisitions of radio stations, particularly in instances where the proposed acquiror already owns one or more radio station properties in a particular market and seeks to acquire another radio station in the same market. The DOJ has, in some cases, obtained consent decrees requiring radio station divestitures in a particular market based on allegations that acquisitions would lead to unacceptable concentration levels. The DOJ also actively reviews proposed acquisitions of outdoor advertising properties. In addition, the antitrust laws of foreign jurisdictions will apply if we acquire international broadcasting properties.

Environmental, Health, Safety and Land Use Laws and Regulations May Limit or Restrict Some of Our Operations

As the owner or operator of various real properties and facilities, especially in our outdoor advertising operations, we must comply with various foreign, federal, state and local environmental, health, safety and land use laws and regulations. We and our properties are subject to such laws and regulations relating to the use, storage, disposal, emission and release of hazardous and non-hazardous substances and employee health and safety as well as zoning restrictions. Historically, we have not incurred significant expenditures to comply with these laws. However, additional laws, which may be passed in the future, or a finding of a violation of or liability under existing laws, could require us to make significant expenditures and otherwise limit or restrict some of our operations.

Government regulation of outdoor advertising may restrict our outdoor advertising operations

Changes in laws and regulations affecting outdoor advertising at any level of government, including laws of the foreign jurisdictions in which we operate, could have a significant financial impact on us by requiring us to make significant expenditures or otherwise limiting or restricting some of our operations.

U.S. federal, state and local regulations have had an impact on the outdoor advertising industry. One of the seminal laws was The Highway Beautification Act of 1965 (HBA), which regulates outdoor advertising on the 306,000 miles of Federal-Aid Primary, Interstate and National Highway Systems roads. HBA regulates the locations of billboards, mandates a state compliance program, requires the development of state standards, promotes the expeditious removal of illegal signs, and requires just compensation for takings. Size, spacing and lighting are regulated by state and local municipalities.

From time to time, certain state and local governments and third parties have attempted to force the removal of displays not governed by the HBA under various state and local laws, including amortization. Amortization permits the display owner to operate its display which does not meet current code requirements for a specified period of time, after which it must remove or otherwise conform its display to the applicable regulations at its own cost without any compensation. Several municipalities within our existing markets have adopted amortization ordinances. Other regulations limit our ability to rebuild or replace nonconforming displays and require us to remove or modify displays that are not in strict compliance with applicable laws. In addition, from time to time third parties or local governments

assert that we own or operate displays that either are not properly permitted or otherwise are not in strict compliance with applicable law. Such regulations and allegations have not had a material impact on our results of operations to date, but if we are increasingly unable to resolve such allegations or obtain acceptable arrangements in circumstances in which our displays are subject to removal, modification or amortization, or if there occurs an increase in such regulations or their enforcement, our results could suffer.

Legislation has from time to time been introduced in state and local jurisdictions attempting to impose taxes on revenues of outdoor advertising companies. Several jurisdictions have already imposed such taxes as a percentage of our gross receipts of outdoor advertising revenues in that jurisdiction. While these taxes have not had a material impact on our business and financial results to date, we expect states to continue to try to impose such taxes as a way of increasing revenues. The increased imposition of these taxes and our inability to pass on the cost of these taxes to our clients could negatively affect our operating income.

In addition, we are unable to predict what additional regulations may be imposed on outdoor advertising in the future. Legislation that would regulate the content of billboard advertisements and implement additional billboard restrictions has been introduced in Congress from time to time in the past.

International regulation of the outdoor advertising industry varies by region and country, but generally limits the size, placement, nature and density of out-of-home displays. Significant international regulations include the Law of December 29, 1979 in France, the Town and Country Planning (Control of Advertisements) Regulations 1992 in the United Kingdom, and Règlement Régional Urbain de l agglomération bruxelloise in Belgium. These laws define issues such as the extent to which advertisements can be erected in rural areas, the hours during which illuminated signs may be lit and whether the consent of local authorities is required to place a sign in certain communities. Other regulations limit the subject matter and language of out-of-home displays. For instance, the United States and most European Union countries, among other nations, have banned outdoor advertisements for tobacco products. Our failure to comply with these or any future international regulations could have an adverse impact on the effectiveness of our displays or their attractiveness to clients as an advertising medium and may require us to make significant expenditures to ensure compliance. As a result, we may experience a significant impact on our operations, revenues, international client base and overall financial condition.

Additional restrictions on outdoor advertising of tobacco, alcohol and other products may further restrict the categories of clients that can advertise using our products

Out-of-court settlements between the major U.S. tobacco companies and all 50 states, the District of Columbia, the Commonwealth of Puerto Rico and four other U.S. territories include a ban on the outdoor advertising of tobacco products. Other products and services may be targeted in the future, including alcohol products. Legislation regulating tobacco and alcohol advertising has also been introduced in a number of European countries in which we conduct business and could have a similar impact. Any significant reduction in alcohol-related advertising due to content-related restrictions could cause a reduction in our direct revenues from such advertisements and an increase in the available space on the existing inventory of billboards in the outdoor advertising industry.

Future Acquisitions Could Pose Risks

We may acquire media-related assets and other assets or businesses that we believe will assist our customers in marketing their products and services. Our acquisition strategy involves numerous risks, including:

- certain of our acquisitions may prove unprofitable and fail to generate anticipated cash flows;

- to successfully manage our large portfolio of broadcasting, outdoor advertising and other properties, we may need to:
  - Ø recruit additional senior management as we cannot be assured that senior management of acquired companies will continue to work for us and, in this highly competitive labor market, we cannot be certain that any of our recruiting efforts will succeed, and
  - Ø expand corporate infrastructure to facilitate the integration of our operations with those of acquired properties, because failure to do so may cause us to lose the benefits of any expansion that we decide to undertake by leading to disruptions in our ongoing businesses or by distracting our management;
- entry into markets and geographic areas where we have limited or no experience;

- we may encounter difficulties in the integration of operations and systems;

- our management s attention may be diverted from other business concerns; and

we may lose key employees of acquired companies or stations.

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

Capital Requirements Necessary to Implement Strategic Initiatives Could Pose Risks

The purchase price of possible acquisitions, share repurchases, special dividends and/or other strategic initiatives could require additional debt or equity financing on our part. Since the terms and availability of this financing depend to a large degree upon general economic conditions and third parties over which we have no control, we can give no assurance that we will obtain the needed financing or that we will obtain such financing on attractive terms. In addition, our ability to obtain financing depends on a number of other factors, many of which are also beyond our control, such as interest rates and national and local business conditions. If the cost of obtaining needed financing is too high or the terms of such financing are otherwise unacceptable in relation to the strategic opportunity we are presented with, we may decide to forego that opportunity. Additional indebtedness could increase our leverage and make us more vulnerable to economic downturns and may limit our ability to withstand competitive pressures. Additional equity financing could result in dilution to our shareholders.

We Face Intense Competition in the Broadcasting and Outdoor Advertising Industries

Our business segments are in highly competitive industries, and we may not be able to maintain or increase our current audience ratings and advertising and sales revenues. Our radio stations and outdoor advertising properties compete for audiences and advertising revenues with other radio stations and outdoor advertising companies, as well as with other media, such as newspapers, magazines, television, direct mail, satellite radio and Internet based media, within their respective markets. Audience ratings and market shares are subject to change, which could have the effect of reducing our revenues in that market. Our competitors may develop services or advertising media that are equal or superior to those we provide or that achieve greater market acceptance and brand recognition than we achieve. It is possible that new competitors may emerge and rapidly acquire significant market share in any of our business segments. Other variables that could adversely affect our financial performance by, among other things, leading to decreases in overall revenues, the numbers of advertising customers, advertising fees, or profit margins include:

- unfavorable economic conditions, both general and relative to the radio broadcasting, outdoor advertising and all related media industries, which may cause companies to reduce their expenditures on advertising;

- unfavorable shifts in population and other demographics which may cause us to lose advertising customers as people migrate to markets where we have a smaller presence, or which may cause advertisers to be willing to pay less in advertising fees if the general population shifts into a less desirable age or geographical demographic from an advertising perspective;

- an increased level of competition for advertising dollars, which may lead to lower advertising rates as we attempt to retain customers or which may cause us to lose customers to our competitors who offer lower rates that we are unable or unwilling to match;

- unfavorable fluctuations in operating costs which we may be unwilling or unable to pass through to our customers;

- technological changes and innovations that we are unable to adopt or are late in adopting that offer more attractive advertising, listening or viewing alternatives than what we currently offer, which may lead to a loss of advertising customers or to lower advertising rates;

- unfavorable changes in labor conditions which may require us to spend more to retain and attract key employees; and

- changes in governmental regulations and policies and actions of federal regulatory bodies which could restrict the advertising media which we employ or restrict some or all of our customers that operate in regulated areas from using certain advertising media, or from advertising at all.

