

CLEAR CHANNEL COMMUNICATIONS INC

Form 10-Q

August 09, 2004

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**FORM 10-Q**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**QUARTERLY REPORT PURSUANT TO SECTION 13 AND 15(D)  
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarter ended June 30, 2004

Commission file number 1-9645

**CLEAR CHANNEL COMMUNICATIONS, INC.**

(Exact name of registrant as specified in its charter)

**Texas**  
(State of Incorporation)

**74-1787539**  
(I.R.S. Employer Identification No.)

**200 East Basse Road  
San Antonio, Texas 78209  
(210) 822-2828**

(Address and telephone number  
of principal executive offices)

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

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

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

| <u>Class</u>                  | <u>Outstanding at August 4, 2004</u> |
|-------------------------------|--------------------------------------|
| Common Stock, \$.10 par value | 590,027,036                          |

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**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES**

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Table of Contents**PART I****Item 1. UNAUDITED FINANCIAL STATEMENTS****CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS****ASSETS**  
**(In thousands)**

|  | <b>June 30,<br/>2004<br/>(Unaudited)</b> | <b>December 31,<br/>2003<br/>(Audited)</b> |
|--|--|--|
|  | <hr/>                                    | <hr/>                                      |
| <b>Current Assets</b>  |  |  |
| Cash and cash equivalents  | \$ 232,759                               | \$ 123,334                                 |
| Restricted cash  | 4,002                                    |  |
| Accounts receivable, less allowance of \$53,977 at June 30, 2004<br>and \$56,586 December 31, 2003 | 1,777,878                                | 1,703,393                                  |
| Prepaid expenses   | 314,593                                  | 196,494                                    |
| Other current assets   | 131,611                                  | 162,461                                    |
|  | <hr/>                                    | <hr/>                                      |
| Total Current Assets   | 2,460,843                                | 2,185,682                                  |
| <b>Property, Plant and Equipment</b>   |  |  |
| Land, buildings and improvements   | 1,639,292                                | 1,635,611                                  |
| Structures   | 2,884,493                                | 2,888,834                                  |
| Towers, transmitter and studio equipment   | 846,124                                  | 829,488                                    |
| Furniture and other equipment  | 717,227                                  | 694,163                                    |
| Construction in progress   | 173,180                                  | 161,973                                    |
|  | <hr/>                                    | <hr/>                                      |
|  | 6,260,316                                | 6,210,069                                  |
| Less accumulated depreciation  | 2,156,489                                | 1,949,154                                  |
|  | <hr/>                                    | <hr/>                                      |
|  | 4,103,827                                | 4,260,915                                  |
| <b>Intangible Assets</b>   |  |  |
| Definite-lived intangibles, net  | 654,749                                  | 717,181                                    |
| Indefinite-lived intangibles licenses  | 11,882,534                               | 11,797,742                                 |
| Indefinite-lived intangibles permits   | 453,396                                  | 424,640                                    |
| Goodwill   | 7,301,728                                | 7,306,338                                  |
| <b>Other Assets</b>  |  |  |
| Notes receivable   | 17,391                                   | 19,389                                     |
| Investments in, and advances to, nonconsolidated affiliates  | 368,172                                  | 353,132                                    |
| Other assets   | 365,417                                  | 361,306                                    |
| Other investments  | 313,468                                  | 926,368                                    |



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**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**  
**LIABILITIES AND SHAREHOLDERS EQUITY**  
(In thousands)

|  | <b>June 30,<br/>2004</b> | <b>December 31,<br/>2003</b> |
|--|--------------------------|------------------------------|
|  | <b>(Unaudited)</b>       | <b>(Audited)</b>             |
| <b>Current Liabilities</b>                       |                          |                              |
| Accounts payable                                 | \$ 340,461               | \$ 368,434                   |
| Accrued interest                                 | 87,882                   | 93,848                       |
| Accrued expenses                                 | 985,955                  | 941,263                      |
| Accrued income taxes                             | 77,101                   | 1,079                        |
| Current portion of long-term debt                | 167,000                  | 143,664                      |
| Deferred income                                  | 626,563                  | 318,759                      |
| Other current liabilities                        | 19,418                   | 25,672                       |
|  | <hr/>                    | <hr/>                        |
| Total Current Liabilities                        | 2,304,380                | 1,892,719                    |
| Long-term debt                                   | 6,509,634                | 6,921,348                    |
| Other long-term obligations                      | 156,863                  | 153,311                      |
| Deferred income taxes                            | 3,013,449                | 3,049,337                    |
| Other long-term liabilities                      | 754,841                  | 723,676                      |
| Minority interest                                | 59,513                   | 58,363                       |
| <b>Shareholders Equity</b>                       |                          |                              |
| Common stock                                     | 61,742                   | 61,632                       |
| Additional paid-in capital                       | 30,973,300               | 30,950,820                   |
| Accumulated deficit                              | (15,381,984)             | (15,630,387)                 |
| Accumulated other comprehensive income           | 111,025                  | 194,406                      |
| Other  | (664)                    | (1,293)                      |
| Cost of shares held in treasury                  | (640,574)                | (21,239)                     |
|  | <hr/>                    | <hr/>                        |
| Total shareholders equity                        | 15,122,845               | 15,553,939                   |
|  | <hr/>                    | <hr/>                        |
| <b>Total Liabilities and Shareholders Equity</b> | <b>\$ 27,921,525</b>     | <b>\$ 28,352,693</b>         |
|  | <hr/>                    | <hr/>                        |

See Notes to Consolidated Financial Statements



**Table of Contents****CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(UNAUDITED)****(In thousands of dollars, except per share data)**

|  | <b>Six Months Ended June 30,</b> |             | <b>Three Months Ended June 30,</b> |              |
|--|----------------------------------|-------------|------------------------------------|--------------|
|  | <b>2004</b>                      | <b>2003</b> | <b>2004</b>                        | <b>2003</b>  |
| Revenue  | \$4,454,600                      | \$4,096,692 | \$ 2,485,034                       | \$ 2,317,249 |
| Operating expenses:  |                                  |             |                                    |              |
| Divisional operating expenses (excludes non-cash compensation expenses of \$493, \$1,016, \$232 and \$500 for the six and three months ended June 30, 2004 and 2003, respectively) | 3,260,031                        | 3,002,980   | 1,760,313                          | 1,641,905    |
| Non-cash compensation expense  | 1,833                            | 2,578       | 915                                | 1,779        |
| Depreciation and amortization  | 340,912                          | 321,442     | 167,754                            | 161,880      |
| Corporate expenses (excludes non-cash compensation expenses of \$1,340, \$1,562, \$683 and \$1,279 for the six and three months ended June 30, 2004 and 2003, respectively)        | 95,945                           | 85,238      | 46,581                             | 42,459       |
| Operating income   | 755,879                          | 684,454     | 509,471                            | 469,226      |
| Interest expense   | 175,208                          | 196,263     | 85,403                             | 95,311       |
| Gain (loss) on marketable securities   | 44,220                           | 5,373       | (5,503)                            | 2,581        |
| Equity in earnings of nonconsolidated affiliates   | 17,310                           | 9,048       | 10,635                             | 6,713        |
| Other income (expense) net   | (19,964)                         | 39,144      | (2,694)                            | 39,142       |
| Income before income taxes   | 622,237                          | 541,756     | 426,506                            | 422,351      |
| Income tax (expense) benefit:  |                                  |             |                                    |              |
| Current  | (252,873)                        | (40,326)    | (106,888)                          | (58,321)     |
| Deferred   | 866                              | (179,084)   | (65,848)                           | (112,730)    |
| Net income   | 370,230                          | 322,346     | 253,770                            | 251,300      |
| Other comprehensive income, net of tax:  |                                  |             |                                    |              |
| Foreign currency translation adjustments   | (27,001)                         | 33,981      | (29,915)                           | 26,774       |
| Unrealized gain (loss) on securities:  |                                  |             |                                    |              |
| Unrealized holding gain (loss)   | (7,353)                          | 65,349      | (1,176)                            | 40,312       |
| Unrealized holding gain (loss) on cash flow derivatives  | (16,514)                         |             | 51                                 |              |



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|  |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|
| Reclassification adjustment for (gains) losses<br>included in net income | <u>(32,513)</u>   | <u>(1,869)</u>    | <u>(938)</u>      | <u>(146)</u>      |
| Comprehensive income   | <u>\$ 286,849</u> | <u>\$ 419,807</u> | <u>\$ 221,792</u> | <u>\$ 318,240</u> |
| Net income per common share:   |                   |                   |                   |                   |
| Basic  | <u>\$ .60</u>     | <u>\$ .53</u>     | <u>\$ .42</u>     | <u>\$ .41</u>     |
| Diluted  | <u>\$ .60</u>     | <u>\$ .52</u>     | <u>\$ .41</u>     | <u>\$ .41</u>     |
| Dividends declared per share   | \$ .20            | \$ .10            | \$ .10            | \$ .10            |

See Notes to Consolidated Financial Statements

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**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(UNAUDITED)**  
**(In thousands)**

|  | <b>Six Months Ended June 30,</b> |             |
|--|----------------------------------|-------------|
|  | <b>2004</b>                      | <b>2003</b> |
| <b>Cash Flows from operating activities:</b>   |                                  |             |
| Net income   | \$ 370,230                       | \$ 322,346  |
| <b>Reconciling Items:</b>  |                                  |             |
| Depreciation and amortization  | 340,912                          | 321,442     |
| Deferred taxes   | (866)                            | 179,084     |
| (Gain) loss on disposal of assets  | (11,698)                         | (5,317)     |
| (Gain) loss on sale of other investments   | (48,429)                         | (3,840)     |
| (Gain) loss on forward exchange contract   | (8,806)                          | 9,163       |
| (Gain) loss on trading securities  | 13,015                           | (10,696)    |
| Increase (decrease) accrued income and other taxes                                   | 79,809                           | 39,288      |
| Increase (decrease) other, net   | 19,764                           | (45,431)    |
| Changes in other operating assets and liabilities, net of effects of acquisitions    | 149,883                          | 137,700     |
| Net cash provided by (used in) operating activities                                  | 903,814                          | 943,738     |
| <b>Cash flows from investing activities:</b>   |                                  |             |
| (Investment in) liquidation of restricted cash                                       | (4,002)                          |             |
| Decrease (increase) in notes receivable net  | 1,448                            | 2,442       |
| Decrease (increase) in investments in and advances to nonconsolidated affiliates net | (3,216)                          | 7,249       |
| Purchases of investments   | (1,023)                          | (4,734)     |
| Proceeds from sale of investments  | 607,186                          | 10,940      |
| Purchases of property, plant and equipment   | (156,645)                        | (140,279)   |
| Proceeds from disposal of assets   | 9,013                            | 8,164       |
| Proceeds from divestitures placed in restricted cash                                 | 44,038                           |             |
| Acquisition of operating assets  | (130,161)                        | (44,843)    |
| Acquisition of operating assets with restricted cash                                 | (39,857)                         |             |
| Decrease (increase) in other-net   | (6,516)                          | (36,839)    |
| Net cash (used in) provided by investing activities                                  | 320,265                          | (197,900)   |
| <b>Cash flows from financing activities:</b>   |                                  |             |
| Draws on credit facilities   | 2,146,207                        | 1,567,734   |
| Payments on credit facilities  | (1,918,342)                      | (3,088,814) |
| Proceeds from long-term debt   |                                  | 1,997,817   |

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|  |                             |                             |
|--|-----------------------------|-----------------------------|
| Payments on long-term debt   | (609,443)                   | (1,310,753)                 |
| Payments for purchase of treasury shares   | (626,008)                   |                             |
| Proceeds from forward exchange contract  |                             | 83,519                      |
| Proceeds from exercise of stock options, stock purchase plan and common stock warrants | 16,261                      | 30,201                      |
| Dividends paid   | (123,329)                   |                             |
|  | <u>                    </u> | <u>                    </u> |
| Net cash used in financing activities  | (1,114,654)                 | (720,296)                   |
|  | <u>                    </u> | <u>                    </u> |
| Net increase in cash and cash equivalents  | 109,425                     | 25,542                      |
| Cash and cash equivalents at beginning of period                                       | 123,334                     | 170,086                     |
|  | <u>                    </u> | <u>                    </u> |
| Cash and cash equivalents at end of period   | \$ 232,759                  | \$ 195,628                  |
|  | <u>                    </u> | <u>                    </u> |

See Notes to Consolidated Financial Statements

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Table of Contents**CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
(UNAUDITED)**

## Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Preparation of Interim Financial Statements

The consolidated financial statements have been prepared by Clear Channel Communications, Inc. (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) and generally accepted accounting principles in the United States for interim financial information and, in the opinion of management, include all adjustments (consisting of normal recurring accruals and adjustments necessary for adoption of new accounting standards) necessary to present fairly the results of the interim periods shown. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles in the United States have been condensed or omitted pursuant to such rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods are not necessarily indicative of results for the full year. The financial statements contained herein should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's 2003 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of the Company and its subsidiaries, the majority of which are wholly-owned. Investments in companies in which the Company owns 20 percent to 50 percent of the voting common stock or otherwise exercises significant influence over operating and financial policies of the company are accounted for under the equity method. All significant intercompany transactions are eliminated in the consolidation process. Certain reclassifications have been made to the 2003 consolidated financial statements to conform to the 2004 presentation.

