CLEAR CHANNEL COMMUNICATIONS INC
Form 10-Q
November 09, 2006

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SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q

(Mark One)

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 AND 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
FOR THE QUARTER ENDED SEPTEMBER 30, 2006

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

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

Texas	**74-1787539**
(State of Incorporation)	(I.R.S. Employer Identification No.)
200 East Basse Road	
San Antonio, Texas	**78209**
(Address of principal executive offices)	(Zip Code)

(210) 822-2828
(Registrant s telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes þ No o

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

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

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

Yes o No þ

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

Class	Outstanding at November 6, 2006
Common Stock, $.10 par value	493,795,799

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES
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PART I

Item 1. UNAUDITED FINANCIAL STATEMENTS

CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
(In thousands)

	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
CURRENT ASSETS		
Cash and cash equivalents	$ 104,632	$ 82,786
Accounts receivable, net of allowance of $55,249 in 2006 and $47,061 in 2005	1,593,877	1,505,650
Prepaid expenses	127,027	114,452
Other current assets	292,010	278,294
Income taxes receivable	257,379	417,112
Total Current Assets	2,374,925	2,398,294
PROPERTY, PLANT AND EQUIPMENT		
Land, buildings and improvements	895,414	863,133
Structures	3,490,365	3,327,326
Towers, transmitters and studio equipment	890,035	881,070
Furniture and other equipment	575,413	599,296
Construction in progress	91,337	91,789
	5,942,564	5,762,614
Less accumulated depreciation	2,734,286	2,506,965
	3,208,278	3,255,649
INTANGIBLE ASSETS		
Definite-lived intangibles, net	518,437	480,790
Indefinite-lived intangibles licenses	4,331,872	4,312,570
Indefinite-lived intangibles permits	257,516	207,921
Goodwill	7,417,405	7,111,948
OTHER ASSETS		
Notes receivable	10,800	8,745
Investments in, and advances to, nonconsolidated affiliates	313,765	300,223
Other assets	267,527	302,655
Other investments	230,685	324,581
Total Assets	$ 18,931,210	$ 18,703,376

See Notes to Consolidated Financial Statements

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

	September 30, 2006 (Unaudited)	December 31, 2005 (Audited)
CURRENT LIABILITIES		
Accounts payable	$ 121,231	$ 250,563
Accrued expenses	859,021	731,105
Accrued interest	109,581	97,515
Current portion of long-term debt	1,077,715	891,185
Deferred income	177,951	116,670
Other current liabilities	23,750	20,275
Total Current Liabilities	2,369,249	2,107,313
Long-term debt	7,045,558	6,155,363
Other long-term obligations	44,506	119,655
Deferred income taxes	703,793	528,259
Other long-term liabilities	623,429	675,962
Minority interest	327,715	290,362
Commitment and contingent liabilities (Note 7)		
SHAREHOLDERS EQUITY		
Common Stock	49,264	53,829
Additional paid-in capital	26,705,083	27,945,725
Retained deficit	(19,173,106)	(19,371,411)
Accumulated other comprehensive income	239,106	201,928
Cost of shares held in treasury	(3,387)	(3,609)
Total Shareholders Equity	7,816,960	8,826,462
Total Liabilities and Shareholders Equity	$ 18,931,210	$ 18,703,376