New Technologies May Affect Our Broadcasting Operations

Our broadcasting businesses face increasing competition from new broadcast technologies, such as broadband wireless and satellite television and radio, and new consumer products, such as portable digital audio players and personal digital video recorders. These new technologies and alternative media platforms compete with our radio and television stations for audience share and advertising revenue, and in the case of some products, allow listeners and viewers to avoid traditional commercial advertisements. The FCC has also approved new technologies for use in the radio broadcasting industry, including the terrestrial delivery of digital audio broadcasting, which significantly enhances the sound quality of radio broadcasts. In the television broadcasting industry, the FCC has established standards and a timetable for the implementation of digital television broadcasting in the U.S. We are unable to predict the effect such technologies and related services and products will have on our broadcasting operations, but the capital expenditures necessary to implement such technologies could be substantial and other companies employing such technologies could compete with our businesses.

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We May be Adversely Affected by a General Deterioration in Economic Conditions

The risks associated with our businesses become more acute in periods of a slowing economy or recession, which may be accompanied by a decrease in advertising. A decline in the level of business activity of our advertisers could have an adverse effect on our revenues and profit margins. During the most recent economic slowdown in the United States, many advertisers reduced their advertising expenditures. The impact of slowdowns on our business is difficult to predict, but they may result in reductions in purchases of advertising.

We May Be Adversely Affected by the Occurrence of Extraordinary Events, Such as Terrorist Attacks

The occurrence of extraordinary events, such as terrorist attacks, intentional or unintentional mass casualty incidents or similar events may substantially decrease the use of and demand for advertising, which may decrease our revenues or expose us to substantial liability. The September 11, 2001 terrorist attacks, for example, caused a nationwide disruption of commercial activities. As a result of the expanded news coverage following the attacks and subsequent military actions, we experienced a loss in advertising revenues and increased incremental operating expenses. The occurrence of future terrorist attacks, military actions by the United States, contagious disease outbreaks or similar events cannot be predicted, and their occurrence can be expected to further negatively affect the economies of the United States and other foreign countries where we do business generally, specifically the market for advertising.

Caution Concerning Forward Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a safe harbor for forward-looking statements made by us or on our behalf. Except for the historical information, this report contains various forward-looking statements which represent our expectations or beliefs concerning future events, including the future levels of cash flow from operations. Management believes that all statements that express expectations and projections with respect to future matters, including the success of our strategic realignment of our businesses and our *Less is More* initiative; our ability to negotiate contracts having more favorable terms; and the availability of capital resources; are forward-looking statements within the meaning of the Private Securities Litigation Reform Act. We caution that these forward-looking statements involve a number of risks and uncertainties and are subject to many variables which could impact our financial performance. These statements are made on the basis of management s views and assumptions, as of the time the statements are made, regarding future events and business performance. There can be no assurance, however, that management s expectations will necessarily come to pass.

A wide range of factors could materially affect future developments and performance, including:

- the impact of general economic and political conditions in the U.S. and in other countries in which we currently do business, including those resulting from recessions, political events and acts or threats of terrorism or military conflicts;
- the impact of the geopolitical environment;
- our ability to integrate the operations of recently acquired companies;
- shifts in population and other demographics;
- industry conditions, including competition;
- fluctuations in operating costs;
- technological changes and innovations;
- changes in labor conditions;
- fluctuations in exchange rates and currency values;

- capital expenditure requirements;
- the outcome of pending and future litigation settlements;
- legislative or regulatory requirements;
- interest rates;
- the effect of leverage on our financial position and earnings;
- taxes;
- access to capital markets; and
- certain other factors set forth in our filings with the Securities and Exchange Commission.

This list of factors that may affect future performance and the accuracy of forward-looking statements is illustrative, but by no means exhaustive. Accordingly, all forward-looking statements should be evaluated with the understanding of their inherent uncertainty.

ITEM 1B. Unresolved Staff Comments

Not Applicable

ITEM 2. Properties

Corporate

Our corporate headquarters is in San Antonio, Texas, where we own a 55,000 square foot executive office building and a 120,000 square foot data and administrative service center.

Operations

Radio Broadcasting

Certain radio executive corporate operations moved to our executive corporate headquarters in San Antonio, Texas during 2002. The types of properties required to support each of our radio stations include offices, studios, transmitter sites and antenna sites. A radio station s studios are generally housed with its offices in downtown or business districts. A radio station s transmitter sites and antenna sites are generally located in a manner that provides maximum market coverage.

Americas Outdoor Advertising

The headquarters of our Americas outdoor advertising operations is in 7,750 square feet of leased office space in Phoenix, Arizona. The types of properties required to support each of our outdoor advertising branches include offices, production facilities and structure sites. An outdoor branch and production facility is generally located in an industrial/warehouse district.

International Outdoor Advertising

The headquarters of our international outdoor advertising operations is in 12,305 square feet of company owned office space in London, England. The types of properties required to support each of our outdoor advertising branches include offices, production facilities and structure sites. An outdoor branch and production facility is generally located in an industrial/warehouse district.

In both our Americas and international outdoor advertising segments, we own or have permanent easements on relatively few parcels of real property that serve as the sites for our outdoor displays. Our remaining outdoor display sites are leased. Our leases are for varying terms ranging from month-to-month to year-to-year and can be for terms of ten years or longer, and many provide for renewal options. There is no significant concentration of displays under any one lease or subject to negotiation with any one landlord. We believe that an important part of our management activity is to negotiate suitable lease renewals and extensions.

The studios and offices of our radio stations and outdoor advertising branches are located in leased or owned facilities. These leases generally have expiration dates that range from one to forty years. We either own or lease our transmitter and antenna sites. These leases generally have expiration dates that range from five to fifteen years. We do not anticipate any difficulties in renewing those leases that expire within the next several years or in leasing other space, if required. We own substantially all of the equipment used in our radio broadcasting and outdoor advertising businesses.

As noted in Item 1 above, as of December 31, 2005, we owned more than 1,100 radio stations and owned or leased over 875,000 outdoor advertising display faces in various markets throughout the world. See Business Operating Segments. Therefore, no one property is material to our overall operations. We believe that our properties are in good condition and suitable for our operations.

ITEM 3. Legal Proceedings

At the House Judiciary Committee hearing on July 24, 2003, an Assistant United States Attorney General announced that the DOJ was pursuing two separate antitrust inquiries concerning us. One inquiry is whether we have violated antitrust laws in one of our radio markets. No adverse action has been taken against the Company pursuant to this inquiry, and on February 27, 2006 we were informed by the DOJ that this investigation had been closed. The other inquiry concerns whether we have tied radio airplay or the use of certain concert venues to the use of the concert promotion services of our former live entertainment business, in violation of antitrust laws. No adverse action has been

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taken against the Company pursuant to this inquiry, and on February 10, 2006 we were informed by the DOJ that this investigation had been closed.

On September 9, 2003, the Assistant United States Attorney for the Eastern District of Missouri caused a Subpoena to Testify before Grand Jury to be issued to us. The Subpoena requires us to produce certain information regarding commercial advertising run by us on behalf of offshore and/or online (Internet) gambling businesses, including sports bookmaking and casino-style gambling. We are cooperating with such requirements.

On February 7, 2005, the Company received a subpoena from the State of New York Attorney General s office, requesting information on policies and practices regarding record promotion on radio stations in the state of New York. We are cooperating with this subpoena.

We are currently involved in certain legal proceedings and, as required, have accrued our estimate of the probable costs for the resolution of these claims. These estimates have been developed in consultation with counsel and are based upon an analysis of potential results, assuming a combination of litigation and settlement strategies. It is possible, however, that future results of operations for any particular period could be materially affected by changes in our assumptions or the effectiveness of our strategies related to these proceedings.

ITEM 4. Submission of Matters to a Vote of Security Holders

There were no matters submitted to a vote of security holders in the fourth quarter of fiscal year 2005.

PART II

ITEM 5. Market for Registrant s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock trades on the New York Stock Exchange under the symbol CCU. There were 3,520 shareholders of record as of February 28, 2006. This figure does not include an estimate of the indeterminate number of beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. The following table sets forth, for the calendar quarters indicated, the reported high and low sales prices of the common stock as reported on the NYSE.

	Common Stock Market Price		Dividends
	High	Low	Declared
2004			
First Quarter	47.76	38.90	.10
Second Quarter	44.50	35.35	.10
Third Quarter	37.24	30.62	.125
Fourth Quarter	35.07	29.96	.125
2005			
First Quarter	35.07	31.14	.125
Second Quarter	34.81	28.75	.1875
Third Quarter	34.26	30.31	.1875
Fourth Quarter	33.44	29.60	.1875

Dividend Policy

Our Board of Directors declared a quarterly cash dividend of 18.75 cents per share at its February 2006 meeting. We expect to continue to declare and pay quarterly cash dividends in 2006. The terms of our current credit facilities do not prohibit us from paying cash dividends unless we are in default under our credit facilities either prior to or after giving effect to any proposed dividend. However, any future decision by our Board of Directors to pay cash dividends will depend on, among other factors, our earnings, financial position, capital requirements and regulatory changes.