Stock-Based Compensation

The Company accounts for its stock-based award plans in accordance with Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, and related interpretations, under which compensation expense is recorded to the extent that the market price on the grant date of the underlying stock exceeds the exercise price. The required pro forma net income and pro forma earnings per share as if the stock-based awards had been accounted for using the provisions of Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation*, are as follows:

|  | <u>Six Months Ended June 30,</u> |             | <u>Three Months Ended June 30,</u> |             |
|--|----------------------------------|-------------|------------------------------------|-------------|
|  | <u>2004</u>                      | <u>2003</u> | <u>2004</u>                        | <u>2003</u> |
| <i>(In thousands, except per share data)</i>     |                                  |             |                                    |             |
| Net income                                       |                                  |             |                                    |             |
| Reported   | \$370,230                        | \$322,346   | \$253,770                          | \$251,300   |
| Pro forma stock compensation expense, net of tax | (37,584)                         | (23,966)    | (21,799)                           | (11,729)    |
| Pro Forma  | \$332,646                        | \$298,380   | \$231,971                          | \$239,571   |

Net income per common share

Basic:

|           |        |        |        |        |
|-----------|--------|--------|--------|--------|
| Reported  | \$ .60 | \$ .53 | \$ .42 | \$ .41 |
| Pro Forma | \$ .54 | \$ .49 | \$ .38 | \$ .39 |

Diluted:

|           |        |        |        |        |
|-----------|--------|--------|--------|--------|
| Reported  | \$ .60 | \$ .52 | \$ .41 | \$ .41 |
| Pro Forma | \$ .54 | \$ .48 | \$ .38 | \$ .39 |

The fair value for these options was estimated at the date of grant using a Black-Scholes option-pricing model with the following weighted average assumptions for 2004 and 2003:

|                         | <u>2004</u>   | <u>2003</u>   |
|-------------------------|---------------|---------------|
| Risk-free interest rate | 2.21% - 4.30% | 2.91% - 3.76% |
| Dividend yield          | .90% - .93%   | 0%            |
| Volatility factors      | 42% - 50%     | 43% - 47%     |
| Expected life in years  | 3.0 - 7.5     | 5.0 - 7.5     |

**Table of Contents****Recent Accounting Pronouncements**

On January 1, 2004, the Company adopted Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities* ( FIN 46 ). The Interpretation addresses consolidation of business enterprises of variable interest. The adoption of FIN 46 did not have a material impact on the Company's financial position or results of operations.

**Note 2: INTANGIBLE ASSETS AND GOODWILL****Definite-lived Intangibles**

The Company has definite-lived intangible assets recorded that continue to be amortized in accordance with Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets* ( Statement 142 ). These assets consist primarily of transit and street furniture contracts and other contractual rights in the outdoor segment, talent and program rights contracts in the radio segment, and, in the Company's other segment, representation contracts for non-affiliated television and radio stations, all of which are amortized over the respective lives of the agreements. Other definite-lived intangible assets are amortized over the period of time the assets are expected to contribute directly or indirectly to the Company's future cash flows. The following table presents the gross carrying amount and accumulated amortization for each major class of definite-lived intangible asset at June 30, 2004 and December 31, 2003:

|   | <b>June 30, 2004</b>         |                                 | <b>December 31, 2003</b>     |                                 |
|---|------------------------------|---------------------------------|------------------------------|---------------------------------|
|   | <b>Gross Carrying Amount</b> | <b>Accumulated Amortization</b> | <b>Gross Carrying Amount</b> | <b>Accumulated Amortization</b> |
| <i>(In thousands)</i>   |                              |                                 |                              |                                 |
| Transit, street furniture, and other outdoor contractual rights | \$ 646,269                   | \$314,886                       | \$ 655,775                   | \$289,821                       |
| Talent contracts  | 202,161                      | 144,249                         | 202,161                      | 132,421                         |
| Representation contracts  | 248,700                      | 78,172                          | 238,951                      | 62,678                          |
| Other   | 214,001                      | 119,075                         | 213,506                      | 108,292                         |
| Total   | <u>\$1,311,131</u>           | <u>\$656,382</u>                | <u>\$1,310,393</u>           | <u>\$593,212</u>                |

Total amortization expense from definite-lived intangible assets for the three and six months ended June 30, 2004 and for the year ended December 31, 2003 was \$35.4 million, \$67.7 million and \$138.2 million, respectively. The following table presents the Company's estimate of amortization expense for each of the five succeeding fiscal years for definite-lived intangible assets:

|                       |           |
|-----------------------|-----------|
| <i>(In thousands)</i> |           |
| 2005                  | \$115,874 |
| 2006                  | 95,860    |
| 2007                  | 65,567    |

|      |        |
|------|--------|
| 2008 | 52,559 |
| 2009 | 44,167 |

As acquisitions and dispositions occur in the future and as purchase price allocations are finalized, amortization expense may vary.

Indefinite-lived Intangibles

The Company's indefinite-lived intangible assets consist of FCC broadcast licenses and billboard permits. FCC broadcast licenses are granted to both radio and television stations for up to eight years under the Telecommunications Act of 1996. The 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 of 1934 or the FCC's rules and regulations by the licensee; and there have been no other serious violations which taken together constitute a pattern of abuse. The licenses may be renewed indefinitely at little or no cost. The Company does not believe that the technology of wireless broadcasting will be replaced in the foreseeable future. The Company's billboard permits are issued in perpetuity by state and local governments and are transferable or renewable at little or no cost. Permits typically include the location for which the permit allows the Company the right to operate an advertising structure. The Company's permits are located on either owned or leased land. In cases where the Company's permits are located on leased land, the leases are typically from 10 to 30 years and typically have been renewed indefinitely, with rental payments generally escalating at an inflation based index. Should the Company lose its lease, the Company will typically obtain permission to relocate the permit or bank it with the municipality for future use.

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In accordance with Statement 142, the Company does not amortize its FCC broadcast licenses or billboard permits. The Company tests these indefinite-lived intangible assets for impairment at least annually. The Company generally uses an income approach to value FCC licenses and billboard permits, which involves estimating future cash flows expected to be generated from the licenses or billboard permits, discounted to their present value using a risk-adjusted discount rate. Terminal values are also estimated and discounted to their present value. The Company performed impairment tests at October 1, 2003 and 2002, which resulted in no impairment charge.

**Goodwill**

Statement 142 requires the Company to test goodwill for impairment using a two-step process. The first step, used to screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. The second step, used to measure the amount of the impairment loss, compares the implied fair value of the reporting unit goodwill with the carrying amount of that goodwill. The Company completed the two-step impairment test at October 1, 2003 and 2002, which resulted in no impairment charge. Consistent with the Company's approach to fair valuing FCC licenses and billboard permits, an income approach was used to determine the fair value of each of the Company's reporting units. The following table presents the changes in the carrying amount of goodwill in each of the Company's reportable segments for the six-month period ended June 30, 2004:

| <i>(In thousands)</i>              | <b>Radio<br/>Broadcasting</b> | <b>Outdoor<br/>Advertising</b> | <b>Live<br/>Entertainment</b> | <b>Other</b>      | <b>Total</b>       |
|------------------------------------|-------------------------------|--------------------------------|-------------------------------|-------------------|--------------------|
| Balance as of December 31,<br>2003 | \$6,419,191                   | \$710,815                      | \$147,590                     | \$28,742          | \$7,306,338        |
| Acquisitions                       | 6,951                         | 4,787                          | 4,800                         | 160               | 16,698             |
| Foreign currency<br>Adjustments    | (3,049)                       | (7,712)                        | (5,251)                       | (62)              | (12,963)           |
|                                    | <u>          </u>             | <u>          </u>              | <u>          </u>             | <u>          </u> | <u>          </u>  |
| Balance as of June 30, 2004        | <u>\$6,423,093</u>            | <u>\$709,966</u>               | <u>\$139,829</u>              | <u>\$28,840</u>   | <u>\$7,301,728</u> |

**Note 3: DERIVATIVE INSTRUMENTS**

The Company holds a net purchased option (the "collar") under a secured forward exchange contract that limits its exposure to and benefit from price fluctuations in XM Satellite Radio Holding, Inc. ( "XMSR") over the term of the contract. The collar is accounted for as a hedge of the forecasted sale of the underlying shares. At June 30, 2004 and December 31, 2003, the fair value of the collar was a liability of \$128.6 million and \$101.7 million, respectively. The amount recorded in other comprehensive income, net of tax, related to the collar was \$79.7 million and \$63.5 million as of June 30, 2004 and December 31, 2003, respectively.

The Company also holds options under two secured forward exchange contracts that limit its exposure to and benefit from price fluctuations in American Tower Corporation ( "AMT") over the terms of the contracts. These options are not designated as hedges of the underlying shares of AMT. The AMT contracts had a value of \$34.3 million and \$47.3 million at June 30, 2004 and December 31, 2003, respectively. For the six months ended June 30, 2004 and the year ended December 31, 2003, the Company recognized a gain of \$13.0 million and a loss of \$17.1 million, respectively, in "Gain (loss) on marketable securities" related to the change in fair value of the options.



On February 25, 2004, the Company entered into a United States dollar Euro cross currency swap with a Euro notional amount of 497.0 million and a corresponding U.S. dollar notional amount of \$629.0 million. The swap requires the Company to make fixed cash payments on the Euro notional amount while it receives fixed cash payments on the equivalent U.S. dollar notional amount, all on a semiannual basis. The Company has designated the swap as a hedge of its net investment in Euro denominated assets. The Company selected the forward method under the guidance of the Derivatives Implementation Group Statement 133 Implementation Issue H8, *Foreign Currency Hedges: Measuring the Amount of Ineffectiveness in a Net Investment Hedge*. The forward method requires all changes in the fair value of the cross currency swap and the semiannual cash payments to be reported as a cumulative translation adjustment in other comprehensive income in the same manner as the underlying hedged net assets. As of June 30, 2004, a \$.7 million gain was recorded as a cumulative translation adjustment to other comprehensive income related to the cross currency swap.