See Notes to Consolidated Financial Statements

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

	Nine Months Ended September 30,		Three Months Ended September 30,	
	2006	2005	2006	2005
Revenue	$ 5,149,923	$ 4,853,830	$ 1,794,894	$ 1,683,288
Operating expenses:				
Direct operating expenses (includes share-based payments of $13,028, $212, $4,330 and $0 for the nine and three months ended September 30, 2006 and 2005, respectively, and excludes depreciation and amortization)	1,940,176	1,813,523	674,620	614,023
Selling, general and administrative expenses (includes share-based payments of $13,382, $0, $4,456 and $0 for the nine and three months ended September 30, 2006 and 2005, respectively, and excludes depreciation and amortization)	1,471,772	1,426,776	486,282	488,820
Depreciation and amortization	466,722	462,138	157,174	154,035
Corporate expenses (includes share-based payments of $7,995 $4,637, $2,260 and $1,931 for the nine and three months ended September 30, 2006 and 2005, respectively, and excludes depreciation and amortization)	140,645	119,412	49,630	41,071
Gain (loss) on disposition of assets net	56,000	14,303	8,915	8,487
Operating income	1,186,608	1,046,284	436,103	393,826
Interest expense	365,945	324,794	128,271	113,087
Gain (loss) on marketable securities	2,072	(278)	5,396	(815)
Equity in earnings of nonconsolidated affiliates	25,054	28,160	8,568	10,565
Other income (expense) net	(5,752)	8,585	(536)	(560)
Income before income taxes, minority interest, and discontinued operations	842,037	757,957	321,260	289,929
Income tax benefit (expense):				
Current	(186,135)	(150,064)	(72,032)	(32,096)
Deferred	(159,100)	(149,330)	(59,684)	(82,426)
Income tax benefit (expense)	(345,235)	(299,394)	(131,716)	(114,522)
Minority interest income (expense), net of tax	(16,629)	(6,380)	(3,673)	(3,577)
Income before discontinued operations	480,173	452,183	185,871	171,830
Income (loss) from discontinued operations, net		21,906		33,645
Net income	$ 480,173	$ 474,089	$ 185,871	$ 205,475

Other comprehensive income (loss), net of tax:								
Foreign currency translation adjustments		30,007		(112,257)		3,621		2,311
Unrealized gain (loss) on securities and derivatives:								
Unrealized holding gain (loss) on marketable securities		(68,961)		(5,135)		(6,002)		13,838
Unrealized holding gain (loss) on cash flow derivatives		76,132		12,513		15,131		(9,644)
Adjustment for (gain) loss included in net income (loss)								
Comprehensive income (loss)	$	517,351	$	369,210	$	198,621	$	211,980
Net income per common share:								
Income before discontinued operations Basic	$	.95	$	.82	$	.38	$	.32
Discontinued operations Basic				.04				.06
Net income Basic	$	.95	$	.86	$	.38	$	.38
Income before discontinued operations Diluted	$	.95	$	.82	$	.38	$	.32
Discontinued operations Diluted				.04				.06
Net income Diluted	$	.95	$	.86	$	.38	$	.38
Dividends declared per share	$	.5625	$	.50	$	.1875	$	.1875

See Notes to Consolidated Financial Statements

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CLEAR CHANNEL COMMUNICATIONS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
(In thousands)

	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005
Cash flows from operating activities:		
Net income	$ 480,173	$ 474,089
Income from discontinued operations, net		(21,906)
	480,173	452,183
Reconciling Items:		
Depreciation and amortization	466,722	462,138
Deferred taxes	159,100	149,330
(Gain) loss on disposal of assets	(56,000)	(14,303)
(Gain) loss forward exchange contract	16,827	13,447
(Gain) loss on trading securities	(18,899)	(13,169)
Other reconciling items net	35,070	(12,132)
Changes in operating assets and liabilities:		
Federal income tax refund	133,336	
Decrease in income taxes receivable	28,421	
Increase in income taxes payable		(53,819)
Changes in other operating assets and liabilities, net of effects of acquisitions	(62,566)	(2,220)
Net cash provided by operating activities	1,182,184	981,455
Cash flows from investing activities:		
Decrease (increase) in notes receivable net	(1,900)	327
Decrease (increase) in investments in and advances to nonconsolidated affiliates net	5,387	12,374
Purchases of investments	(652)	(707)
Proceeds from sale of investments		370
Purchases of property, plant and equipment	(239,948)	(219,353)
Proceeds from disposal of assets	73,811	23,585
Acquisition of operating assets, net of cash acquired	(293,416)	(90,313)
Decrease (increase) in other net	(53,571)	(10,154)
Net cash used in investing activities	(510,289)	(283,871)
Cash flows from financing activities:		
Draws on credit facilities	2,500,198	1,591,074
Payments on credit facilities	(2,098,358)	(752,995)
Proceeds from long-term debt	778,455	
Payments on long-term debt	(111,827)	(233,505)
Payment on forward exchange contract	(83,132)	
Payments for purchase of common shares	(1,371,462)	(859,140)
Proceeds from exercise of stock options, stock purchase plan, common stock warrants, and other	26,488	29,052
Dividends paid	(290,411)	(241,503)