Purchases of Equity Securities by the Issuer and Affiliated Purchases

On February 1, 2005, we publicly announced that our Board of Directors authorized a share repurchase program of up to $1.0 billion effective immediately. On August 9, 2005, our Board of Directors authorized an increase in and extension of the February 2005 program, which had $307.4 million remaining, by $692.6 million, for a total of $1.0 billion. On March 9, 2006, Our Board of Directors authorized an additional share repurchase program, permitting us to repurchase an additional $600.0 million of our common stock. This increase expires on March 9, 2007, although the program may be discontinued or suspended at anytime prior to its expiration. During the three months ended December 31, 2005, we repurchased the following shares:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs
October 1 through October 31	2,422,800	$ 31.14	2,422,800	$ 924,556,611
November 1 through November 30	3,726,900	$ 30.65	3,726,900	$ 824,104,694
December 1 through December 31	1,100,000	$ 31.97	1,100,000	$ 788,939,354

Total	7,249,700	7,249,700

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ITEM 6. Selected Financial Data

(In thousands)	For the Years ended December 31, (1)				
	2005	2004	2003	2002	2001
Results of Operations Information:					
Revenue	$ 6,610,418	$ 6,634,890	$ 6,250,930	$ 5,940,500	$ 5,462,253
Operating expenses:					
Direct operating expenses (excludes non-cash compensation expense and depreciation and amortization)	2,466,755	2,330,817	2,141,163	1,938,162	1,781,540
Selling, general and administrative expenses (excludes non-cash compensation expense and depreciation and amortization)	1,919,640	1,911,788	1,870,161	1,802,904	1,740,978
Non-cash compensation expense	6,081	3,596	3,716	4,034	13,126
Depreciation and amortization	630,389	630,521	608,531	556,484	2,263,623
Corporate expenses (excludes non-cash compensation expense and depreciation and amortization)	165,207	164,722	150,407	160,216	150,883
Gain on disposition of assets net	45,247	39,552	6,688	35,601	155,163
Operating income (loss)	1,467,593	1,632,998	1,483,640	1,514,301	(332,734)
Interest expense	443,245	367,503	392,215	430,890	555,452
Gain (loss) on sale of assets related to mergers	¾	¾	¾	3,991	(213,706)
Gain (loss) on marketable securities	(702)	46,271	678,846	(3,096)	25,820
Equity in earnings of nonconsolidated affiliates	38,338	22,285	20,669	27,140	3,703
Other income (expense) net	17,344	(30,293)	20,783	5,625	2,749
Income (loss) before income taxes, minority interest, discontinued operations and cumulative effect of a change in accounting principle	1,079,328	1,303,758	1,811,723	1,117,071	(1,069,620)
Income tax benefit (expense)	(426,336)	(499,364)	(776,921)	(441,341)	113,557
Minority interest income (expense), net of tax	(17,847)	(7,602)	(3,906)	1,778	(4,146)
Income (loss) before discontinued operations and cumulative effect of a change in accounting principle	635,145	796,792	1,030,896	677,508	(960,209)

Income (loss) from discontinued operations, net	300,517	49,007	114,695	47,315	(183,817)
Income (loss) before cumulative effect of a change in accounting principle	935,662	845,799	1,145,591	724,823	(1,144,026)
Cumulative effect of a change in accounting principle, net of tax of, $2,959,003 in 2004 and $4,324,446 in 2002		(4,883,968)		(16,778,526)	
Net income (loss)	$ 935,662	$ (4,038,169)	$ 1,145,591	$ (16,053,703)	$ (1,144,026)

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	For the Years ended December 31, (1)				
	2005	2004	2003	2002	2001
Net income (loss) per common share:					
Basic:					
Income (loss) before discontinued operations and cumulative effect of a change in accounting principle	$ 1.16	$ 1.34	$ 1.68	$ 1.12	$ (1.62)
Discontinued operations	.55	.08	.18	.08	(.31)
Income (loss) before cumulative effect of a change in accounting principle	1.71	1.42	1.86	1.20	(1.93)
Cumulative effect of a change in accounting principle		(8.19)		(27.65)	
Net income (loss)	$ 1.71	$ (6.77)	$ 1.86	$ (26.45)	$ (1.93)
Diluted:					
Income (loss) before discontinued operations and cumulative effect of a change in accounting principle	$ 1.16	$ 1.33	$ 1.67	$ 1.11	$ (1.62)
Discontinued operations	.55	.08	.18	.07	(.31)
Income (loss) before cumulative effect of a change in accounting principle	1.71	1.41	1.85	1.18	(1.93)
Cumulative effect of a change in accounting principle		(8.16)		(26.74)	
Net income (loss)	$ 1.71	$ (6.75)	$ 1.85	$ (25.56)	$ (1.93)
Dividends declared per share	$ .69	$ .45	$ .20	$	$

(In thousands)	As of December 31,				
	2005	2004	2003	2002	2001
Balance Sheet Data:					
Current assets	$ 2,248,409	$ 2,269,922	$ 2,185,682	$ 2,123,495	$ 1,941,299
Property, plant and equipment net	3,255,649	3,328,165	3,476,900	3,496,340	3,215,677
Total assets	18,703,376	19,927,949	28,352,693	27,672,153	47,603,142
Current liabilities	2,107,313	2,184,552	1,892,719	3,010,639	2,959,857
Long-term debt, net of current maturities	6,155,363	6,941,996	6,898,722	7,357,769	7,938,655
Shareholders equity	8,826,462	9,488,078	15,553,939	14,210,092	29,736,063

(1) Acquisitions and dispositions significantly impact the comparability of the historical consolidated financial data reflected in this schedule of Selected Financial Data.

The Selected Financial Data should be read in conjunction with Management s Discussion and Analysis.

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ITEM 7. Management s Discussion and Analysis of Results of Operations and Financial Condition

Executive Summary

Our 2005 revenues declined $24.5 million compared to 2004. Revenues from our radio business declined 6% in 2005 compared to 2004. 2005 was our first full year of our *Less is More* initiative in which we reduced the number of commercial minutes broadcast on our radio stations. The lower number of commercial minutes broadcast resulted in lower radio revenues in 2005 compared to 2004, which was partially offset by improved yield, or revenue per commercial, on our radio advertisements in 2005 over 2004. Partially offsetting this decline was revenue growth in our outdoor segments, which combined delivered 9% revenue growth over 2004. From the Americas, we experienced improved pricing on our outdoor inventory during 2005 and internationally, our street furniture inventory experienced improved yields as well. Additionally, we completed the initial public offering of 10% of our outdoor business. Lastly, we completed the spin-off of our live entertainment and sports representation businesses during the fourth quarter of 2005, which was part of our strategic realignment of our businesses that we announced in the second quarter of 2005.

Strategic Realignment of Businesses

On April 29, 2005, we announced a plan to strategically realign our businesses. The plan included an initial public offering (IPO) of approximately 10% of the common stock of our outdoor segment, which trades on the New York Stock Exchange under the symbol CCO and a 100% spin-off of our live entertainment segment and sports representation business, which now operates under the name Live Nation and trades on the New York Stock Exchange under the symbol LYV . We completed the IPO on November 11, 2005 and the spin-off on December 21, 2005.

The IPO consisted of the sale of 35.0 million shares of Class A common stock of our indirect, wholly owned subsidiary, Clear Channel Outdoor Holdings, Inc. (CCO). After completion of the IPO, we own all 315.0 million shares of CCO s outstanding Class B common stock, representing approximately 90% of the outstanding shares of CCO s common stock and approximately 99% of the total voting power of CCO s common stock. The net proceeds from the offering, after deducting underwriting discounts and offering expenses, were approximately $600.6 million. All of the net proceeds of the offering were used to repay a portion of the outstanding balances of intercompany notes owed to us by CCO.

The spin-off consisted of a dividend of .125 share of Live Nation common stock for each share of our common stock held on December 21, 2005, the date of the distribution. Additionally, Live Nation repaid approximately $220.0 million of intercompany notes owed to us by Live Nation. We do not own any shares of Live Nation common stock. Our Board of Directors determined that the spin-off was in the best interests of our shareholders because: (i) it would enhance the success of both us and Live Nation by enabling each to resolve management and systemic problems that arose by the operation of the businesses within a single affiliated group; (ii) it would improve the competitiveness of our business by resolving inherent conflicts and the appearance of such conflicts with artists and promoters; (iii) it would simplify and reduce our and Live Nation s regulatory burdens and risks; (iv) it would enhance the ability of us and Live Nation to issue equity efficiently and effectively for acquisitions and financings; and (v) it would enhance the efficiency and effectiveness of our and Live Nation s equity-based compensation. Operating results of Live Nation through December 21, 2005 are reported in discontinued operations for all years presented. After the date of the spin-off, Live Nation is an independent company.

On August 9, 2005, we announced our intention to return approximately $1.6 billion of capital to shareholders through either share repurchases, a special dividend or a combination of both. Since announcing our intent through March 8, 2006, we have returned approximately $955.0 million to shareholders by repurchasing 31.9 million shares of our common stock. Since announcing a share repurchase program in March 2004, we have repurchased approximately 109.3 million shares of our common stock for approximately $3.6 billion. Subject to our financial condition, market conditions, economic conditions and other factors, it remains our intention to return the remaining balance of the approximately $1.6 billion in capital to our shareholders through either share repurchases, a special dividend or a combination of both. We intend to fund any share repurchases and/or a special dividend from funds generated from the repayment of intercompany debt, the proceeds of any new debt offerings, available cash balances and cash flow from operations. The timing and amount of a special dividend, if any, is in the discretion of our Board of Directors and will be based on the factors described above.