Note 4: RECENT DEVELOPMENTS

Company Share Repurchase Program

On March 30, 2004, the Company's Board of Directors authorized a share repurchase program of up to \$1.0 billion effective immediately. The share repurchase program will be conducted over the next 12 months. As of June 30, 2004, 16.0 million shares had

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been repurchased for an aggregate purchase price of \$626.0 million, including commission and fees, under the Company's share repurchase program.

**Recent Legal Proceedings**

At the Senate Judiciary Committee hearing on July 24, 2003, an Assistant United States Attorney General announced that the Department of Justice (the DOJ), is pursuing two separate antitrust inquiries concerning the Company. One inquiry is whether the Company has violated antitrust laws in one of its radio markets. The other is whether the Company has limited airplay of artists who do not use its concert services in violation of antitrust laws. The Company is cooperating fully with all DOJ requests.

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 the Company. The Subpoena requires the Company to produce certain information regarding commercial advertising run by it on behalf of offshore and/or online (Internet) gambling businesses, including sports bookmaking and casino-style gambling. The Company is cooperating with such requirements.

The Company is among the defendants in a lawsuit filed on June 12, 2002 in the United States District Court for the Southern District of Florida by Spanish Broadcasting System. The plaintiffs alleged that the Company is in violation of Section One and Section Two of the Sherman Antitrust Act as well as various other claims, such as unfair trade practices and defamation, among other counts. This case was dismissed with prejudice on January 31, 2003. The plaintiffs filed an appeal with the 11th Circuit Court of Appeals. On June 30, 2004, the 11th Circuit Court of Appeals upheld the dismissal.

The Company is currently involved in certain legal proceedings and, as required, has accrued its 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 the Company's assumptions or the effectiveness of its strategies related to these proceedings.

**Note 5: RESTRUCTURING**

As a result of the Company's merger with The Ackerley Group, Inc. (Ackerley) in June 2002, the Company recorded a \$40.0 million accrual related to the restructuring of Ackerley's operations. Of the \$40.0 million, \$19.0 million is related to severance and \$21.0 million is related to lease terminations. The Ackerley corporate office closed in July 2002. At June 30, 2004, the accrual balance for the Ackerley restructuring was \$22.8 million. Also, in connection with the Company's mergers in 2000 with SFX Entertainment, Inc. (SFX) and AMFM Inc. (AMFM), the Company restructured the SFX and AMFM operations. The AMFM corporate offices in Dallas and Austin, Texas were closed on March 31, 2001 and a portion of the SFX corporate office in New York was closed on June 30, 2001. Other operations of AMFM have either been discontinued or integrated into existing similar operations. As of June 30, 2004, the accrual balance for the AMFM and SFX restructuring was \$32.9 million. All restructuring has resulted in the actual termination of approximately 800 employees. The Company has recorded a liability in purchase accounting for Ackerley, SFX and AMFM, primarily related to severance for terminated employees and lease terminations as follows:

|   |                   |
|---|-------------------|
| <b>Six Months<br/>Ended<br/>June 30, 2004</b> | <b>Year Ended</b> |
|---|-------------------|

| <i>(In thousands)</i>                                     |                  | <b>December 31,<br/>2003</b> |
|---|------------------|------------------------------|
| Severance and lease termination costs:                    |                  |                              |
| Accrual at January 1                                      | \$ 57,140        | \$ 73,573                    |
| Adjustments to restructuring accrual                      |                  |                              |
| Payments charged against restructuring accrual            | <u>(1,486)</u>   | <u>(16,433)</u>              |
| Ending balance of severance and lease termination accrual | <u>\$ 55,654</u> | <u>\$ 57,140</u>             |

The remaining severance and lease accrual is comprised of \$38.7 million of severance and \$16.9 million of lease termination. The severance accrual includes amounts that will be paid over the next several years related to deferred payments to former employees as well as other compensation. The lease termination accrual will be paid over the next five years. During the first half of 2004, \$.5 million was paid and charged to the restructuring reserve related to severance. The Company made adjustments to finalize the purchase price allocation for both the AMFM and SFX mergers during 2001 and the purchase price allocation related to the Ackerley merger was finalized in 2003. All adjustments have been made, and any future potential excess reserves will be recorded as an adjustment to the purchase price.

In addition to the restructuring described above, the Company restructured its outdoor advertising operations in France during the second quarter of 2003. As a result, the Company has recorded a \$13.8

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million accrual in divisional operating expenses. Of the \$13.8 million, \$12.5 million was related to severance and \$1.3 million was related to lease terminations and consulting costs. As of June 30, 2004, this accrual balance was \$2.7 million. It is expected that this accrual will be paid over the next year. This restructuring resulted in the termination of 134 employees.

**Note 6: COMMITMENTS AND CONTINGENCIES**

Certain agreements relating to acquisitions provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies. The Company will continue to accrue additional amounts related to such contingent payments if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent payments, if performance targets are met, would not significantly impact the financial position or results of operations of the Company.

In addition to the legal proceedings discussed in Note 4, there are various lawsuits and claims pending against the Company. The Company believes that any ultimate liability resulting from those actions or claims will not have a material adverse effect on the results of operations, financial position or liquidity of the Company.

**Note 7: GUARANTEES**

As of June 30, 2004, the Company guaranteed third party debt of approximately \$13.2 million. The guarantees arose primarily in 2000 in conjunction with the Company entering into long-term contracts with third parties. The operating assets associated with these contracts secure the debt that the Company has guaranteed. Only to the extent that the assets are either sold by the third-party for less than the guaranteed amount or the third party is unable to service the debt will the Company be required to make a cash payment under the guarantee. As of June 30, 2004, it is not probable that the Company will be required to make a payment under these guarantees. Thus, as of June 30, 2004, the guarantees associated with long-term operating contracts are not recorded on the Company's financial statements. These guarantees are included in the Company's calculation of its leverage ratio covenant under the bank credit facilities.

As of June 30, 2004, the Company has provided a guarantee under a certain performance contract of up to \$19.3 million, which will expire during the second half of 2004. Under this guarantee, if the amount collected from the third parties that receive the benefit under the performance contract does not meet the guarantee amount, the Company must make payment for the shortfall. The Company made no payments under this guarantee during the first half of 2004. As of June 30, 2004, the Company cannot reasonably estimate whether it will have to make any future payments under this guarantee for the 2004 contract period. As such, possible losses on this executory performance contract will be appropriately recorded in the period that they are incurred.

The Company guarantees a \$150.0 million five-year revolving credit facility between its international subsidiary and a group of international banks. The credit facility expires in 2005. The facility allows for borrowings in various foreign currencies, which are used to hedge net assets in those currencies and provides funds to the Company's international operations for certain working capital needs. At June 30, 2004, the outstanding balance on the credit facility was \$45.8 million. The outstanding balance on the credit facility is recorded in Long-term debt on the Company's financial statements.

AMFM Operating Inc., an indirect wholly-owned subsidiary of the Company has guaranteed a portion of the Company's bank credit facilities including the reducing revolving credit facility and the \$1.5 billion five-year multi-currency revolving credit facility with outstanding balances at June 30, 2004 of \$730.0 million and \$145.0 million, respectively. At June 30, 2004, the contingent liability under these guarantees was \$1.0 billion. At June 30, 2004, these outstanding balances are recorded in Long-term debt on the Company's financial statements.

Within the Company's bank credit facilities agreements is a provision that requires the Company to reimburse lenders for any increased costs that they may incur in an event of a change in law, rule or regulation resulting in their reduced returns from any change in capital requirements. In addition to not being able to estimate the potential amount of any future payment under this provision, the Company is not able to predict if such event will ever occur.

The Company currently has guarantees that provide protection to its international subsidiary's banking institutions related to overdraft lines and credit card charge-back transactions up to approximately \$66.3 million. As of June 30, 2004, no amounts were outstanding under these agreements.

As of June 30, 2004, the Company has outstanding commercial standby letters of credit and surety bonds of \$144.8 million and \$59.1 million, respectively, that primarily expire during 2004. These letters of credit and surety bonds relate to various operational matters including insurance, bid and performance bonds as well as other items. These letters of credit reduce the borrowing availability on the

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Company's bank credit facilities, and are included in the Company's calculation of its leverage ratio covenant under the bank credit facilities. The surety bonds are not considered borrowings under the Company's bank credit facilities.

Note 8: OTHER

**Capital Market Transaction**

On February 25, 2004, the Company redeemed \$454.4 million of its 6.5% senior notes due July 7, 2005, for \$477.7 million plus accrued interest. As a result of this redemption, the Company recorded a pre-tax loss of \$31.6 million on the early extinguishment of debt. After this redemption, \$195.6 million of the 6.5% senior notes remain outstanding.

**Marketable Security Transaction**

During the first half of 2004, the Company received \$607.2 million of proceeds primarily related to the sale of its remaining investment in Univision Communications, Inc. As a result, the Company recorded a gain of \$48.4 million in Gain (loss) on marketable securities.

**Sale of Operating Assets**

During the first half of 2004, the Company recorded a gain of \$23.3 million on the sale of radio assets and a loss of \$12.0 million on the sale of entertainment assets.

Note 9: SEGMENT DATA

The Company has three reportable segments, which it believes best reflects how the Company is currently managed: radio broadcasting, outdoor advertising and live entertainment. The category "other" includes television broadcasting, sports representation and media representation. Revenue and expenses earned and charged between segments are recorded at fair value and eliminated in consolidation.

| <i>(In thousands)</i>                        | <b>Radio<br/>Broadcasting</b> | <b>Outdoor<br/>Advertising</b> | <b>Live<br/>Entertainment</b> | <b>Other</b>     | <b>Corporate<br/>&amp; Elimination</b> | <b>Consolidated</b> |
|--|-------------------------------|--------------------------------|-------------------------------|------------------|--|---------------------|
| <b><u>Six Months Ended June 30, 2004</u></b> |                               |                                |                               |                  |  |                     |
| Revenue                                      | \$ 1,829,768                  | \$ 1,161,142                   | \$ 1,248,439                  | \$ 282,278       | \$ (67,027)                            | \$ 4,454,600        |
| Divisional operating expenses                | 1,065,097                     | 845,727                        | 1,185,787                     | 230,447          | (67,027)                               | 3,260,031           |
| Non-cash compensation                        | 493                           |                                |                               |                  | 1,340                                  | 1,833               |
| Depreciation and amortization                | 75,766                        | 192,556                        | 30,443                        | 31,584           | 10,563                                 | 340,912             |
| Corporate expenses                           |                               |                                |                               |                  | 95,945                                 | 95,945              |
| Operating income (loss)                      | <u>\$ 688,412</u>             | <u>\$ 122,859</u>              | <u>\$ 32,209</u>              | <u>\$ 20,247</u> | <u>\$ (107,848)</u>                    | <u>\$ 755,879</u>   |
| Intersegment revenues                        | \$ 29,040                     | \$ 7,255                       | \$ 467                        | \$ 30,265        | \$                                     | \$ 67,027           |
| Identifiable assets                          | \$ 19,815,048                 | \$ 4,823,849                   | \$ 1,631,712                  | \$ 1,391,900     | \$ 259,016                             | \$ 27,921,525       |
| Capital expenditures                         | \$ 26,703                     | \$ 74,913                      | \$ 44,170                     | \$ 10,726        | \$ 133                                 | \$ 156,645          |