Net cash used in financing activities		(650,049)		(467,017)
Cash flows from discontinued operations:				
Net cash provided by operating activities				12,511
Net cash used in investing activities				(135,143)
Net cash provided by (used in) financing activities				
Net cash used in discontinued operations				(122,632)
Net increase in cash and cash equivalents		21,846		107,935
Cash and cash equivalents at beginning of period		82,786		31,339
Cash and cash equivalents at end of period	$	104,632	$	139,274

See Notes to Consolidated Financial Statements

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 were prepared by Clear Channel Communications, Inc. (the Company) pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) 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 SEC rules and regulations. Management believes that the disclosures made are adequate to make the information presented not misleading. Due to seasonality and other factors, the results for the interim periods 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 2005 Annual Report on Form 10-K.

The consolidated financial statements include the accounts of the Company and its subsidiaries. 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

The Company has reclassified prior year operating gains and losses to be included as a component of operating income, reclassified share-based compensation to be included in the same operating expense line items as cash compensation, reclassified minority interest expense below its provision for income taxes and reclassified certain other assets to current assets to conform to current year presentation. The Company completed the spin-off of its live entertainment and sports representation businesses (now operating as Live Nation, Inc.) on December 21, 2005. The historical results of these businesses have been reflected as discontinued operations in the underlying financial statements and related disclosures for all periods presented. As a result, the historical footnote disclosures have been revised to exclude amounts related to these businesses. The following table presents summarized financial results for these businesses during the nine and three months ended September 30, 2005:

(In millions)	Nine Months	Three Months
Revenue (including sales to other Company segments of $0.6 million and $0.1 million for the nine and three months ended September 30, respectively)	$ 2,178.4	$ 998.2
Income (loss) before income taxes	$ 36.2	$ 55.6
Income tax benefit (expense)	$ (14.3)	$ (22.0)

Recent Accounting Pronouncements

In February 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 155, *Accounting for Certain Hybrid Financial Instruments* (Statement 155). Statement 155 is an amendment of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (Statement 133) and FASB Statement 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (Statement 140) and allows companies to elect to measure at fair value entire financial instruments containing embedded derivatives that would otherwise have to be accounted for separately. Statement 155 also requires companies to identify interest in securitized financial assets that are freestanding derivatives or contain embedded derivatives that would have to be accounted for separately, clarifies which interest- and principal-only strips are subject to Statement 133, and amends Statement 140 to revise the conditions of a qualifying special purpose entity due to the new requirement to identify whether interests in securitized financial assets are freestanding derivatives or contain embedded derivatives. Statement 155 is effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006. The Company will adopt Statement 155 on January 1, 2007 and anticipates that adoption will not materially impact its financial position or results of operations.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold for tax positions taken or expected to be taken in a tax return. FIN 48 requires that entities recognize in their financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The cumulative effect of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of retained earnings upon adoption. FIN 48 is effective for fiscal years beginning after December 15, 2006. The Company will adopt FIN 48 on January 1, 2007 and is currently evaluating the impact FIN 48 will have on its financial position and results of operations.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (Statement 157). Statement 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements for fair value measurements. Statement 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. Statement 157 does not expand the use of fair value in any new circumstances. Statement 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. The Company will adopt Statement 157 on January 1, 2008 and anticipates that adoption will not materially impact its financial position or results of operations.