Format of Presentation

Management s discussion and analysis of our results of operations and financial condition should be read in conjunction with the consolidated financial statements and related footnotes. Our discussion is presented on both a consolidated and segment basis. Our reportable operating segments are Radio Broadcasting, which includes our national syndication business, Americas Outdoor Advertising and International Outdoor Advertising. Included in the other segment are television broadcasting and our media representation business, Katz Media.

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We manage our operating segments primarily focusing on their operating income, while Corporate expenses, Gain on disposition of assets net, Interest expense, Gain (loss) on marketable securities, Equity in earnings of nonconsolidated affiliates, Other income (expense) net, Income tax benefit (expense), Minority interest net of tax, Discontinued operations and Cumulative effect of a change in accounting principle are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

Radio Broadcasting

Our local radio markets are run predominantly by local management teams who control the formats selected for their programming. The formats are designed to reach audiences with targeted demographic characteristics that appeal to our advertisers. Our advertising rates are principally based on how many people in a targeted audience listen to our stations, as measured by an independent ratings service. The size of the market influences rates as well, with larger markets typically receiving higher rates than smaller markets. Also, our advertising rates are influenced by the time of day the advertisement airs, with morning and evening drive-time hours typically the highest. Radio advertising contracts are typically less than one year.

During the first quarter of 2005, we completed the rollout of our *Less is More* initiative, which lowered the amount of commercial minutes played per hour by approximately 15% 20% across our stations. We believe lowering the amount of commercial minutes can improve our ratings, which will lead to an increase in the size of the audience listening to our stations. Another key component of *Less is More* is encouraging advertisers to invest in shorter advertisements rather than the traditional 60-second spot. Based on our research, we believe that the effectiveness of a commercial is not related to its length. Because effectiveness is not tied to the length of the advertisement, on a cost per thousand listeners reached basis, we believe we can provide our advertisers a more efficient investment with our new shorter commercials than with the traditional 60-second commercials.

Management monitors macro level indicators to assess our radio operations performance. Due to the geographic diversity and autonomy of our markets, we have a multitude of market specific advertising rates and audience demographics. Therefore, our discussion of the results of operations of our radio broadcasting segment focuses on the macro level indicators that management monitors to assess our radio segment s financial condition and results of operations.

Management looks at our radio operations overall revenues as well as local advertising, which is sold predominately in a station s local market, and national advertising, which is sold across multiple markets. Local advertising is sold by our local radio stations sales staffs while national advertising is sold, for the most part, through our national representation firm.

Local advertising, which is our largest source of advertising revenue, and national advertising revenues are tracked separately, because these revenue streams have different sales forces and respond differently to changes in the economic environment. Management also looks at radio revenue by market size, as defined by Arbitron. Typically, larger markets can reach larger audiences with wider demographics than smaller markets. Over half of our radio revenue and divisional operating expenses comes from our 50 largest markets. Additionally, management reviews our share of target demographics listening to the radio in an average quarter hour. This metric gauges how well our formats are attracting and keeping listeners.

A significant portion of our radio segment s expenses vary in connection with changes in revenue. These variable expenses primarily relate to costs in our sales department, such as salaries, commissions and bad debt. Our programming and general and administrative departments incur most of our fixed costs, such as talent costs, rights fees, utilities and office salaries. Lastly, our highly discretionary costs are in our marketing and promotions department, which we primarily incur to maintain and/or increase our audience share.

Outdoor Advertising

Our revenues are derived from selling advertising space on the displays that we own or operate in key markets worldwide, consisting primarily of billboards, street furniture displays and transit displays. We own the majority of our advertising displays, which typically are located on sites that we either lease or own or for which we have acquired permanent easements. Our advertising contracts with clients typically outline the number of displays reserved, the duration of the advertising campaign and the unit price per display. The margins on our billboard contracts tend to be higher than those on contracts for our other displays.

Generally, our advertising rates are based on the gross rating points, or total number of impressions delivered expressed as a percentage of a market population, of a display or group of displays. The number of impressions delivered by a display is measured by the number of people passing the site during a defined period of time and, in some

international markets, is weighted to account for such factors as illumination, proximity to other displays and the speed and viewing angle of approaching traffic. To monitor our business, management typically reviews the average rates, average revenues per display, occupancy, and inventory levels of each of our display types by market. In addition, because a significant portion of our advertising operations are conducted in foreign markets, principally France and the United Kingdom, management reviews the operating results from our foreign operations on a constant dollar basis. A constant dollar basis allows for comparison of operations independent of foreign exchange movements. Because revenue-sharing and minimum guaranteed payment arrangements are more prevalent in our international operations, the margins in our international operations typically are less than the margins in our Americas operations. Foreign currency transaction gains and losses, as well as gains and losses from translation of financial statements of subsidiaries and investees in highly inflationary countries, are included in operations.

The significant expenses associated with our operations include (i) direct production, maintenance and installation expenses, (ii) site lease expenses for land under our displays and (iii) revenue-sharing or minimum guaranteed amounts payable under our street furniture and transit display contracts. Our direct production, maintenance and installation expenses include costs for printing, transporting and changing the advertising copy on our displays, the related labor costs, the vinyl and paper costs and the costs for cleaning and maintaining our displays. Vinyl and paper costs vary according to the complexity of the advertising copy and the quantity of displays. Our site lease expenses include lease payments for use of the land under our displays, as well as any revenue-sharing arrangements we may have with the landlords. The terms of our Americas site leases generally range from 1 to 50 years. Internationally, the terms of our site leases generally range from 3 to 15 years, but may vary across our networks.

Fiscal Year 2005 Compared to Fiscal Year 2004

Consolidated

(In thousands)	Years Ended December 31,		% Change
	2005	2004	2005 v. 2004
Revenue	$ 6,610,418	$ 6,634,890	0%
Operating expenses:			
Direct operating expenses (excludes non-cash compensation expense of $212 and $930 in 2005 and 2004, respectively and depreciation and amortization)	2,466,755	2,330,817	6%
Selling, general and administrative expenses (exclusive of non-cash compensation expense and depreciation and amortization)	1,919,640	1,911,788	0%
Non-cash compensation expense	6,081	3,596	69%
Depreciation and amortization	630,389	630,521	0%
Corporate expenses (excludes non-cash compensation expense of $5,869 and $2,666 in 2005 and 2004, respectively and depreciation and amortization)	165,207	164,722	0%
Gain on disposition of assets net	45,247	39,552	14%
Operating income	1,467,593	1,632,998	(10%)
Interest expense	443,245	367,503	
Gain (loss) on marketable securities	(702)	46,271	
Equity in earnings of nonconsolidated affiliates	38,338	22,285	
Other income (expense) net	17,344	(30,293)	
Income before income taxes, minority interest expense, discontinued operations and cumulative effect of a change in accounting principle	1,079,328	1,303,758	
Income tax benefit (expense):			

Current	(43,513)	(367,679)
Deferred	(382,823)	(131,685)
Income tax benefit (expense)	(426,336)	(499,364)
Minority interest expense, net of tax	17,847	7,602
Income before discontinued operations and cumulative effect of a change in accounting principle	635,145	796,792
Income from discontinued operations, net	300,517	49,007
Cumulative effect of a change in accounting principle, net of tax of $2,959,003		(4,883,968)
Net income (loss)	$ 935,662	$ (4,038,169)

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Revenue

Consolidated revenues decreased $24.5 million in 2005 as compared to 2004. Our radio broadcasting segment declined approximately $220.3 million primarily from a decline in the number of commercial minutes broadcast on our radio stations as part of our *Less Is More* initiative. Our television revenues declined approximately $14.7 million primarily as a result of local and national political advertising revenues in 2004 that did not recur in 2005. Partially offsetting this decline was an increase of $124.3 million and $94.7 million from our Americas and international outdoor advertising segments, respectively. Americas outdoor revenue growth was driven primarily from rate increases on our bulletin and poster inventory while international outdoor revenue growth occurred from improved yield on our street furniture inventory. Foreign exchange fluctuations did not have a material impact to our revenue decline for 2005 compared to 2004.

Direct Operating Expenses

Our consolidated direct operating expenses increased $135.9 million. Our radio broadcasting segment s direct operating expenses increased approximately $67.1 million primarily from programming and content expenses and new initiatives. Our Americas outdoor direct operating expenses increased $21.3 million primarily from increases in direct production and site lease expenses related to revenue sharing agreements associated with the increase in revenues. Our international outdoor contributed $58.0 million to the consolidated direct operating expense growth primarily from minimum annual guarantees and revenue sharing agreements associated with the increase in revenues. Foreign exchange fluctuations did not have a material impact to our direct operating expenses increase for 2005 compared to 2004.

Selling, General and Administrative Expenses (SG&A)

Consolidated SG&A increased $7.9 million primarily from increases of $13.7 million and $28.6 million from our Americas and international outdoor segments, respectively, partially offset by a decline of $37.3 million from our radio broadcasting segment. The increase from Americas outdoor was attributable to increased commission expenses associated with the increase in revenues while the increase in international outdoor was primarily the result of a $26.6 million restructuring charge related to our operations in France. The decline from our radio broadcasting segment was primarily from decreased commission and bad debt expenses associated with the decline in radio revenues. Foreign exchange fluctuations did not have a material impact to our SG&A increase for 2005 compared to 2004.