**Three Months Ended June 30, 2004**

|                               |                   |                   |                   |                   |                   |                   |                   |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| Revenue                       | \$ 996,824        | \$ 639,549        | \$ 734,481        | \$ 149,917        | \$                | \$(35,737)        | \$ 2,485,034      |
| Divisional operating expenses | 552,769           | 432,989           | 693,939           | 116,353           |                   | (35,737)          | 1,760,313         |
| Non-cash compensation         | 232               |                   |                   |                   |                   | 683               | 915               |
| Depreciation and amortization | 37,975            | 92,806            | 14,895            | 16,858            | 5,220             |                   | 167,754           |
| Corporate expenses            |                   |                   |                   |                   | 46,581            |                   | 46,581            |
|                               | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Operating income (loss)       | \$ 405,848        | \$ 113,754        | \$ 25,647         | \$ 16,706         | \$ (52,484)       | \$                | \$ 509,471        |
|                               | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Intersegment revenues         | \$ 13,862         | \$ 4,246          | \$ 457            | \$ 17,172         | \$                | \$                | \$ 35,737         |

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|   | <b>Radio<br/>Broadcasting</b> | <b>Outdoor<br/>Advertising</b> | <b>Live<br/>Entertainment</b> | <b>Other</b> | <b>Corporate<br/>Eliminations</b> | <b>Consolidated</b> |
|---|-------------------------------|--------------------------------|-------------------------------|--------------|-----------------------------------|---------------------|
| <b>Six Months Ended June 30, 2003</b>   |                               |                                |                               |              |                                   |                     |
| Revenue                                 | \$ 1,765,599                  | \$ 1,019,702                   | \$ 1,113,802                  | \$ 264,723   | \$ (67,134)                       | \$ 4,096,692        |
| Divisional operating expenses           | 1,031,992                     | 779,043                        | 1,040,416                     | 218,663      | (67,134)                          | 3,002,980           |
| Non-cash compensation                   | 1,016                         |                                |                               |              | 1,562                             | 2,578               |
| Depreciation and amortization           | 76,076                        | 178,437                        | 29,745                        | 25,076       | 12,108                            | 321,442             |
| Corporate expenses                      |                               |                                |                               |              | 85,238                            | 85,238              |
| Operating income (loss)                 | \$ 656,515                    | \$ 62,222                      | \$ 43,641                     | \$ 20,984    | \$ (98,908)                       | \$ 684,454          |
| Intersegment revenues                   | \$ 27,033                     | \$ 9,577                       | \$ 1,195                      | \$ 29,329    | \$                                | \$ 67,134           |
| Identifiable assets                     | \$ 19,792,427                 | \$ 4,817,252                   | \$ 1,435,799                  | \$ 1,450,026 | \$ 483,078                        | \$ 27,978,582       |
| Capital expenditures                    | \$ 20,881                     | \$ 80,290                      | \$ 28,596                     | \$ 9,656     | \$ 856                            | \$ 140,279          |
| <b>Three Months Ended June 30, 2003</b> |                               |                                |                               |              |                                   |                     |
| Revenue                                 | \$ 970,565                    | \$ 569,174                     | \$ 675,920                    | \$ 139,305   | \$ (37,715)                       | \$ 2,317,249        |
| Divisional operating expenses           | 536,888                       | 414,334                        | 619,280                       | 109,118      | (37,715)                          | 1,641,905           |
| Non-cash compensation                   | 500                           |                                |                               |              | 1,279                             | 1,779               |
| Depreciation and amortization           | 38,776                        | 89,471                         | 14,926                        | 12,579       | 6,128                             | 161,880             |
| Corporate expenses                      |                               |                                |                               |              | 42,459                            | 42,459              |
| Operating income (loss)                 | \$ 394,401                    | \$ 65,369                      | \$ 41,714                     | \$ 17,608    | \$ (49,866)                       | \$ 469,226          |
| Intersegment revenues                   | \$ 14,285                     | \$ 6,058                       | \$ 1,170                      | \$ 16,202    | \$                                | \$ 37,715           |

Net revenue of \$1.0 billion and \$411.9 million for the six and three months ended June 30, 2004, respectively, and \$850.8 million and \$333.4 million for the six and three months ended June 30, 2003, respectively, and identifiable assets of \$2.6 billion and \$2.4 billion as of June 30, 2004 and 2003, respectively, are included in the data above and are derived from the Company's foreign operations.

**Note 10: SUBSEQUENT EVENTS**

On July 13, 2004, the Company entered into a new five-year, multi-currency revolving credit facility in the amount of \$1.75 billion. The facility 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. The Company's existing \$1.5 billion five-year multi-currency revolving credit facility was repaid in its entirety and terminated at the same time the new facility was entered into.

On July 21, 2004, the Company's Board of Directors declared a quarterly cash dividend of \$0.125 per share on the Company's Common Stock. The dividend is payable on October 15, 2004 to shareholders of record at the close of business on September 30, 2004.



From July 1, 2004 through August 4, 2004, 11.1 million shares had been repurchased for an aggregate purchase price of \$395.8 million, including commission and fees. On July 21, 2004, the Company's Board of Directors authorized a second share repurchase program of up to \$1.0 billion effective immediately. This second share repurchase program will be conducted over the next 12 months. At August 4, 2004, the Company had completed the first \$1.0 billion share repurchase program authorized by the Board of Directors on March 30, 2004 and there was \$978.2 million remaining available for repurchase through this second repurchase program.

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

**Overview**

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, Outdoor Advertising and Live Entertainment. Included in the other segment are television broadcasting, sports representation and our media representation business, Katz Media.

We manage our operating segments primarily on their operating income. Therefore, our discussion of the results of operations of our operating segments focuses on their operating income. Corporate expenses, Interest expense, Gain (loss) on sale of marketable securities, Equity in earnings of nonconsolidated affiliates, Other income (expense) net, and Income tax benefit (expense) are managed on a total company basis and are, therefore, reflected 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 are listening 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. We sell a certain number of radio advertising spots per hour to our advertisers. Radio advertising contracts are typically less than one year.

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 one of its main performance metrics. Management also looks at 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 staff while national advertising is sold, for the most part, through our national representation firm.

Local and national advertising revenues are tracked separately because these revenue streams have different sales forces, respond differently to changes in the economic environment and because local advertising is the primary driver of our radio revenues. During the second quarter of 2004, growth in our local advertising revenue outpaced the growth in our national advertising revenue.

Management also looks at radio revenue by market size, as defined by Arbitron. Typically, larger markets can reach bigger 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 listeners in target demographics listening to the radio in an average quarter hour. This metric gauges how well our formats are doing attracting and keeping listeners. Our overall share of

listeners 12 years and older and age 25 to 54 was up in the second quarter of 2004 over the second quarter of 2003.

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 and market share.

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***Outdoor Advertising***

Our outdoor advertising revenues are generated from selling advertisements on our display faces, which include bulletins, posters and transit displays as well as street furniture panels. Our advertising rates are based on a particular display's impressions in relation to the demographics of a particular market and its location within a market. Our outdoor advertising contracts are typically based on the number of months or weeks the advertisement is displayed.

To monitor the health of our outdoor business, management reviews average rates, average occupancy and inventory levels of each of our display faces by market. In addition, because a significant portion of our outdoor advertising is conducted in foreign markets, principally Europe, management looks at revenues from our foreign operations on a constant dollar basis. A constant dollar basis allows for comparison of operations independent of foreign exchange movements. Our outdoor advertising revenue and divisional operating expenses increased in the second quarter of 2004 as compared to the second quarter of 2003 by approximately \$28.8 million and \$22.1 million, respectively, as a result of fluctuations in foreign currency exchange rates.

Our significant outdoor expenses include production expenses, revenue sharing or minimum guarantees on our transit and street furniture contracts and site lease expenses, primarily for land under our advertising displays. Our site lease terms vary from monthly to yearly, can be for terms of 20 years or longer and typically provide for renewal options. Our street furniture contracts are usually won in a competitive bid and generally have terms of between 10 and 20 years.

***Live Entertainment***

We derive live entertainment revenues primarily from promoting or producing music and theater events. Revenues from these events are mainly from ticket sales, rental income, corporate sponsorships, concessions and merchandise. We typically receive either all the ticket sales or just a fixed fee for each event we host. We also receive fees representing a percentage of total concession sales from vendors and total merchandise sales from the performer or tour producer.

We generally receive higher music profits when an event is at a venue we own rather than a venue we rent. The higher music profits are due to our ability to share in a percentage of the revenues received from concession and merchandise sales as well as the opportunity to sell sponsorships for venue naming rights and signage.

To judge the health of our music business, management monitors the number of shows, average paid attendance, talent cost as a percent of revenue, sponsorship dollars and ticket revenues. In addition, because a significant portion of our live entertainment business is conducted in foreign markets, management looks at revenues from our foreign operations on a constant dollar basis. A constant dollar basis allows for comparison of operations independent of foreign exchange movements. Our live entertainment revenue and divisional operating expenses increased in the second quarter of 2004 as compared to the second quarter of 2003 by approximately \$15.9 million and \$14.8 million, respectively, as a result of fluctuations in foreign currency exchange rates.

The primary expense driver for live entertainment is talent cost. Talent cost is the amount we pay to a musical artist or theatrical production to perform at an event. This is a negotiated amount primarily driven by what the artist or production requires to cover their direct costs and the value of their time. These fees are typically agreed to at a set minimum amount with the potential for additional profit sharing if the event exceeds set revenue targets.

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The comparison of Three and Six Months Ended June 30, 2004 to Three and Six Months Ended June 30, 2003 is as follows:

**Consolidated**

| <i>(In thousands)</i>   | <b>Three Months Ended June 30,</b> |              |                 | <b>Six Months Ended June 30,</b> |              |                 |
|---|------------------------------------|--------------|-----------------|----------------------------------|--------------|-----------------|
|   | <b>2004</b>                        | <b>2003</b>  | <b>% Change</b> | <b>2004</b>                      | <b>2003</b>  | <b>% Change</b> |
| Revenue   | \$ 2,485,034                       | \$ 2,317,249 | 7%              | \$ 4,454,600                     | \$ 4,096,692 | 9%              |
| Operating expenses:   |                                    |              |                 |                                  |              |                 |
| Divisional operating expenses (excludes non-cash compensation expenses of \$232, \$500, \$493 and \$1,016, for the three and six months ended June 30, 2004 and 2003, respectively) | 1,760,313                          | 1,641,905    | 7%              | 3,260,031                        | 3,002,980    | 9%              |
| Non-cash compensation expense   | 915                                | 1,779        | (49%)           | 1,833                            | 2,578        | (29%)           |
| Depreciation and amortization   | 167,754                            | 161,880      | 4%              | 340,912                          | 321,442      | 6%              |
| Corporate expenses (excludes non-cash compensation expenses of \$683, \$1,279, \$1,340 and \$1,562 for the six and three months ended June 30, 2004 and 2003, respectively)         | 46,581                             | 42,459       | 10%             | 95,945                           | 85,238       | 13%             |
| Operating income  | 509,471                            | 469,226      | 9%              | 755,879                          | 684,454      | 10%             |
| Interest expense  | 85,403                             | 95,311       |                 | 175,208                          | 196,263      |                 |
| Gain (loss) on marketable securities  | (5,503)                            | 2,581        |                 | 44,220                           | 5,373        |                 |
| Equity in earnings of nonconsolidated affiliates  | 10,635                             | 6,713        |                 | 17,310                           | 9,048        |                 |
| Other income (expense) net  | (2,694)                            | 39,142       |                 | (19,964)                         | 39,144       |                 |
| Income before income taxes  | 426,506                            | 422,351      |                 | 622,237                          | 541,756      |                 |
| Income tax (expense) benefit:   |                                    |              |                 |                                  |              |                 |

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|            |                   |                   |                   |                   |
|------------|-------------------|-------------------|-------------------|-------------------|
| Current    | (106,888)         | (58,321)          | (252,873)         | (40,326)          |
| Deferred   | (65,848)          | (112,730)         | 866               | (179,084)         |
|            | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |
| Net income | \$ 253,770        | \$ 251,300        | \$ 370,230        | \$ 322,346        |
|            | <u>          </u> | <u>          </u> | <u>          </u> | <u>          </u> |

Consolidated Revenue

Three Months

Revenue increased \$167.8 million for the three months ended June 30, 2004 as compared to the same period of 2003. Outdoor, live entertainment and radio contributed \$70.4 million, \$58.6 million and \$26.3 million to the increase, respectively. The outdoor increase was driven by domestic bulletin and poster revenues along with revenues from our international street furniture and bulletin displays. The live entertainment increase was driven by higher concert ticket revenues. The radio revenue increase was largely attributable to higher local revenues, syndicated radio programming and traffic revenues. Also increasing revenue was approximately \$44.7 million resulting from fluctuations in foreign exchange rates.