In September 2006, the FASB issued Statement No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (Statement 158). Statement 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The portions of Statement 158 that apply to the Company are effective as of the end of the fiscal year ending after December 15, 2006. The Company will adopt Statement 158 as of December 31, 2006 and anticipates that adoption will not materially impact its financial position or results of operations.

Note 2: SHARE-BASED PAYMENTS

The Company has granted options to purchase its common stock to employees and directors of the Company and its affiliates under various stock option plans typically at no less than the fair value of the underlying stock on the date of grant. These options are granted for a term not exceeding ten years and are forfeited, except in certain circumstances, in the event the employee or director terminates his or her employment or relationship with the Company or one of its affiliates. These options generally vest over five years. All option plans contain anti-dilutive provisions that permit an adjustment of the number of shares of the Company s common stock represented by each option for any change in capitalization.

The Company adopted the fair value recognition provisions of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment* (Statement 123(R)), on January 1, 2006, using the modified-prospective-transition method. The fair value of the options is estimated using a Black-Scholes option-pricing model and amortized straight-line to expense over five years. Prior to January 1, 2006, the Company accounted for its share-based payments under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25) and related Interpretations, as permitted by Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* (Statement 123). Under that method, when options are granted with a strike price equal to or greater than the market price on the date of issuance, there is no impact on earnings either on the date of grant or thereafter, absent certain modifications to the options. The amounts recorded as share-based payments prior to adopting Statement 123(R) primarily related to the expense associated with restricted stock awards.

Under the modified-prospective-transition method, compensation cost recognized beginning in 2006 includes: (a) compensation cost for all share-based payments granted prior to, but not yet vested as of January 1, 2006, based on the grant date fair value estimated in accordance with the original provisions of Statement 123, and (b) compensation cost for all share-based payments granted subsequent to January 1, 2006, based on the grant-date fair value estimated in accordance with the provisions of Statement 123(R). Results for prior periods have not been restated.

As a result of adopting Statement 123(R) on January 1, 2006, the Company s income before income taxes, minority interest and discontinued operations for the nine and three months ended September 30, 2006, was $23.4 million and $7.4 million lower, respectively, and net income for the nine and three months ended September 30, 2006, was $13.8 million and $4.4 million lower, respectively, than if it had continued to account for share-based compensation under APB 25. Basic and diluted earnings per share for the nine months ended September 30, 2006 were $0.03 and $0.03 lower, respectively, than if the Company had continued to account for share-based compensation under APB 25. Basic and diluted earnings per share for the three months ended September 30, 2006 were $0.01 and $0.01 lower than if the Company had continued to account for share-based compensation under APB 25.

Prior to the adoption of Statement 123(R), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Statement of Cash Flows. Statement 123(R) requires the cash flows resulting from the tax benefits resulting from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. The excess tax benefit that is required to be classified as a financing cash inflow after adoption of Statement 123(R) is not material.

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The following table illustrates the effect on net income and earnings per share for the nine and three months ended September 30, 2005 as if the Company had applied the fair value recognition provisions of Statement 123 to options granted under the Company s stock option plans in all periods presented. For purposes of this pro forma disclosure, the value of the options, excluding restricted stock awards, is estimated using a Black-Scholes option-pricing model and amortized to expense over the options vesting periods.

(In thousands, except per share data)	Nine Months Ended September 30, 2005	Three Months Ended September 30, 2005
Income before discontinued operations:		
Reported	$ 452,183	$ 171,830
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	2,934	1,168
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(18,252)	(3,153)
Pro Forma	$ 436,865	$ 169,845
Income (loss) from discontinued operations, net:		
Reported	$ 21,906	$ 33,645
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects	796	480
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	(3,465)	(826)
Pro Forma	$ 19,237	$ 33,299
Income before discontinued operations per common share:		
Basic:		
Reported	$ .82	$ .32
Pro Forma	$ .80	$ .31
Diluted:		
Reported	$ .82	$ .32
Pro Forma	$ .80	$ .31
Discontinued operations, net per common share:		
Basic:		
Reported	$ .04	$ .06
Pro Forma	$ .04	$ .06
Diluted:		
Reported	$ .04	$ .06
Pro Forma	$ .04	$ .06