Non-cash Compensation expense

Non-cash compensation expense increased $2.5 million during 2005 as compared to 2004 primarily from the granting in 2005 of more restricted stock awards.

Gain on Disposition of assets net

The gain on the disposition of assets net in 2005 was $45.2 million related primarily to a $36.7 million gain on the sale of radio operating assets in our San Diego market. The gain on disposition of assets net in 2004 was $39.6 million and relates primarily to radio operating assets divested in our Salt Lake City market as well as a gain recognized on the swap of outdoor assets.

Interest Expense

Interest expense increased $75.7 million as a result of higher average debt balances and a higher weighted average cost of debt throughout 2005 as compared to 2004. Our debt balance at the end of 2005 was lower than the end of 2004 as a result of paying down debt with funds generated from our strategic realignment. However, as this did not occur until late in the fourth quarter of 2005 it had a marginal impact on our interest expense for 2005. Our weighted average cost of debt was 5.9% and 5.5% at December 31, 2005 and 2004, respectively.

Gain (Loss) on Marketable Securities

Gain (loss) on marketable securities declined $47.0 million during 2005 compared to 2004. The loss in 2005 relates entirely to the net change in fair value of certain investment securities that are classified as trading and a related secured forward exchange contract associated with those securities. The gain on marketable securities for 2004 related primarily to a $47.0 million gain recorded on the sale of our remaining investment in the common stock of Univision Communications Inc., partially offset by the net changes in fair value of certain investment securities that are classified as trading and a related secured forward exchange contract associated with those securities.

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Other Income (Expense) Net

Other income (expense) net for the year ended December 31, 2005 increased $47.6 million from expense of $30.3 million in 2004 to income of $17.3 million in 2005. During 2004, we experienced a loss of $31.6 million on the early extinguishment of debt. The income in 2005 was comprised of various miscellaneous amounts.

Income Taxes

Current income tax expense declined $324.2 million during 2005 as compared to 2004. In addition to lower earnings before tax in the current year, we received approximately $210.5 million in current tax benefits from ordinary losses for tax purposes resulting from restructuring our international businesses consistent with our strategic realignment, the July 2005 maturity of our Euro denominated bonds, and a current tax benefit related to an amendment on a previously filed tax return. Deferred tax expense increased $251.1 million primarily related to the tax losses discussed above.

Minority Interest, net of tax

Minority interest expense includes the operating results for the portion of consolidated subsidiaries not owned by us. The major components of our minority interest relate to minority holdings in our Australian street furniture business, Clear Media Limited and CCO, as well as other smaller minority interests. We acquired a controlling majority interest in Clear Media Limited in the third quarter of 2005 and therefore began consolidating its results. We also completed the IPO of 10% of CCO in the fourth quarter of 2005. The increase in minority interest in 2005 as compared to 2004 is the result of these two transactions.

Discontinued Operations

We completed the spin-off of our live entertainment and sports representation businesses on December 21, 2005. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we reported the results of operations for these businesses through December 21, 2005 in discontinued operations. The spin-off generated a capital loss for tax purposes of approximately $2.4 billion. We utilized approximately $890.7 million of this capital loss in the current year to offset taxable capital gains realized in 2005 and previous years, which resulted in a $314.1 million tax benefit which is included in income from discontinued operations in the fourth quarter of 2005. The remaining $1.5 billion of the $2.4 billion capital loss was recorded as a deferred tax asset with an offsetting valuation allowance on our balance sheet at December 31, 2005.

Cumulative Effect of a Change in Accounting Principle

The Security and Exchange Commission issued Staff Announcement No. D-108, *Use of the Residual Method to Value Acquired Assets Other Than Goodwill*, at the September 2004 meeting of the Emerging Issues Task Force. The Staff Announcement stated that the residual method should no longer be used to value intangible assets other than goodwill. Rather, a direct method should be used to determine the fair value of all intangible assets other than goodwill required to be recognized under Statement of Financial Accounting Standards No. 141, *Business Combinations*. Registrants who have applied a method other than a direct method to the valuation of intangible assets other than goodwill for purposes of impairment testing under Statement of Financial Accounting Standards No 142, *Goodwill and Other Intangible Assets*, shall perform an impairment test using a direct value method on all intangible assets other than goodwill that were previously valued using another method by no later than the beginning of their first fiscal year beginning after December 15, 2004.

Our adoption of the Staff Announcement in the fourth quarter of 2004 resulted in an aggregate carrying value of our FCC licenses and outdoor permits that was in excess of their fair value. The Staff Announcement required us to report the excess value of $4.9 billion, net of tax, as a cumulative effect of a change in accounting principle.

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Radio Broadcasting Results of Operations

Our radio broadcasting operating results were as follows:

(In thousands)	Years Ended December 31,		% Change
	2005	2004	2005 v. 2004
Revenue	$ 3,534,121	$ 3,754,381	(6%)
Direct operating expenses	967,782	900,633	7%
Selling, general and administrative expense	1,224,603	1,261,855	(3%)
Non-cash compensation	212	930	(77%)
Depreciation and amortization	141,655	159,082	(11%)
Operating income	$ 1,199,869	$ 1,431,881	(16%)

Our radio revenues declined 6% to $3.5 billion during the year compared to 2004. We implemented the *Less is More* initiative during 2005, which included a reduction of the overall commercial minutes on our radio stations. Also, as part of this initiative, we are reshaping our radio business model with a shift from primarily offering the traditional 60-second commercial to also offering shorter length commercials. Both local and national revenues were down for the year, primarily from the reduction in commercial minutes made available for sale on our radio stations. As a result, the majority of our larger advertising categories declined during the year, including automotive and retail. The decline also includes a reduction of approximately $21.9 million from non-cash trade revenues. However, yield, or revenue divided by total minutes of available inventory, improved throughout the year. Our 30 and 15-second commercials as a percent of total commercial minutes available experienced a consistent increase throughout the year. Average unit rates also increased as the year progressed.

Direct operating expenses increased $67.1 million during 2005 as compared to 2004. The increase was driven by approximately $28.4 million in programming and content expenses. Sports broadcasting rights increased approximately $9.5 million primarily related to signing a new sports broadcasting agreement in 2005. Our SG&A declined $37.3 million during the year compared to 2004 primarily from a decline in commission and bad debt expenses associated with the decline in revenue. We also incurred expenses in 2005 related to the development of digital radio and new Internet initiatives.

Depreciation and amortization declined $17.4 million primarily from accelerated depreciation from asset write-offs during 2004 that did not reoccur during 2005.

Americas Outdoor Advertising Results of Operations

Our Americas outdoor advertising operating results were as follows:

(In thousands)	Years Ended December 31,		% Change
	2005	2004	2005 v. 2004
Revenue	$ 1,216,382	$ 1,092,089	11%
Direct operating expenses	489,826	468,571	5%
Selling, general and administrative expenses	186,749	173,010	8%
Depreciation and amortization	180,559	186,620	(3%)
Operating income	$ 359,248	$ 263,888	36%

Our Americas outdoor advertising revenue increased $124.3 million, or 11%, during 2005 as compared to 2004. The increase was mainly due to an increase in bulletin and poster revenues attributable to increased rates during 2005. Increased revenues from our airport, street furniture and transit advertising displays also contributed to the revenue increase. Growth occurred across our markets including strong growth in New York, Miami, Houston, Seattle, Cleveland and Las Vegas. Strong advertising client categories for 2005 included business and consumer services, entertainment and amusements, retail and telecommunications.

Direct operating expenses increased $21.3 million, or 5%, during 2005 compared to 2004. The increase is primarily related to increased site lease expenses from higher revenue sharing rentals on our transit, mall and wallscape inventory as well as increase in direct production expenses, all associated with the increase in revenues. SG&A increased $13.7 million primarily from increased commission expenses associated with the increase in revenues.

Depreciation and amortization declined $6.1 million in 2005 as compared to 2004 primarily from fewer display removals during the current period, which resulted in less accelerated depreciation. During 2004, we suffered hurricane damage on some of our billboards in Florida and the Gulf Coast which required us to write-off the remaining book value of these structures as additional depreciation and amortization expense in 2004.

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International Outdoor Results of Operations

Our international operating results were as follows:

(In thousands)	Years Ended December 31,		% Change
	2005	2004	2005 v. 2004
Revenue	$ 1,449,696	$ 1,354,951	7%
Direct operating expenses	851,635	793,630	7%
Selling, general and administrative expenses	355,045	326,447	9%
Depreciation and amortization	220,080	201,597	9%
Operating income	$ 22,936	$ 33,277	(31%)

International revenues increased $94.7 million, or 7%, during 2005 compared to 2004. Revenue growth was attributable to increases in our street furniture and transit revenues. We also experienced improved yield on our street furniture inventory during 2005 compared to 2004. We acquired a controlling majority interest in Clear Media Limited, a Chinese outdoor advertising company, during the third quarter of 2005, which we had previously accounted for as an equity method investment. Clear Media contributed approximately $47.4 million to the revenue increase. Leading markets contributing to the Company s international revenue growth were China, Italy, the United Kingdom and Australia. The Company faced challenges in France throughout 2005, with revenues declining from 2004. Strong advertising categories during 2005 were food and drink, retail, media and entertainment, business and consumer services and financial services.