Six Months

Revenue increased \$357.9 million for the six months ended June 30, 2004 as compared to the same period of 2003. Outdoor, live entertainment and radio's contribution to the increase was \$141.4 million, \$134.6 million and \$64.2 million, respectively. Outdoor revenue was driven by improvements in bulletin and poster revenues, as well as international billboards and street furniture revenues. Live entertainment revenue was driven by an increase in ticket revenues from concerts such as Madonna and Bette Midler, while the increase in radio's revenue was driven primarily by local advertising. Also increasing revenue was approximately \$98.9 million resulting from fluctuations in foreign exchange rates.

Consolidated Divisional Operating Expenses

Three Months

Divisional operating expenses increased \$118.4 million for the three months ended June 30, 2004 as compared to the same period of 2003. Live entertainment contributed \$74.7 million to the increase largely from guaranteed artist payments and production costs, outdoor advertising contributed \$18.7 million to the increase primarily from increased site lease expenses, and radio contributed

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\$15.9 million to the increase primarily from increased programming and promotional expenditures. Also increasing divisional operating expenses was approximately \$36.9 million resulting from fluctuations in foreign exchange rates.

*Six Months*

Divisional operating expenses increased \$257.1 million for the six months ended June 30, 2004 as compared to the same period of 2003. Live entertainment contributed \$145.4 million to the increase mainly from artist costs associated with guaranteed artist payments and due to higher production costs, outdoor contributed \$66.7 million to the increase from higher site lease expenses and the consolidation of an investment that had previously been accounted for under the equity method and radio contributed \$33.1 million to the increase principally from increased programming and promotional expenses. Also increasing divisional operating expenses was approximately \$86.4 million from fluctuations in foreign exchange rates.

*Depreciation and Amortization*

Depreciation and amortization expense increased \$5.9 million and \$19.5 million for the three and six months ended June 30, 2004 as compared to the same periods of 2003. The increases were primarily attributable to fluctuations in foreign exchange rates in our outdoor advertising segment of \$3.5 million and \$8.0 million for the second quarter and year to date of 2004, respectively, compared to the same periods of 2003. Also contributing to the increase was additional amortization as a result of the purchase of certain national representation contracts during the latter part of 2003 and accelerated depreciation on display takedowns and abandonments in our outdoor advertising segment.

*Corporate Expenses*

Corporate expenses increased \$4.1 million and \$10.7 million for the three and six months ended June 30, 2004, respectively, as compared to the same periods of 2003. The increase was the result of additional outside professional services.

*Interest Expense*

Interest expense decreased \$9.9 million and \$21.1 million for the three and six months ended June 30, 2004, respectively, as compared to the same periods of 2003. The decrease was primarily attributable to a decrease in our total debt outstanding. At June 30, 2004 and 2003, outstanding debt was \$6.7 billion and \$8.0 billion, respectively.

*Gain (loss) on Marketable Securities*

Gain (loss) on marketable securities decreased \$8.1 million for the three months ended June 30, 2004 as compared to the same period of 2003. The decrease was the result of changes in the fair value of certain investment securities that are classified as trading and a related secured forward exchange contract associated with those securities.

Gain (loss) on marketable securities increased \$38.8 million for the six months ended June 30, 2004 compared to the same period of 2003. The increase was primarily the result of a \$47.0 million gain recorded during the first quarter of 2004 on the sale of our remaining investment in the common stock of Univision Communications Inc.

*Equity in Earnings of Nonconsolidated Affiliates*

Equity in earnings of nonconsolidated affiliates increased \$3.9 million for the three months ended June 30, 2004 as compared to the same period of 2003. The increase was primarily the result of a \$6.3 million increase in our international outdoor equity investments and a \$2.0 million increase in our Australian and New Zealand radio

investments. The increase was partially offset by a decline of \$4.4 million from our Mexico radio equity investment, principally from political advertising dollars spent during the 2003 Mexican elections.

Equity in earnings of nonconsolidated affiliates increased \$8.3 million for the six months ended June 30, 2004 compared to the same period of 2003. The increase was primarily the result of a \$6.7 million increase in our international outdoor equity investments, a \$3.6 million increase in our Australian and New Zealand radio investments, and a \$2.7 million increase in our live entertainment equity investments. The increase was partially offset by a decline of \$4.7 million from our Mexico radio equity investment.

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**Table of Contents****Other Income (Expense) Net**

Other income (expense) net decreased \$41.8 million during the second quarter of 2004 as compared to the same period of 2003. The decline was principally the result of a \$41.3 million gain on the early extinguishment of debt during the second quarter of 2003. During the second quarter of 2004, we recorded a \$12.2 million gain related to the sale of radio operating assets partially offset by a \$12.0 million loss on the sale of entertainment operating assets.

Other income (expense) net decreased \$59.1 million during the six months ended June 30, 2004 as compared to the same period of 2003. The principal components of other income (expense) that drove the change were:

| <i>(In millions)</i>                        | <b>Six Months Ended June<br/>30,</b> |                   |
|---|--------------------------------------|-------------------|
|   | <b>2004</b>                          | <b>2003</b>       |
| Gain (loss) on early extinguishment of debt | \$ (31.4)                            | \$ 41.3           |
| Sale of radio operating assets              | 23.3                                 |                   |
| Sale of entertainment operating assets      | (12.0)                               |                   |
| Other                                       | .1                                   | (2.2)             |
|   | <u>          </u>                    | <u>          </u> |
| Other income (expense) net                  | \$ (20.0)                            | \$ 39.1           |
|   | <u>          </u>                    | <u>          </u> |

**Income Tax Benefit (Expense)**

For the three months ended June 30, 2004 current tax expense increased \$48.6 million as compared to the three months ended June 30, 2003. The increase related to deductions taken on amended tax returns and the utilization of acquired net operating losses both taken in the three months ended June 30, 2003. For the six months ended June 30, 2004, current tax expense increased \$212.5 million as compared to the six months ended June 30, 2003 primarily due to the sale of our remaining investment in Univision, partially offset by a tax loss on our early extinguishment of debt, both in the first quarter of 2004.

Deferred tax expense for the three months ended June 30, 2004 decreased \$46.9 million as compared to the same period of 2003 primarily due to the reversal of deferred tax assets in the three months ended June 30, 2003 that were recorded in prior periods associated with deductions taken on amended returns and a book gain on the early extinguishment of debt, which was reversed for tax purposes. Deferred tax expense decreased from \$179.1 million for the six months ended June 30, 2003 to a deferred tax benefit of \$.9 million for the six months ended June 30, 2004 primarily due to the sale of our remaining investment in Univision.

**Segment Revenue and Divisional Operating Expenses****Radio Broadcasting**

**Three Months Ended June  
30,**

**Six Months Ended June  
30,**

| <i>(In thousands)</i>         | <u>2004</u>       | <u>2003</u>       | <u>% Change</u> | <u>2004</u>       | <u>2003</u>       | <u>% Change</u> |
|-------------------------------|-------------------|-------------------|-----------------|-------------------|-------------------|-----------------|
| Revenue                       | \$ 996,824        | \$ 970,565        | 3%              | \$ 1,829,768      | \$ 1,765,599      | 4%              |
| Divisional operating expenses | 552,769           | 536,888           | 3%              | 1,065,097         | 1,031,992         | 3%              |
| Non-cash compensation         | 232               | 500               | (54%)           | 493               | 1,016             | (51%)           |
| Depreciation and amortization | 37,975            | 38,776            | (2%)            | 75,766            | 76,076            | (0%)            |
| Operating income              | <u>\$ 405,848</u> | <u>\$ 394,401</u> | 3%              | <u>\$ 688,412</u> | <u>\$ 656,515</u> | 5%              |

Three Months

Our radio broadcasting revenue increased 3% to \$996.8 million in the second quarter of 2004 compared to the same period of 2003. The increase was driven by local revenues, our syndicated radio programs and traffic revenues. The increase was partially offset by a decline in national advertising revenue, which contributed to a deceleration in our revenue growth as the quarter progressed. The primary driver of revenue growth was in our small and mid-sized markets, which we define as markets outside the top 25. Strong advertising categories included services, media and consumer products, with automotive down for the quarter.

Our radio divisional operating expenses increased 3% in the second quarter of 2004 compared to the same period of 2003. The primary drivers of the increase were approximately \$5.9 million from increased compensation costs related to program talent salaries and sales commissions and approximately \$1.1 million from increased advertising and promotion expenditures.

**Table of Contents****Six Months**

Our radio broadcasting revenue increased \$64.2 million to \$1.8 billion during the six months ended June 30, 2004 as compared to the same period of 2003. Growth was lead by local revenues, with traffic revenues and revenues from our syndicated radio programming contributing to a lesser extent. National revenue was down year to date compared to the same period of the prior year. Growth in our small to mid-size markets, which we define as markets outside our top 25, grew at a faster rate than our large markets. We attribute this difference to the impact that national advertising has on our larger markets. After showing sequential improvement in growth during the first quarter of 2004, our revenue growth during the second quarter decelerated. Again, the primary reason for the slowdown in growth was due to weakness in national advertising revenues.

Divisional operating expenses increased \$33.1 million to \$1.1 billion during the six months ended June 30, 2004 as compared to the same period of 2003. The primary drivers of the increase were an increase in compensation costs related to program talent salaries and sales commissions, an increase related to advertising and promoting our radio stations, and an increase in general and administrative expenses associated with an increase in the cost of employee healthcare benefits.

**Outdoor Advertising**

| <i>(In thousands)</i>         | <b>Three Months Ended June 30,</b> |             |                     | <b>Six Months Ended June 30,</b> |              |                     |
|-------------------------------|------------------------------------|-------------|---------------------|----------------------------------|--------------|---------------------|
|                               | <b>2004</b>                        | <b>2003</b> | <b>%<br/>Change</b> | <b>2004</b>                      | <b>2003</b>  | <b>%<br/>Change</b> |
| Revenue                       | \$ 639,549                         | \$ 569,174  | 12%                 | \$ 1,161,142                     | \$ 1,019,702 | 14%                 |
| Divisional operating expenses | 432,989                            | 414,334     | 5%                  | 845,727                          | 779,043      | 9%                  |
| Depreciation and amortization | 92,806                             | 89,471      | 4%                  | 192,556                          | 178,437      | 8%                  |
| Operating income              | \$ 113,754                         | \$ 65,369   | 74%                 | \$ 122,859                       | \$ 62,222    | 97%                 |

**Three Months**

Our outdoor advertising revenue increased 12% to \$639.5 million during the second quarter of 2004 compared to the same period of 2003. Growth was led by strong domestic bulletin and poster revenues as well as international street furniture and billboard revenues. Excluding foreign exchange of approximately \$28.8 million from the second quarter of 2004, revenues increased 7%.

The growth in our domestic bulletin and poster revenue came from growth in average rates, while occupancy levels were down for the second quarter of 2004 compared to 2003. Growth occurred across the majority of our domestic markets, lead by Washington/Baltimore, Seattle, Tampa and Portland. Strong advertising categories included automotive, retail, soft drinks, telecommunications, entertainment, real estate and insurance.