The fair value of each option awarded is estimated on the date of grant using a Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on the Company s stock, historical volatility on the Company s stock, and other factors. The expected life of options granted represents the period of time that options granted are expected to be outstanding. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods equal to the expected life of the option. The following assumptions were used to calculate the fair value of the Company s options on the date of grant during the nine months ended September 30, 2006 and 2005:

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	2006		2005	
Expected volatility	25%		25%	
Expected life in years	5.0	7.5	5.0	7.5
Risk-free interest rate	4.61%	5.10%	4.06%	4.20%
Dividend yield	2.61%	2.65%	1.46%	2.30%

The following table presents a summary of the Company s stock options outstanding at and stock option activity during the nine months ended September 30, 2006 (Price reflects the weighted average exercise price per share):

(In thousands, except per share data)	Options	Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	42,696	$ 41.34		
Granted	16	28.68		
Exercised (a)	(1,180)	19.60		
Forfeited	(1,148)	35.58		
Expired	(2,386)	51.69		
Outstanding, September 30	37,998	41.54	3.4 years	$ 27,555
Exercisable, September 30	28,133		2.5 years	$ 27,311
Weighted average fair value per option granted	$ 7.18			

(a) Cash received from option exercises for the nine months ended September 30, 2006 and 2005 was $23.1 million and $23.9 million, respectively. The Company received an income tax benefit of $2.0 million and $0.6 million relating to the options exercised during the nine months ended September 30,

2006 and 2005,
respectively.

The weighted average grant date fair value of options granted during the nine months ended September 30, 2006 and 2005 was $7.18 and $8.59, respectively. The total intrinsic value of options exercised during the nine months ended September 30, 2006 and 2005 was $11.6 million and $10.4 million, respectively.

A summary of the Company s nonvested options at December 31, 2005, and changes during the nine months ended September 30, 2006, is presented below:

(In thousands, except per share data)	Options	Weighted Average Grant Date Fair Value
Nonvested, beginning of year	13,086	$ 15.03
Granted	16	7.18
Vested	(2,089)	25.78
Forfeited	(1,148)	13.49
Nonvested, September 30	9,865	12.91

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There were 36.4 million shares available for future grants under the various option plans at September 30, 2006. Vesting dates range from February 1997 to April 2011, and expiration dates range from October 2006 to April 2016 at exercise prices and average contractual lives as follows:
(In thousands of shares)

Range of Exercise Prices		Outstanding as of 9/30/06	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable as of 9/30/06	Weighted Average Exercise Price
$ .01	$ 10.00	635	3.1	$ 5.90	635	$ 5.90
10.01	20.00	280	0.4	16.41	280	16.41
20.01	30.00	2,912	1.6	25.74	2,784	25.68
30.01	40.00	10,157	5.8	32.55	2,369	33.14
40.01	50.00	18,332	2.5	44.97	16,383	45.06
50.01	60.00	3,614	3.2	55.35	3,614	55.35
60.01	70.00	1,491	2.0	64.09	1,491	64.09
70.01	80.00	529	3.6	76.57	529	76.57
80.01	91.35	48	0.4	86.18	48	86.18
		37,998	3.4	41.54	28,133	43.96

Restricted Stock Awards

The Company began granting restricted stock awards to employees and directors of the Company and its affiliates in 2003. These common shares hold a legend which restricts their transferability for a term of up to five years and are forfeited, except in certain circumstances, in the event the employee or director terminates his or her employment or relationship with the Company prior to the lapse of the restriction. The restricted stock awards were granted out of the Company s stock option plans. Recipients of the restricted stock awards are entitled to all cash dividends as of the date the award was granted.