Direct operating expenses grew $58.0 million, or 7%, during 2005 compared to 2004. Included in the increase is approximately $18.3 million from our consolidation of Clear Media. Approximately $33.2 million of the increase was attributable to increases in revenue sharing and minimum annual guarantees partially from consolidating Clear Media and new contracts entered in 2005. SG&A expenses increased $28.6 million primarily from $26.6 million in restructuring costs from restructuring our business in France during the third quarter of 2005.

Depreciation and amortization increased $18.5 million during 2005 as compared to 2004 primarily from our consolidation of Clear Media.

Reconciliation of Segment Operating Income (Loss)

(In thousands)	Years Ended December 31,	
	2005	2004
Radio Broadcasting	$ 1,199,869	$ 1,431,881
Americas Outdoor Advertising	359,248	263,888
International Outdoor Advertising	22,936	33,277
Other	30,694	52,496
Gain on disposition of assets net	45,247	39,552
Corporate	(190,401)	(188,096)
Consolidated operating income	$ 1,467,593	$ 1,632,998

Fiscal Year 2004 Compared to Fiscal Year 2003
Consolidated

(In thousands)	Years Ended December 31, 2004	2003	% Change 2004 v. 2003
Revenue	$ 6,634,890	$ 6,250,930	6%
Operating expenses:			
Direct operating expenses (excludes non-cash compensation expense of $930 and $1,609 in 2004 and 2003, respectively and depreciation and amortization)	2,330,817	2,141,163	9%
Selling, general and administrative expenses (excludes depreciation and amortization)	1,911,788	1,870,161	2%
Non-cash compensation expense	3,596	3,716	(3%)
Depreciation and amortization	630,521	608,531	4%
Corporate expenses (excludes non-cash compensation expense of $2,666 and $2,107 in 2004 and 2003, respectively and depreciation and amortization)	164,722	150,407	10%
Gain on disposition of assets net	39,552	6,688	491%
Operating income	1,632,998	1,483,640	10%
Interest expense	367,503	392,215	
Gain (loss) on marketable securities	46,271	678,846	
Equity in earnings of nonconsolidated affiliates	22,285	20,669	
Other income (expense) net	(30,293)	20,783	
Income before income taxes, minority interest, discontinued operations and cumulative effect of a change in accounting principle	1,303,758	1,811,723	
Income tax benefit (expense):			
Current	(367,679)	(320,522)	
Deferred	(131,685)	(456,399)	
Income tax benefit (expense)	(499,364)	(776,921)	
Minority interest expense, net of tax	7,602	3,906	
Income before discontinued operations and cumulative effect of a change in accounting principle	796,792	1,030,896	
Income from discontinued operations, net	49,007	114,695	
Income before cumulative effect of a change in accounting principle	845,799	1,145,591	
Cumulative effect of a change in accounting principle, net of tax of $2,959,003	(4,883,968)		
Net income (loss)	$ (4,038,169)	$ 1,145,591	

Revenue

Our consolidated revenue grew $384.0 million during 2004 as compared to 2003 led by a $272.4 million increase in revenues from our Americas and international outdoor advertising segments. Americas outdoor revenue growth

occurred across the vast majority of our markets, with both poster and bulletin revenues up for the year. International outdoor revenue grew on higher street furniture sales, driven by an increase in average revenue per display for 2004 as compared to 2003. International outdoor revenues also benefited from $128.6 million in foreign exchange fluctuations. Our radio business contributed $59.4 million to our revenue growth, primarily from our mid to small size markets (those markets outside our top 25), which benefited from higher local advertising revenues during 2004 as compared to 2003. The remainder of the growth in revenues during 2004 was primarily driven by our television business, which benefited from political and Olympic advertising.

Direct Operating Expenses

Our consolidated direct operating expenses grew $189.7 million during 2004 as compared to 2003. Our international outdoor advertising business contributed $95.3 million to the increase, primarily from increased site lease expenses consistent with the segment s revenue growth, as well as $76.0 million from foreign exchange fluctuations. Radio s direct operating expenses were up $48.4 million for 2004 compared to 2003 principally from increased programming expenses. Our Americas outdoor advertising business contributed $33.5 million primarily as a result of $21.8 million from site lease rent expense as a result of an increase in revenue-share payments associated with the

increase in revenues. The remainder of the increase from 2004 as compared to 2003 came from our television business primarily from increased commission and bonus expenses related to the increase in television revenue.

Selling, General and Administrative Expenses (SG&A)

Our consolidated SG&A grew $41.6 million during 2004 as compared to 2003. Our international outdoor advertising business contributed $31.1 million to the increase, primarily related to foreign exchange fluctuations. Our Americas outdoor advertising business contributed $11.4 million to the increase, primarily from approximately $5.1 million related to commission and wage expenses relative to the growth in revenue. Partially offsetting the increase is radio s SG&A, which declined $16.0 million during 2004 as compared to 2003, due to a decline in variable sales-related expenses, partially offset by an increase in general and administrative expenses. The remainder of the increase from 2004 as compared to 2003 came from our television business related to commission and wage expenses relative to the growth in revenue.

Depreciation and Amortization

Depreciation and amortization expense increased $22.0 million during 2004 as compared to 2003. The increase is attributable to approximately $3.0 million related to damage from the hurricanes that swept through Florida and the Gulf Coast during the third quarter of 2004 and approximately $18.8 million from fluctuations in foreign exchange rates that impacted our international outdoor business.

Corporate Expenses

Corporate expenses increased $14.3 for 2004 as compared to 2003. The increase was primarily the result of additional outside professional services.

Interest Expense

Interest expense decreased $24.7 million during 2004 as compared to 2003. The decrease was primarily attributable to lower average debt outstanding during 2004. Our weighted average cost of debt was 5.52% and 5.05% at December 31, 2004 and 2003, respectively.

Gain (Loss) on Marketable Securities

The gain on marketable securities for 2004 relates primarily to a $47.0 million gain recorded during the first quarter of 2004 on our remaining investment in the common stock of Univision Communications Inc., partially offset by the net changes in fair value of certain investment securities that are classified as trading and a related secured forward exchange contract associated with those securities.

The gain on marketable securities for 2003 relates primarily to our Hispanic Broadcasting Corporation investment. On September 22, 2003, Univision completed its acquisition of Hispanic in a stock-for-stock merger. As a result, we received shares of Univision, which we recorded on our balance sheet at the date of the merger at their fair value. The exchange of our Hispanic investment, which was accounted for as an equity method investment, into our Univision investment, which was recorded as an available-for-sale cost investment, resulted in a $657.3 million pre-tax book gain. In addition, on September 23, 2003, we sold a portion of our Univision investment, which resulted in a pre-tax book loss of $6.4 million. Also during 2003, we recorded a $37.1 million gain related to the sale of a marketable security, a $2.5 million loss on a forward exchange contract and its underlying investment, and an impairment charge on a radio technology investment for $7.0 million due to a decline in its market value that we considered to be other-than-temporary.

Other Income (Expense) Net

Other income (expense) net for the year ended December 31, 2004 was expense of $30.3 million compared to income of $20.8 million for the year ended December 31, 2003. During 2004, we recognized a loss of approximately $31.6 million on the early extinguishment of debt, partially offset by various miscellaneous amounts. During 2003, we recognized a gain of $36.7 million on the early extinguishment of debt, partially offset by expense of $7.0 million related to our adoption of Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations*, and other miscellaneous amounts.

Income Taxes

Current tax expense in 2004 increased $47.2 million as compared to 2003. Current tax expense for the year ended December 31, 2004 includes $199.4 million related to our sale of our remaining investment in Univision and certain radio operating assets. This expense was partially offset by an approximate $67.5 million benefit related to a tax

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loss on our early extinguishment of debt and $34.1 million related to the reversal of accruals associated with tax contingencies. Current tax expense for the year ended December 31, 2003 includes $119.7 million primarily related to the sale of a portion of our Univision investment.

Deferred tax expense decreased $324.7 million in 2004 as compared to 2003. Deferred tax expense for the year ended December 31, 2004 includes a $176.0 million deferred tax benefit related to our sale of our remaining investment in Univision. This benefit was partially offset by an approximate $54.3 million expense related to our early extinguishment of debt. Deferred tax expense for the year ended December 31, 2003 includes $158.0 million related to our conversion of our investment in Hispanic to Univision.

Income from Discontinued Operations Net

We completed the spin-off of our live entertainment and sports representation businesses on December 21, 2005. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we reported the results of operations of these businesses during 2004 and 2003 in discontinued operations.

Cumulative Effect of a Change in Accounting Principle

The SEC staff issued Staff Announcement No. D-108, *Use of the Residual Method to Value Acquired Assets Other Than Goodwill*, at the September 2004 meeting of the Emerging Issues Task Force. The Staff Announcement states that the residual method should no longer be used to value intangible assets other than goodwill. Rather, a direct method should be used to determine the fair value of all intangible assets other than goodwill required to be recognized under Statement of Financial Accounting Standards No. 141, *Business Combinations*. Registrants who had applied a method other than a direct method to the valuation of intangible assets other than goodwill for purposes of impairment testing under Statement of Financial Accounting Standards No 142, *Goodwill and Other Intangible Assets*, shall perform an impairment test using a direct value method on all intangible assets other than goodwill that were previously valued using another method by no later than the beginning of their first fiscal year beginning after December 15, 2004.