The growth in our international revenues was fueled by growth in average revenue per billboard and street furniture display. The number of billboard displays was down slightly while the number of street furniture displays was up for the second quarter of 2004 compared to the same period of 2003. Strong international markets included the United Kingdom, Australia and Sweden.

Our outdoor divisional operating expenses increased 5% to \$433.0 million during the second quarter of 2004 compared to the same period of 2003. The increase includes approximately \$22.1 million from foreign exchange increases. Also, we recorded a restructuring charge of approximately \$11.0 million related to our operations in France in the second quarter of 2003. Excluding foreign exchange and the restructuring charge, operating expenses were up 2% driven by increased site lease expenses.

#### Six Months

Our outdoor advertising revenue increased \$141.4 million to \$1.2 billion during the six months ended June 30, 2004 as compared to the same period of 2003. The increase was lead by domestic bulletins and posters and international billboards and street furniture revenues. Also contributing to the increase was \$10.4 million from the purchase and consolidation of our outdoor advertising joint venture in Australia during the second quarter of 2003, which we had previously accounted for as an equity method investment. For the six months ended June 30, 2004, revenue included increases of approximately \$66.6 million resulting from movements in foreign exchange rates.

The growth in domestic bulletin and poster revenues was driven by increased rates, with occupancy slightly down. Growth occurred across our markets, with the top 25 leading the way. Strong markets included Portland, Seattle, Tampa and Washington/Baltimore. Growth in our international outdoor revenues was lead by increased revenue per display, with the number of billboards down and street furniture displays up during the six months ended June 30, 2004 as compared to the same period of 2003.

Divisional operating expenses increased \$66.7 million to \$845.7 million during the six months ended June 30, 2004 as compared to the same period of 2003. The increase includes approximately \$56.2 million from fluctuations in foreign exchange rates.

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Also contributing to the increase was \$8.8 million from the purchase and consolidation of our outdoor advertising joint venture in Australia during the second quarter of 2003, which we had previously accounted for as an equity method investment. Additionally, we recorded a restructuring charge of approximately \$11.0 million related to our operations in France in the second quarter of 2003. The remaining increase is primarily from an increase in site lease expenses.

Depreciation and amortization increased \$3.3 million and \$14.1 million for the three and six months ended June 30, 2004 as compared to the same periods of 2003, respectively. The increase was primarily attributable to \$3.5 million and \$8.0 million resulting from fluctuations in foreign exchange rates, respectively, for the second quarter and year to date 2004 compared to the same periods of 2003.

**Live Entertainment**

| <i>(In thousands)</i>         | <b>Three Months Ended June 30,</b> |             |                 | <b>Six Months Ended June 30,</b> |              |                 |
|-------------------------------|------------------------------------|-------------|-----------------|----------------------------------|--------------|-----------------|
|                               | <b>2004</b>                        | <b>2003</b> | <b>% Change</b> | <b>2004</b>                      | <b>2003</b>  | <b>% Change</b> |
| Revenue                       | \$ 734,481                         | \$ 675,920  | 9%              | \$ 1,248,439                     | \$ 1,113,802 | 12%             |
| Divisional operating expenses | 693,939                            | 619,280     | 12%             | 1,185,787                        | 1,040,416    | 14%             |
| Depreciation and amortization | 14,895                             | 14,926      | (0%)            | 30,443                           | 29,745       | 2%              |
| Operating income              | \$ 25,647                          | \$ 41,714   | (39%)           | \$ 32,209                        | \$ 43,641    | (26%)           |

**Three Months**

Our live entertainment revenue increased 9% to \$734.5 million during the second quarter of 2004 compared to the same period of 2003. The increase was driven by an increase in ticket revenues, partially offset by a loss in ticket revenue due to event cancellations and a decline in ancillary revenues from concessions, merchandising and parking. The decline in ancillary revenues was a result of fewer events held at our amphitheaters in the second quarter of 2004 compared to the same period of 2003. The increase in ticket revenues was driven by large music tours during the quarter, such as Madonna. Also included in the revenue increase was approximately \$15.9 million from foreign exchange increases.

Our live entertainment divisional operating expenses increased 12% to \$693.9 million during the second quarter of 2004 compared to the same period of 2003. Included in the increase is approximately \$14.8 million from foreign exchange increases. Live entertainment's operating expenses grew at a higher rate than its revenue growth primarily from an increase in production costs and higher guaranteed artist payments, as well as the impact of event cancellations during the second quarter of 2004 compared to the same period of 2003.

**Six Months**

Our live entertainment revenue increased \$134.6 million for the six months ended June 30, 2004 as compared to the same period of 2003. An increase in ticket and sponsorships revenues drove the growth. We had large music tours in the current year, such as Madonna, Bette Midler and Aerosmith, that helped drive revenues higher despite the fact that the overall number of music events declined in the current year partially attributable to a higher number of event cancellations. For the six months ended June 30, 2004, revenue included increases of approximately \$32.3 million resulting from movements in foreign exchange rates.

Divisional operating expenses increased \$145.4 million during the six months ended June 30, 2004 compared to the same period of 2003. Driving the increase was talent costs, primarily from higher artist guarantees and production costs in the current six month period compared to the prior six month period. The increase includes approximately \$30.2 million from fluctuations in foreign exchange rates.

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

| <i>(In thousands)</i>         | <b>Three Months Ended June 30,</b> |                  | <b>Six Months Ended June 30,</b> |                  |
|-------------------------------|------------------------------------|------------------|----------------------------------|------------------|
|                               | <b>2004</b>                        | <b>2003</b>      | <b>2004</b>                      | <b>2003</b>      |
| Radio Broadcasting            | \$405,848                          | \$394,401        | \$ 688,412                       | \$656,515        |
| Outdoor Advertising           | 113,754                            | 65,369           | 122,859                          | 62,222           |
| Live Entertainment            | 25,647                             | 41,714           | 32,209                           | 43,641           |
| Other                         | 16,706                             | 17,608           | 20,247                           | 20,984           |
| Corporate                     | (52,484)                           | (49,866)         | (107,848)                        | (98,908)         |
| Consolidated Operating Income | <u>\$509,471</u>                   | <u>\$469,226</u> | <u>\$ 755,879</u>                | <u>\$684,454</u> |

**Table of Contents****LIQUIDITY AND CAPITAL RESOURCES****Cash Flow****Operating Activities**

Net cash flow from operating activities of \$903.8 million for the six months ended June 30, 2004 principally reflects a net income of \$370.2 million plus depreciation and amortization of \$340.9 million. Cash flow from operating activities was negatively impacted during the six months ended June 30, 2004 by \$150.0 million primarily related to the taxes paid related to the gain from the sale of our remaining shares of Univision, partially offset by the tax loss related to the partial redemption of our Euro denominated debt. Cash flow from operations also reflects a positive change in working capital of approximately \$149.9 million primarily due to an increase in deferred income, partially offset by increases in accounts receivable and prepaid expenses.

Net cash flow from operating activities of \$943.7 million for the six months ended June 30, 2003 principally reflects a net income of \$322.3 million plus depreciation and amortization of \$321.4 million. Cash flow from operations also reflects a positive change in working capital of approximately \$137.7 million primarily due to an increase in deferred income, partially offset by increases in accounts receivable and prepaid expenses.

**Investing Activities**

Net cash provided by investing activities of \$320.3 million for the six months ended June 30, 2004 principally reflect proceeds of \$607.2 million related to the sale of investments, primarily the sale of our Univision shares, which is partially offset by capital expenditures of \$156.6 million related to purchases of property, plant and equipment and \$170.0 million related to acquisitions of operating assets. Net cash expenditures used in investing activities of \$197.9 million for the six months ended June 30, 2003 principally reflect capital expenditures of \$140.3 million related to purchases of property, plant and equipment and \$44.8 million related to acquisitions of operating assets.

**Financing Activities**

Financing activities for the six months ended June 30, 2004 principally reflect the net decrease in debt of \$381.6 million, repurchases of our stock totaling \$626.0 million and dividends paid of \$123.3 million. Financing activities for the six months ended June 30, 2003 principally reflect the net reduction in debt of \$834.0 million, proceeds from a secured forward exchange contract of \$83.5 million and proceeds of \$30.2 million related to the exercise of stock options.

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

**SOURCES OF CAPITAL**

As of June 30, 2004 and December 31, 2003 we had the following debt outstanding:

| <i>(In millions)</i>       | <b>June 30,<br/>2004</b> | <b>December 31,<br/>2003</b> |
|----------------------------|--------------------------|------------------------------|
| Credit facilities domestic | \$ 875.0                 | \$ 660.5                     |

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|                                 |                   |                   |
|---------------------------------|-------------------|-------------------|
| Credit facility international   | 45.8              | 50.1              |
| Long-term bonds (a)             | 5,551.4           | 6,159.4           |
| Other borrowings                | 204.4             | 195.0             |
|                                 | <u>          </u> | <u>          </u> |
| Total Debt                      | 6,676.6           | 7,065.0           |
| Less: Cash and cash equivalents | 232.8             | 123.3             |
|                                 | <u>          </u> | <u>          </u> |
|                                 | \$6,443.8         | \$6,941.7         |
|                                 | <u>          </u> | <u>          </u> |

(a) Includes \$15.3 million and \$16.8 million in unamortized fair value purchase accounting adjustment premiums related to the merger with AMFM Inc. at June 30, 2004 and December 31, 2003, respectively. Also includes a reduction of \$19.0 million at June 30, 2004 and includes \$7.0 million at December 31, 2003 related to fair value adjustments for interest rate swap agreements.

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### **Domestic Credit Facilities**

As of June 30, 2004, we had two separate domestic credit facilities.

The first credit facility is a reducing revolving credit facility, originally in the amount of \$2.0 billion. At June 30, 2004, \$730.0 million was outstanding and \$1.3 million was available for future borrowings. The amount available for future borrowings under this credit facility began reducing on September 30, 2000, with quarterly reductions to continue through the last business day of June 2005. The reductions in amounts available for future borrowings total \$109.4 million per quarter in 2004, \$131.3 million in the first quarter of 2005 and \$381.3 million in the second quarter of 2005.

The second facility is a \$1.5 billion five-year multi-currency revolving credit facility. At June 30, 2004, \$145.0 million was outstanding and, taking into account letters of credit of \$135.1 million, \$1.2 billion was available for future borrowings, with the entire balance to be repaid on August 30, 2005.

During the six months ended June 30, 2004, we made principal payments totaling \$1.9 billion and drew down \$2.1 billion on the credit facilities.

On July 13, 2004, we entered into a new five-year, multi-currency revolving credit facility in the amount of \$1.75 billion. The facility 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. Our existing \$1.5 billion five-year multi-currency revolving credit facility was repaid in its entirety and terminated at the same time we entered into the new facility.

As of August 4, 2004, the credit facilities' aggregate outstanding balance was \$1.3 billion and, taking into account outstanding letters of credit, \$999.0 million was available for future borrowings.

### **International Credit Facility**

We have a \$150.0 million five-year revolving credit facility with a group of international banks. This facility allows for borrowings in various foreign currencies, which are used to hedge net assets in those currencies and provides funds to our international operations for certain working capital needs. At June 30, 2004, \$45.8 million was outstanding. This credit facility expires on December 8, 2005.

On July 30, 2004, this facility was paid in full through borrowings under our new \$1.75 billion five-year, multi-currency revolving credit facility.

### **Sale of Investments**

During the first half of 2004, we received \$607.2 million of proceeds related to the sale of our remaining investment in Univision as well as other various investments.

### **Shelf Registration**

On April 22, 2004, we filed a Registration Statement on Form S-3/A 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). 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.