The following table presents a summary of the Company s restricted stock outstanding at and restricted stock activity during the nine months ended September 30, 2006 (Price reflects the weighted average share price at the date of grant):

	2006	
(In thousands, except per share data)	Awards	Price
Outstanding, beginning of year	2,452	$ 32.62
Granted	7	28.50
Vested (restriction lapsed)	(2)	28.37
Forfeited	(141)	32.25
Outstanding, September 30	2,316	32.64

Subsidiary Share-Based Awards

Clear Channel Outdoor Holdings, Inc. (CCO), a subsidiary of the Company, grants options to purchase shares of its Class A common stock to its employees and directors and its affiliates under its incentive stock plan typically at no less than the fair market value of the underlying stock on the date of grant. These options are granted for a term not exceeding ten years and are forfeited, except in certain circumstances, in the event the employee or director terminates his or her employment or relationship with CCO or one of its affiliates. These options generally vest over five years.

The incentive stock plan contains anti-dilutive provisions that permit an adjustment of the number of shares of CCO s common stock represented by each option for any change in capitalization.

Prior to CCO s Initial Public Offering (IPO), CCO did not have any compensation plans under which it granted stock awards to employees. However, the Company had granted certain of CCO s officers and other key employees stock options to purchase shares of the Company s common stock. All outstanding options to purchase shares of the Company s common stock held by CCO employees were converted using an intrinsic value method into options to purchase shares of CCO Class A common shares concurrent with the closing of CCO s IPO.

The fair value of each option awarded is estimated on the date of grant using a Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on CCO s stock, historical volatility on CCO s stock, and other factors. The expected life is based on historical data of options granted and represents the period of time that options granted are

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expected to be outstanding. CCO uses historical data to estimate option exercises and employee terminations within the valuation model. Prior to the adoption of Statement 123(R), the Company recognized forfeitures as they occurred in its Statement 123 pro forma disclosures. Beginning January 1, 2006, the Company includes estimated forfeitures in its compensation cost and updates the estimated forfeiture rate through the final vesting date of awards. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods equal to the expected life of the option. The following assumptions were used to calculate the fair value of the CCO s options on the date of grant during the nine months ended September 30, 2006:

Expected volatility	27%
Expected life in years	5.0 7.5
Risk-free interest rate	4.58% 5.08%
Dividend yield	0%

The following table presents a summary of CCO s stock options outstanding at and stock option activity during the nine months ended September 30, 2006 (Price reflects the weighted average exercise price per share):

(In thousands, except per share data)	Options	Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value
Outstanding, beginning of year	8,509	$ 24.05		
Granted	177	19.85		
Exercised	(6)	20.42		
Forfeited	(276)	22.59		
Expired	(510)	32.37		
Outstanding, September 30	7,894	23.43	4.5 years	$ 8,262
Exercisable, September 30	3,064		2.3 years	$ 174
Weighted average fair value per option granted	$ 6.55			

A summary of CCO s nonvested options at December 31, 2005, and changes during the nine months ended September 30, 2006, is presented below:

(In thousands, except per share data)	Options	Weighted Average Grant Date Fair Value
Nonvested, beginning of year	5,634	$ 4.56
Granted	177	6.55
Vested	(705)	.91
Forfeited	(276)	4.01
Nonvested, September 30	4,830	5.21

There were 33.9 million shares available for future grants under CCO s option plan at September 30, 2006. Vesting dates range from April 2004 to April 2011, and expiration dates range from November 2006 to April 2016 at exercise prices and average contractual lives as follows:

(In thousands of shares)