Our adoption of the Staff Announcement in the fourth quarter of 2004 resulted in an aggregate carrying value of our FCC licenses and outdoor permits that was in excess of their fair value. The Staff Announcement required us to report the excess value of $4.9 billion, net of tax, as a cumulative effect of a change in accounting principle.

Radio Broadcasting Results of Operations

Our radio broadcasting operating results were as follows:

(In thousands)	Years Ended December 31,		% Change
	2004	2003	2004 v. 2003
Revenue	$ 3,754,381	$ 3,695,020	2%
Direct operating expenses	900,633	852,195	6%
Selling, general and administrative expenses	1,261,855	1,277,859	(1%)
Non-cash compensation	930	1,609	(42%)
Depreciation and amortization	159,082	154,121	3%
Operating income	$ 1,431,881	$ 1,409,236	2%

Our radio broadcasting revenues increased 2% during 2004 as compared to 2003, led by our small to mid-size markets (those outside the top 25), which outpaced our overall radio growth. These markets rely more heavily on local advertising, which was up for the year. Our national syndication business also outpaced our overall radio growth through demand for advertising on existing programs and the addition of two new shows, *Delilah* and *Trumped*. Growth in revenues from local and national advertisements broadcast during our traffic updates as well as non-spot advertising revenues was positive for the year. Consistent with the radio industry, our national advertising revenues struggled throughout the year and finished below amounts recognized in 2003. Some national advertising categories such as finance, professional services and political increased spending during 2004, but declines in our three largest national advertising categories of retail, automotive and telecom/utility weighed on the overall results. Although

national advertising declined in 2004 as compared to 2003, we began to see growth in national advertising during the fourth quarter of 2004, buoyed by political advertising, as well as strength in consumer products, professional services and automotive advertisements.

Our direct operating expenses grew $48.4 million during 2004 as compared to 2003, principally from programming expenses related to higher on-air talent salaries. Our SG&A decreased $16.0 million during 2004 as compared to 2003, due to a decline in variable sales-related expenses, partially offset by an increase in general and administrative expenses.

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Americas Outdoor Advertising Results of Operations

Our Americas outdoor advertising operating results were as follows:

(In thousands)	Years Ended December 31,		% Change
	2004	2003	2004 v. 2003
Revenue	$ 1,092,089	$ 1,006,376	9%
Direct operating expenses	468,571	435,075	8%
Selling, general and administrative expenses	173,010	161,579	7%
Depreciation and amortization	186,620	194,237	(4%)
Operating income	$ 263,888	$ 215,485	22%

During 2004, revenues increased approximately $85.7 million, or 9%, over 2003. Revenue growth occurred across our inventory, with bulletins and posters leading the way. Increased rates drove the growth in bulletin revenues, partially offset by a decrease in occupancy. We also grew rates on our poster inventory in 2004, with occupancy flat compared to 2003. Revenue growth occurred across the nation, fueled by growth in Los Angeles, New York, Miami, San Antonio, Seattle and Cleveland. The client categories leading revenue growth remained consistent throughout the year, the largest being entertainment. Business and consumer services was also a strong client category and was led by advertising spending from banking and telecommunications clients. Revenues from the automotive client category increased due to national, regional and local auto dealer advertisements.

Direct operating expenses increased approximately $33.5 million, or 8%, during 2004 as compared to 2003 primarily as a result of $21.8 million from site lease rent expense as a result of an increase in revenue-share payments associated with the increase in revenues. Our SG&A in 2004 increased approximately $11.4 million, or 7%, primarily from approximately $5.1 million related to commission and wage expenses relative to the growth in revenue.

International Outdoor Advertising Results of Operations

Our international outdoor advertising operating results were as follows:

(In thousands)	Years Ended December 31,		% Change
	2004	2003	2004 v. 2003
Revenue	$ 1,354,951	$ 1,168,221	16%
Direct operating expenses	793,630	698,311	14%
Selling, general and administrative expenses	326,447	295,314	11%
Depreciation and amortization	201,597	185,403	9%
Operating income	$ 33,277	$ (10,807)	408%

During 2004, revenues increased approximately $186.7 million, or 16%, over 2003, including approximately $128.6 million from foreign exchange increases. Street furniture sales in the United Kingdom, Belgium, Australia, New Zealand and Denmark were the leading contributors to our revenue growth. We saw strong demand for our street furniture inventory, enabling us to realize an increase in the average revenues per display. Our billboard revenues increased slightly as a result of an increase in average revenues per display. Also contributing to the increase was approximately $10.4 million related to the consolidation of our outdoor advertising joint venture in Australia during the second quarter of 2003, which we had previously accounted for under the equity method of accounting. Tempering our 2004 results were a difficult competitive environment for billboard sales in the United Kingdom and challenging market conditions for all of our products in France.

Direct operating expenses increased $95.3 million, or 14%, during 2004 as compared to 2003. Included in the increase is approximately $76.0 million from foreign exchange increases. In addition to foreign exchange, direct operating expenses grew approximately $19.3 million during this period, principally from higher site lease rent expense and approximately $6.2 million from the consolidation of a joint venture in Australia, which was previously

accounted for under the equity method. SG&A increased $31.1 million, or 11%, during 2004 as compared to 2003. Included in the increase is approximately $31.3 million from foreign exchange increases. After the effect of foreign exchange increases, SG&A declined approximately $0.2 million. The decline is primarily due to a restructuring charge of $13.8 million in France taken during 2003, partially offset by a restructuring charge of $4.1 million in Spain taken during 2004, $2.6 million associated with the consolidation of a joint venture in Australia, as well as increased commission expenses associated with the increase in revenue during 2004.

Depreciation and amortization increased approximately $16.2 million in 2004 as compared to 2003 primarily attributable to foreign exchange increases.

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Reconciliation of Segment Operating Income (Loss)

(In thousands)	Years Ended December 31,	
	2004	2003
Radio Broadcasting	$ 1,431,881	$ 1,409,236
Americas Outdoor Advertising	263,888	215,485
International Outdoor Advertising	33,277	(10,807)
Other	52,496	38,276
Gain on disposition of assets net	39,552	6,688
Corporate	(188,096)	(175,238)
Consolidated operating income	$ 1,632,998	$ 1,483,640

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

(In thousands)	Years Ended December 31,		
	2005	2004	2003
Cash provided by (used in):			
Operating activities	$ 1,405.2	$ 1,547.9	$ 1,463.7
Investing activities	$ (389.1)	$ 158.7	$ (19.1)
Financing activities	$(1,061.4)	$(1,801.0)	$(1,625.7)
Discontinued operations	$ 96.7	$ 118.8	$ 120.8

Operating Activities

2005

Net cash flow from operating activities of $1.4 billion for the year ended December 31, 2005 principally reflects net income from continuing operations of $635.1 million and depreciation and amortization of $630.4 million Net cash flows from operating activities also reflects decreases in accounts receivable, accounts payable, other accrued expenses and income taxes payable. Taxes payable decreased principally as result of the carryback of capital tax losses generated on the spin-off of Live Nation which were used to offset taxes paid on previously recognized taxable capital gains as well as approximately $210.5 million in current tax benefits from ordinary losses for tax purposes resulting from restructuring our international businesses consistent with our strategic realignment, the July 2005 maturity of our Euro denominated bonds, and a current tax benefit related to an amendment on a previously filed tax return.

2004

Net cash flow from operating activities of $1.5 billion for the year ended December 31, 2004 principally reflects a net loss from continuing operations of $4.1 billion, adjusted for non-cash charges of $4.9 billion for the adoption of Topic D-108 and depreciation and amortization of $630.5 million. Net cash flow from operating activities was negatively impacted during the year ended December 31, 2004 by $150.0 million, primarily related to the taxes paid on the gain from the sale of our remaining shares of Univision, which was partially offset by the tax loss related to the partial redemption of our Euro denominated debt. Net cash flow from operating activities also reflects increases in prepaid expenses, accounts payable and accrued interest, income taxes and other expenses, partially offset by decreases in accounts receivables and other current assets.

2003

Net cash flow from operating activities of $1.5 billion for the year ended December 31, 2003 principally reflects net income from continuing operations of $1.0 billion plus depreciation and amortization of $608.5 million. Net cash flows from operating activities also reflects increases in accounts receivable, accounts payable and other accrued expenses and income taxes payable.

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Investing Activities

2005

Net cash used in investing activities of $389.1 million for the year ended December 31, 2005 principally reflects capital expenditures of $327.6 million related to purchases of property, plant and equipment and $165.2 million primarily related to acquisitions of operating assets, partially offset by proceeds from the sale other assets of $102.0 million.

2004

Net cash provided by investing activities of $158.7 million for the year ended December 31, 2004 principally includes proceeds of $627.5 million related to the sale of investments, primarily the sale of our Univision shares. These proceeds were partially offset by capital expenditures of $283.9 million related to purchases of property, plant and equipment and $212.7 million related to acquisitions of operating assets.