**Debt Covenants**

Our only significant covenants on our reducing revolving credit facility relate to leverage and interest coverage contained and defined in the credit facilities. The leverage ratio covenant requires us to maintain a ratio of total debt to EBITDA (as defined by the credit facilities) of less than 5.00x. The interest coverage covenant requires us to maintain a minimum ratio of EBITDA (as defined by the credit facilities) to interest expense of 2.00x. In the event that we do not meet these covenants, we are considered to be in default on the credit facilities at which time the credit facilities may become immediately due. At June 30 2004, our leverage and interest coverage ratios were 2.89x and 6.41x, respectively. Including our cash and cash equivalents recorded at June 30, 2004, our leverage on a net debt basis was 2.80x. These credit facilities contain cross default provisions that would be triggered if we were to default on any other indebtedness greater than \$25.0 million. Our other indebtedness does not contain such provisions that would make it a default if we were to default on one of our credit facilities.

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Additionally, the AMFM long-term bonds contain certain restrictive covenants that limit the ability of AMFM Operating Inc., a wholly-owned subsidiary of Clear Channel, to incur additional indebtedness, enter into certain transactions with affiliates, pay dividends, consolidate, or effect certain asset sales.

The significant covenants on our new \$1.75 billion five-year, multi-currency revolving credit facility also relate to leverage and interest coverage contained and defined in the credit facilities. The leverage ratio covenant requires us to maintain a ratio of total debt to EBITDA (as defined by the credit facilities) of less than 5.25x. The interest coverage covenant requires us to maintain a minimum ratio of EBITDA (as defined by the credit facilities) 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 facilities at which time the credit facilities may become immediately due. 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 such provisions that would make it a default if we were to default on one of our credit facilities.

The fees we pay on our new \$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 are 17.5 basis points on the total \$1.75 billion facility and a 45.0 basis point spread to LIBOR on borrowings. 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.

At June 30 2004, we were in compliance with all debt covenants. We expect to remain in compliance throughout 2004.

## **USES OF CAPITAL**

### **Long-Term Bonds**

On February 25, 2004, we redeemed 454.4 million of our 6.5% senior notes due July 7, 2005, for 477.7 million plus accrued interest. As a result of this redemption we recorded a pre-tax loss of \$31.4 million on the early extinguishment of debt. After this redemption, 195.6 million of the 6.5% senior notes remain outstanding.

### **Dividends**

On October 23, 2003, February 19, 2004 and April 28, 2004, our Board of Directors declared a quarterly cash dividend of \$0.10 per share on our Common Stock. Dividend payments of \$61.6 million, \$61.7 million and \$60.1 million were disbursed on January 15, 2004, April 15, 2004 and July 15, 2004, respectively, to shareholders of record at the close of business on December 31, 2003, March 31, 2004 and June 30, 2004, respectively. Additionally, on July 21, 2004 our Board of Directors declared a quarterly cash dividend of \$.125 per share of our Common Stock to be paid on October 15, 2004 to shareholders of record on September 30, 2004.

### **Acquisitions**

During the six months ended June 30, 2004 we acquired radio stations for \$59.3 million in cash and \$35.7 million in restricted cash. We also acquired outdoor display faces for \$52.2 million in cash and acquired equity interests in international outdoor companies for \$1.9 million in cash. Our live entertainment segment made cash payments of \$4.8 million during the six months ended June 30, 2004, primarily related to various earn-outs and deferred purchase

price consideration on prior year acquisitions. Also, we acquired a television station for \$4.2 million in restricted cash and our national representation business acquired new contracts for a total of \$12.0 million in cash during the six months ended June 30, 2004.

**Table of Contents****Capital Expenditures**

Capital expenditures were \$156.6 million and \$140.3 million in the six months ended June 30, 2004 and 2003, respectively.

**Six Months Ended June 30, 2004 Capital Expenditures**

| <i>(In millions)</i>  | <b>Radio</b>  | <b>Outdoor</b> | <b>Entertainment</b> | <b>Corporate<br/>and<br/>Other</b> | <b>Total</b>   |
|-----------------------|---------------|----------------|----------------------|------------------------------------|----------------|
| Non-revenue producing | \$26.7        | \$28.1         | \$ 12.4              | \$ 10.8                            | \$ 78.0        |
| Revenue producing     | —             | 46.8           | 31.8                 | —                                  | 78.6           |
|                       | <u>\$26.7</u> | <u>\$74.9</u>  | <u>\$ 44.2</u>       | <u>\$ 10.8</u>                     | <u>\$156.6</u> |

**Company Share Repurchase Program**

As of August 4, 2004, 27.1 million shares had been repurchased for an aggregate purchase price of \$1.0 billion, including commission and fees, under our share repurchase programs.

**Commitments, Contingencies and Guarantees**

In accordance with generally accepted accounting principles in the United States, we do not record the following transactions on our balance sheet:

**Commitments and Contingencies**

We were among the defendants in a lawsuit filed on June 12, 2002 in the United States District Court for the Southern District of Florida by Spanish Broadcasting System. The plaintiffs alleged that we were in violation of Section One and Section Two of the Sherman Antitrust Act as well as various other claims, such as unfair trade practices and defamation, among other counts. This case was dismissed with prejudice on January 31, 2003. The plaintiffs filed an appeal with the 11th Circuit Court of Appeals. On June 30, 2004, the 11th Circuit Court of Appeals upheld the dismissal.

There are various other lawsuits and claims pending against us. We believe that any ultimate liability resulting from those actions or claims will not have a material adverse effect on our results of operations, financial position or liquidity.

Certain agreements relating to acquisitions provide for purchase price adjustments and other future contingent payments based on the financial performance of the acquired companies generally over a one to five year period. We will continue to accrue additional amounts related to such contingent payments if and when it is determinable that the applicable financial performance targets will be met. The aggregate of these contingent payments, if performance targets are met, would not significantly impact our financial position or results of operations.

## **Guarantees**

As of June 30, 2004, we guaranteed the debt of third parties of approximately \$13.2 million primarily related to long-term operating contracts. The third parties' associated operating assets secure a substantial portion of these obligations.

At June 30, 2004, we guaranteed the third-party performance under a certain contract for up to approximately \$19.3 million that expires in 2004.

## **Market Risk**

### **Interest Rate Risk**

At June 30, 2004, approximately 36% of our long-term debt, including fixed rate debt on which we have entered into interest rate swap agreements, bears interest at variable rates. Accordingly, our earnings are affected by changes in interest rates. Assuming the current level of borrowings at variable rates and assuming a two percentage point change in the year's average interest rate under these borrowings, it is estimated that our interest expense would have changed by \$23.8 million and that our net income would have changed by \$14.7 million during the first six months of 2004. In the event of an adverse change in interest rates, management may take actions to further mitigate our exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, the analysis assumes no such actions. Further the analysis does not consider the effects of the change in the level of overall economic activity that could exist in such an environment.

## **Table of Contents**

At June 30, 2004, we had entered into interest rate swap agreements with a \$1.3 billion aggregate notional amount that effectively float interest at rates based upon LIBOR. These agreements expire from February 2007 to March 2012. The fair value of these agreements at June 30, 2004 was a liability of \$19.0 million.

### **Equity Price Risk**

At June 30, 2004, the carrying value of our available-for-sale and trading equity securities was \$241.2 million and \$43.7 million, respectively. These investments are affected by changes in their quoted market prices. It is estimated that a 20% change in the market prices of these securities would change their carrying value at June 30, 2004 by \$57.0 million and would change accumulated comprehensive income (loss) and net income (loss) by \$29.9 million and \$5.4 million, respectively. At June 30, 2004, we also held \$28.6 million of investments that do not have a quoted market price, but are subject to fluctuations in their value.

We maintain derivative instruments on certain of our available-for-sale and trading equity securities to limit our exposure to and benefit from price fluctuations on those securities.

### **Foreign Currency**

We have operations in countries throughout the world. Foreign operations are measured in their local currencies except in hyper-inflationary countries in which we operate. As a result, our financial results could be affected by factors such as changes in foreign currency exchange rates or weak economic conditions in the foreign markets in which we have operations. To mitigate a portion of the exposure to risk of international currency fluctuations, we maintain a natural hedge through borrowings in currencies other than the U.S. dollar. In addition, we have a U.S. dollar Euro cross currency swap which is also designated as a hedge of our net investment in foreign denominated assets. These hedge positions are reviewed monthly. Our foreign operations reported a net loss of \$2.8 million for the six months ended June 30, 2004. It is estimated that a 10% change in the value of the U.S. dollar to foreign currencies would change net loss for the six months ended June 30, 2004 by \$.3 million.

Our earnings are also affected by fluctuations in the value of the U.S. dollar as compared to foreign currencies as a result of our investments in various countries, all of which are accounted for under the equity method. It is estimated that the result of a 10% fluctuation in the value of the dollar relative to these foreign currencies at June 30, 2004 would change our equity in earnings of nonconsolidated affiliates by \$1.7 million and would change our net income for the six months ended June 30, 2004 by approximately \$1.1 million. This analysis does not consider the implications that such fluctuations could have on the overall economic activity that could exist in such an environment in the U.S. or the foreign countries or on the results of operations of these foreign entities.

### **Recent Accounting Pronouncements**

On January 1, 2004, we adopted Financial Accounting Standards Board Interpretation No. 46, *Consolidation of Variable Interest Entities*. The Interpretation addresses consolidation of business enterprises of variable interest. The adoption of FIN 46 did not have a material impact on our financial position or results of operations.

### **Inflation**

Inflation has affected our performance in terms of higher costs for wages, salaries and equipment. Although the exact impact of inflation is indeterminable, we believe we have offset these higher costs in various manners.

### **Ratio of Earnings to Fixed Charges**

The ratio of earnings to fixed charges is as follows:

| <b>Six Months ended<br/>June 30,</b> |             | <b>Year Ended December 31,</b> |             |             |             |             |
|--------------------------------------|-------------|--------------------------------|-------------|-------------|-------------|-------------|
| <b>2004</b>                          | <b>2003</b> | <b>2003</b>                    | <b>2002</b> | <b>2001</b> | <b>2000</b> | <b>1999</b> |
| 2.68                                 | 2.49        | 3.62                           | 2.62        | *           | 2.20        | 2.04        |

\* For the year ended December 31, 2001, fixed charges exceeded earnings before income taxes and fixed charges by \$1.3 billion.

The ratio of earnings to fixed charges was computed on a total enterprise basis. Earnings represent income from continuing operations before income taxes less equity in undistributed net income (loss) of unconsolidated affiliates plus fixed charges. Fixed charges represent interest, amortization of debt discount and expense, and the estimated interest portion of rental charges. We had no preferred stock outstanding for any period presented.

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**Risks Regarding Forward Looking Statements**

Except for the historical information, this report contains various forward-looking statements that 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 strategic fit of radio assets, expansion of market share, our ability to capitalize on synergies between the live entertainment and radio broadcasting businesses, the availability of capital resources, and expected changes in advertising revenues, 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 that could have an adverse effect upon 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 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;

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 SEC filings, including our Annual Report on Form 10-K for the year ended December 31, 2003.

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 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

Required information is within Item 2

### **ITEM 4. CONTROLS AND PROCEDURES**

Our principal executive and financial officers have concluded, based on their evaluation as of the end of the period covered by this Form 10-Q, that our disclosure controls and procedures, as defined under Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, are effective to ensure that information we are required to disclose in the reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and include controls and procedures designed to ensure that information we are required to disclose in such reports is accumulated and communicated to management, including our principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosure.

Subsequent to our evaluation, there were no significant changes in internal controls or other factors that could significantly affect these internal controls.