2003

Net cash used in investing activities of $19.1 million for the year ended December 31, 2003 principally reflect capital expenditures of $308.1 million related to purchases of property, plant and equipment and $102.6 million primarily related to acquisitions of operating assets, partially offset by proceeds from the sale of investments, primarily Univision shares, of $344.2 million.

Financing Activities

2005

Financing activities for the year ended December 31, 2005 principally reflect the net reduction in debt of $288.7 million, $343.3 million in dividend payments, $1.1 billion in share repurchases, all partially offset by the proceeds from the initial public offering of CCO of $600.6 million, and proceeds of $40.2 million related to the exercise of stock options.

2004

Financing activities for the year ended December 31, 2004 principally reflect payments for share repurchases of $1.8 billion and dividends paid of $255.9 million, partially offset by the net increase in debt of $264.9 million and proceeds from the exercise of employee stock options of $31.5 million.

2003

Financing activities for the year ended December 31, 2003 principally reflect the net reduction in debt of $1.8 billion, $61.6 million in dividend payments, both partially offset by proceeds from extinguishment of a derivative agreement of $83.8 million, proceeds from a secured forward exchange contract of $83.5 million and proceeds of $55.6 million related to the exercise of stock options.

Discontinued Operations

We completed the spin-off of Live Nation on December 21, 2005. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment or Disposal of Long-Lived Assets*, we reported the results of operations of these businesses during 2005, 2004 and 2003 in discontinued operations on our consolidated statement of operations and reclassified cash flows from these businesses to discontinued operations on our consolidated statements of cash flows. Included in discontinued operations on our statements of cash flows for 2005 is approximately $220.0 million from the repayment of intercompany notes owed to us by Live Nation.

Anticipated Cash Requirements

We expect to fund anticipated cash requirements (including payments of principal and interest on outstanding indebtedness and commitments, acquisitions, anticipated capital expenditures, share repurchases and dividends) for the foreseeable future with cash flows from operations and various externally generated funds.

Sources of Capital

As of December 31, 2005 and 2004, we had the following debt outstanding and cash and cash equivalents:

(In millions)	December 31,	
	2005	2004
Credit facilities	$ 292.4	$ 350.5
Long-term bonds (a)	6,537.0	6,846.1
Other borrowings	217.1	157.7
Total Debt	7,046.5	7,354.3
Less: Cash and cash equivalents	82.8	31.3
	$ 6,963.7	$ 7,323.0

(a) Includes $10.5 million and $13.8 million in unamortized fair value purchase accounting adjustment premiums related to the merger with AMFM at December 31, 2005 and 2004, respectively. Also includes a negative $29.0 million adjustment and a positive $6.5 million adjustment related to fair value adjustments for interest rate swap agreements at December 31, 2005 and 2004, respectively.

Credit Facility

We have a multi-currency revolving credit facility in the amount of $1.75 billion, which can be used for general working capital purposes including commercial paper support as well as to fund capital expenditures, share repurchases, acquisitions and the refinancing of public debt securities. At December 31, 2005, the outstanding balance on this facility was $292.4 million and, taking into account letters of credit of $167.9 million, $1.3 billion was available for future borrowings, with the entire balance to be repaid on July 12, 2009.

During the year ended December 31, 2005, we made principal payments totaling $2.0 billion and drew down $1.9 billion on the credit facility. As of March 8, 2005, the credit facility s outstanding balance was $1.0 billion and, taking into account outstanding letters of credit, $599.4 million was available for future borrowings.

Long-Term Bonds

On July 7, 2005, our 6.5% Eurobonds matured, which we redeemed for 195.6 million plus accrued interest through borrowings under our credit facility. These bonds were designated as a hedge of our Euro denominated net assets. To replace this hedge, on July 6, 2005, we entered into a United States dollar Euro cross currency swap with a Euro notional amount of 209.0 million and a corresponding U.S. dollar notional amount of $248.7 million. The cross currency swap requires the Company to make fixed cash payments of 3.0% on the Euro notional amount while it receives fixed cash payments of 4.2% on the equivalent U.S. dollar notional amount, all on a semiannual basis. The Company designated the cross currency swap as a hedge of its net investment in Euro denominated assets.

Other Borrowings

Other debt includes various borrowings and capital leases utilized for general operating purposes. Included in the $217.1 million balance at December 31, 2005 is $141.2 million that matures in less than one year, which we have historically refinanced with new twelve month notes and anticipate these refinancings to continue.

Guarantees of Third Party Obligations

As of December 31, 2005 and 2004, we guaranteed the debt of third parties of approximately $12.1 million and $13.6 million, respectively, primarily related to long-term operating contracts. The third parties associated operating assets secure a substantial portion of these obligations.

Disposal of Assets

During 2005, we received $102.0 million of proceeds related primarily to the sale of various broadcasting operating assets.

Shelf Registration

On April 22, 2004, we filed a Registration Statement on Form S-3 covering a combined $3.0 billion of debt securities, junior subordinated debt securities, preferred stock, common stock, warrants, stock purchase contracts and stock purchase units. The shelf registration statement also covers preferred securities that may be issued from time to time by our three Delaware statutory business trusts and guarantees of such preferred securities by us. The SEC declared this shelf registration statement effective on April 26, 2004. After debt offerings on September 15, 2004,

November 17, 2004, and December 16, 2004, $1.75 billion in securities remains available for issuance under this shelf registration statement .

Debt Covenants

The significant covenants on our $1.75 billion five-year, multi-currency revolving credit facility relate to leverage and interest coverage contained and defined in the credit agreement. The leverage ratio covenant requires us to maintain a ratio of consolidated funded indebtedness to operating cash flow (as defined by the credit agreement) of less than 5.25x. The interest coverage covenant requires us to maintain a minimum ratio of operating cash flow (as defined by the credit agreement) to interest expense of 2.50x. In the event that we do not meet these covenants, we are considered to be in default on the credit facility at which time the credit facility may become immediately due. At December 31, 2005, our leverage and interest coverage ratios were 3.4x and 4.9x, respectively. This credit facility contains a cross default provision that would be triggered if we were to default on any other indebtedness greater than $200.0 million.

Our other indebtedness does not contain provisions that would make it a default if we were to default on our credit facility.

The fees we pay on our $1.75 billion, five-year multi-currency revolving credit facility depend on our long-term debt ratings. Based on our current ratings level of BBB-/Baa3, our fees on borrowings are a 45.0 basis point spread to LIBOR and are 17.5 basis points on the total $1.75 billion facility. In the event our ratings improve, the fee on borrowings and facility fee decline gradually to 20.0 basis points and 9.0 basis points, respectively, at ratings of A/A3 or better. In the event that our ratings decline, the fee on borrowings and facility fee increase gradually to 120.0 basis points and 30.0 basis points, respectively, at ratings of BB/Ba2 or lower.

We believe there are no other agreements that contain provisions that trigger an event of default upon a change in long-term debt ratings that would have a material impact to our financial statements.

Additionally, our 8% senior notes due 2008, which were originally issued by AMFM Operating Inc., a wholly-owned subsidiary of Clear Channel, contain certain restrictive covenants that limit the ability of AMFM Operating Inc. to incur additional indebtedness, enter into certain transactions with affiliates, pay dividends, consolidate, or effect certain asset sales.

At December 31, 2005, we were in compliance with all debt covenants. We expect to remain in compliance throughout 2006.

Uses of Capital

Dividends

Our Board of Directors declared quarterly cash dividends as follows:

(In millions, except per share data)

Declaration Date	Amount per Common Share	Record Date	Payment Date	Total Payment
October 20, 2004	$ 0.125	December 31, 2004	January 15, 2005	$ 70.9
February 16, 2005	0.125	March 31, 2005	April 15, 2005	68.9
April 26, 2005	0.1875	June 30, 2005	July 15, 2005	101.7
July 27, 2005	0.1875	September 30, 2005	October 15, 2005	101.8
October 26, 2005	0.1875	December 31, 2005	January 15, 2006	100.9

Additionally, on February 14, 2006, our Board of Directors declared a quarterly cash dividend of $0.1875 per share of our Common Stock to be paid on April 15, 2006, to shareholders of record on March 31, 2006.

Acquisitions

During 2005 we acquired radio stations for $12.5 million in cash. We also acquired Americas outdoor display faces for $113.2 million in cash. Our international outdoor segment acquired display faces for $17.1 million and a controlling majority interest in Clear Media Limited for $8.9 million. Clear Media is a Chinese outdoor advertising company and as a result of consolidating its operations during the third quarter of 2005, the acquisition resulted in an

increase to our cash of $39.7 million. Also, our national representation business acquired new contracts for a total of $47.7 million and the Company s television business acquired a television station for $5.5 million.

Capital Expenditures

(In millions)	Year Ended December 31, 2005 Capital Expenditures				
	Radio	Americas Outdoor	International Outdoor	Corporate and Other	Total
Non-revenue producing	$ 94.0	$ 35.5	$ 42.6	$ 25.5	$ 197.6
Revenue producing	¾	37.6	92.4	¾	130.0
	$ 94.0	$ 73.1	$ 135.0	$ 25.5	$ 327.6