**Table of Contents****Part II OTHER INFORMATION****Item 1. Legal Proceedings**

We are among the defendants in a lawsuit filed on June 12, 2002 in the United States District Court for the Southern District of Florida by Spanish Broadcasting System. The plaintiffs allege that we are in violation of Section One and Section Two of the Sherman Antitrust Act as well as various other claims, such as unfair trade practices and defamation, among other counts. This case was dismissed with prejudice on January 31, 2003. The plaintiffs filed an appeal with the 11th Circuit Court of Appeals. On June 30, 2004, the 11th Circuit Court of Appeals upheld the dismissal.

There are various other lawsuits and claims pending against us. We believe that any ultimate liability resulting from those actions or claims will not have a material adverse effect on our results of operations, financial position or liquidity.

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 2. Changes in Securities, Use of Proceeds and Issuer Purchases of Equity Securities**

On March 30, 2004, we publicly announced that our Board of Directors authorized a share repurchase program of up to \$1.0 billion effective immediately. This share repurchase program will expire on March 30, 2005, although prior to such time the program may be discontinued or suspended at any time. During the three months ended June 30, 2004, the Company has repurchased the following shares:

| <b>Period</b>            | <b>Total<br/>Number of<br/>Shares<br/>Purchased</b> | <b>Average<br/>Price<br/>Paid<br/>per<br/>Share</b> | <b>Total Number of<br/>Shares<br/>Purchased as Part<br/>of<br/>Publicly<br/>Announced<br/>Program</b> | <b>Maximum Dollar Value of<br/>Shares that May Yet Be<br/>Purchased Under the<br/>Program</b> |
|--------------------------|---|---|---|---|
| April 1 through April 30 | -0-   | \$ 0.00   | -0-   | \$ 1,000,000,000  |
| May 1 through May 31     | 7,133,350   | \$40.56   | 7,133,350   | \$ 710,637,524  |
| June 1 through June 30   | 8,902,215   | \$37.82   | 8,902,215   | \$ 373,991,791  |
| <b>Total</b>             | <b>16,035,565</b>                                   | <b>\$39.02</b>                                      | <b>16,035,565</b>   |   |



**Table of Contents****Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

Our annual meeting of shareholders was held on April 27, 2004. L. Lowry Mays, Alan D. Feld, Perry J. Lewis, Mark P. Mays, Randall T. Mays, B. J. McCombs, Phyllis B. Riggins, Theodore H. Strauss J. C. Watts and John H. Williams were elected as our directors, each to hold office until the next annual meeting of shareholders or until his or her successor has been elected and qualified, subject to earlier resignation and removal. The shareholders also approved the selection of Ernst & Young LLP as our independent auditors for the year ending December 31, 2004.

The results of voting at the annual meeting of the shareholders were as follows:

**Proposal No. 1  
(Election of Directors)**

| <u>Nominee</u>      | <u>For</u>  | <u>Withheld</u> |
|---------------------|-------------|-----------------|
| L. Lowry Mays       | 526,450,081 | 15,676,792      |
| Alan D. Feld        | 364,514,638 | 177,612,235     |
| Perry J. Lewis      | 523,095,522 | 19,031,351      |
| Mark P. Mays        | 527,258,060 | 14,868,813      |
| Randall T. Mays     | 523,235,432 | 18,891,441      |
| B.J. McCombs        | 502,886,299 | 39,240,574      |
| Phyllis B. Riggins  | 527,532,688 | 14,594,185      |
| Theodore H. Strauss | 527,533,879 | 14,592,994      |
| J.C. Watts          | 527,672,390 | 14,454,483      |
| John H. Williams    | 524,457,904 | 17,668,969      |

Thomas Hicks, one of the nominees for election to the board of directors listed in our proxy statement, resigned from the board of directors as of April 23, 2004 and, accordingly, did not stand for re-election at the annual meeting.

**Proposal No. 2  
(Selection of Ernst & Young LLP as Independent Auditors for the year ending December 31, 2004)**

| <u>For</u>  | <u>Withhold/Against</u> | <u>Exceptions/Abstain</u> |
|-------------|-------------------------|---------------------------|
| 527,517,823 | 10,839,016              | 3,770,034                 |

**Item 6. Exhibits and Reports on Form 8-K**

(a) Exhibits. See Exhibit Index on Page 30

(b) Reports on Form 8-K

| <u>Filing</u> | <u>Date</u> | <u>Items Reported</u> | <u>Financial Statements Reported</u> |
|---------------|-------------|-----------------------|--------------------------------------|
|---------------|-------------|-----------------------|--------------------------------------|

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|     |         |             |                  |
|-----|---------|-------------|------------------|
| 8-K | 4/27/04 | Item 5      | None             |
| 8-K | 5/4/04  | Item 12 & 7 | Earnings Release |
| 8-K | 5/10/04 | Item 5 & 7  | None             |

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**Signatures**

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

CLEAR CHANNEL  
COMMUNICATIONS, INC.

August 4, 2004

/s/ Randall T. Mays  
\_\_\_\_\_

Randall T. Mays  
Executive Vice President and  
Chief Financial Officer

August 4, 2004

/s/ Herbert W. Hill, Jr.  
\_\_\_\_\_

Herbert W. Hill, Jr.  
Senior Vice President and  
Chief Accounting Officer

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**INDEX TO EXHIBITS**

| <b>Exhibit<br/>Number</b> | <b>Description</b>  |
|---------------------------|---|
| 2.1                       | Agreement and Plan of Merger dated as of October 2, 1999, among Clear Channel, CCU Merger Sub, Inc. and AMFM Inc. (incorporated by reference to the exhibits of Clear Channel's Current Report on Form 8-K filed October 5, 1999).  |
| 2.2                       | Agreement and Plan of Merger dated as of February 28, 2000, among Clear Channel, CCU II Merger Sub, Inc. and SFX Entertainment, Inc. (incorporated by reference to the exhibits of Clear Channel's Current Report on Form 8-K filed February 29, 2000).                                   |
| 2.3                       | Agreement and Plan of Merger dated as of October 5, 2001, by and among Clear Channel, CCMM Sub, Inc. and The Ackerley Group, Inc. (incorporated by reference to the exhibits of Clear Channel's Current Report on Form 8-K filed October 9, 2001).  |
| 3.1                       | Current Articles of Incorporation of the Company (incorporated by reference to the exhibits of the Company's Registration Statement on Form S-3 (Reg. No. 333-33371) dated September 9, 1997).  |
| 3.2                       | Third Amended and Restated Bylaws of the Company (incorporated by reference to the exhibits of the Company's Registration Statement on Form S-4 (Reg. No. 333-74196) dated November 29, 2001).  |
| 3.3                       | Amendment to the Company's Articles of Incorporation (incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).   |
| 3.4                       | Second Amendment to Clear Channel's Articles of Incorporation (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended March 31, 1999).  |
| 3.5                       | Third Amendment to Clear Channel's Articles of Incorporation (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended May 31, 2000).   |
| 4.1                       | Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays, B.J. McCombs, John M. Schaefer and John W. Barger, dated August 3, 1998 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002). |
| 4.2                       | Waiver and Second Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays and B.J. McCombs, dated August 17, 1998 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).                |
| 4.3                       | Waiver and Third Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays and B.J. McCombs, dated July 26, 2002 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).                   |
| 4.4                       | Waiver and Fourth Agreement Concerning Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays and B.J. McCombs, dated September 27, 2002 (incorporated by reference to the exhibits to Clear Channel's Schedule 13-D/A, dated October 10, 2002).             |



- 4.5 Buy-Sell Agreement by and between Clear Channel Communications, Inc., L. Lowry Mays, B. J. McCombs, John M. Schaefer and John W. Barger, dated May 31, 1977 (incorporated by reference to the exhibits of the Company's Registration Statement on Form S-1 (Reg. No. 33-289161) dated April 19, 1984).
- 4.6 Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York as Trustee (incorporated by reference to the exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 1997).
- 4.7 First Supplemental Indenture dated March 30, 1998 to Senior Indenture dated October 1, 1997, by and between the Company and The Bank of New York, as Trustee (incorporated by reference to the

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| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
|                           | exhibits to the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 1998).   |
| 4.8                       | Second Supplemental Indenture dated June 16, 1998 to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and the Bank of New York, as Trustee (incorporated by reference to the exhibits to the Company's Current Report on Form 8-K dated August 27, 1998).                               |
| 4.9                       | Third Supplemental Indenture dated June 16, 1998 to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and the Bank of New York, as Trustee (incorporated by reference to the exhibits to the Company's Current Report on Form 8-K dated August 27, 1998).                                |
| 4.10                      | Fourth Supplement Indenture dated November 24, 1999 to Senior Indenture dated October 1, 1997, by and between Clear Channel and The Bank of New York as Trustee (incorporated by reference to the exhibits of the Company's Annual Report on Form 10-K for the year ended December 31, 1999).                                    |
| 4.11                      | Fifth Supplemental Indenture dated June 21, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits of Clear Channel's registration statement on Form S-3 (Reg. No. 333-42028) dated July 21, 2000).  |
| 4.12                      | Sixth Supplemental Indenture dated June 21, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits of Clear Channel's registration statement on Form S-3 (Reg. No. 333-42028) dated July 21, 2000).  |
| 4.13                      | Seventh Supplemental Indenture dated July 7, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits of Clear Channel's registration statement on Form S-3 (Reg. No. 333-42028) dated July 21, 2000). |
| 4.14                      | Eighth Supplemental Indenture dated September 12, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000). |
| 4.15                      | Ninth Supplemental Indenture dated September 12, 2000, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2000).  |
| 4.16                      | Tenth Supplemental Indenture dated October 26, 2001, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).    |

- 4.17 Eleventh Supplemental Indenture dated January 9, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York as Trustee (incorporated by reference to the exhibits to Clear Channel's Annual Report on Form 10-K for the year ended December 31, 2002).
- 4.18 Twelfth Supplemental Indenture dated March 17, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated March 18, 2003).
- 4.19 Thirteenth Supplemental Indenture dated May 1, 2003, to Senior Indenture dated October 1, 1997, by

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| <b>Exhibit<br/>Number</b> | <b>Description</b>   |
|---------------------------|--|
|                           | and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated May 2, 2003).   |
| 4.20                      | Fourteenth Supplemental Indenture dated May 21, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated May 22, 2003).  |
| 4.21                      | Fifteenth Supplemental Indenture dated November 5, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated November 14, 2003).  |
| 4.22                      | Sixteenth Supplemental Indenture dated December 9, 2003, to Senior Indenture dated October 1, 1997, by and between Clear Channel Communications, Inc. and The Bank of New York, as Trustee (incorporated by reference to the exhibits to Clear Channel's Current Report on Form 8-K dated December 10, 2003).  |
| 4.23                      | Termination Agreement by and among Clear Channel Communications, Inc., L. Lowry Mays, Thomas O. Hicks and certain other shareholders affiliated with Mr. Hicks dated March 10, 2004, terminating that certain Shareholders Agreement dated October 2, 1999 (incorporated by reference to the exhibits of Clear Channel's Annual Report on Form 10-K for the year ended December 31, 2003). |
| 4.24                      | Shareholder's Agreement by and between Clear Channel Communications, Inc. and L. Lowry Mays dated March 10, 2004 (incorporated by reference to the exhibits of Clear Channel's Annual Report on Form 10-K for the year ended December 31, 2003).   |
| 4.25                      | Shareholders' Agreement by and among Clear Channel Communications, Inc., Thomas O. Hicks and certain other shareholders affiliated with Mr. Hicks dated March 10, 2004 (incorporated by reference to the exhibits of Clear Channel's Annual Report on Form 10-K for the year ended December 31, 2003).   |
| 11                        | Statement re: Computation of Per Share Earnings.   |
| 12                        | Statement re: Computation of Ratios.   |
| 31.1                      | Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| 31.2                      | Certification of Chief Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |

- 32.1 Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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