Range of Exercise Prices		Outstanding as of 9/30/06	Weighted Average Remaining Contractual Life	Weighted Average Exercise Price	Exercisable as of 9/30/06	Weighted Average Exercise Price
$ 15.01	$ 20.00	3,408	6.5	$ 17.98	57	$ 17.35
20.01	25.00	1,097	4.2	21.08	229	21.57
25.01	30.00	2,143	2.9	26.12	1,532	26.04
30.01	35.00	692	2.4	32.78	692	32.78
35.01	40.00	417	0.6	37.86	417	37.86
40.01	45.00	98	3.8	42.80	98	42.80
45.01	50.00	39	0.2	49.52	39	49.52
		7,894	4.5	23.43	3,064	29.50

CCO also grants restricted stock awards to employees and directors of CCO and its affiliates. These common shares hold a legend which restricts their transferability for a term of up to five years and are forfeited, except in certain circumstances, in the event the employee terminates his or her employment or relationship with CCO prior to the lapse of the restriction. The restricted stock awards were granted out of the CCO s stock option plan.

The following table presents a summary of CCO s restricted stock outstanding at and restricted stock activity during the nine months ended September 30, 2006 (Price reflects the weighted average share price at the date of grant):

	2006	
(In thousands, except per share data)	Awards	Price
Outstanding, beginning of year	236	$ 18.00
Granted	6	19.87
Vested (restriction lapsed)		
Forfeited	(19)	18.01
Outstanding, September 30	223	18.04

Unrecognized share-based compensation cost

As of September 30, 2006, there was $49.5 million of unrecognized compensation cost related to nonvested share-based compensation arrangements. The cost is expected to be recognized over a weighted average period of approximately three years.

Note 3: INTANGIBLE ASSETS AND GOODWILL

The Company has definite-lived intangible assets which consist primarily of transit and street furniture contracts and other contractual rights in its Americas and international outdoor segments, talent and program right contracts in its radio segment, and contracts for non-affiliated radio and television stations in the Company s media representation operations, 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 assets at September 30, 2006 and December 31, 2005:

	September 30, 2006		December 31, 2005	
(In thousands)	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Transit, street furniture, and other outdoor contractual rights	$ 777,850	$ 488,893	$ 651,455	$ 408,018
Talent contracts	125,270	111,365	202,161	175,553
Representation contracts	323,436	162,605	313,004	133,987
Other	130,180	75,436	135,782	104,054
Total	$ 1,356,736	$ 838,299	$ 1,302,402	$ 821,612

CCO completed the acquisition of Interspace Airport Advertising (Interspace) on July 1, 2006. As a result of the acquisition, the company recorded $39.5 million in definite-lived intangible assets which consists primarily of airport contracts with a remaining weighted average life of 5 years.

Total amortization expense from definite-lived intangible assets for the nine and three months ended September 30, 2006 and for the year ended December 31, 2005 was $107.8 million, $34.3 million and $154.2 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:

(In thousands)	
2007	$104,999
2008	66,728
2009	52,492
2010	46,485
2011	35,080

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

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 1 to 20 years and renew indefinitely, with rental payments generally escalating at an inflation based index. If the Company loses its lease, the Company will typically obtain permission to relocate the permit or bank it with the municipality for future use.

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

Under the direct method, the Company continues to aggregate its indefinite-lived intangible assets at the market level for purposes of impairment testing. The Company s key assumptions using the direct method are market revenue growth rates, market share, profit margin, duration and profile of the build-up period, estimated start-up capital costs and losses incurred during the build-up period, the risk-adjusted discount rate and terminal values. This data is populated using industry normalized information.

Goodwill

The Company tests 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 following table presents the changes in the carrying amount of goodwill in each of the Company s reportable segments for the nine month period ended September 30, 2006:

(In thousands)	Radio	Americas Outdoor	International Outdoor	Other	Total
Balance as of December 31, 2005	$ 6,321,394	$ 405,964	$ 343,611	$ 40,979	$ 7,111,948
Acquisitions	42,499	211,649	33,917	6,564	294,629
Dispositions	(10,591)	(1,913)			(12,504)
Foreign currency		401	24,119		24,520
Adjustments	(879)		(315)	6	(1,188)
Balance as of September 30, 2006	$ 6,352,423	$ 616,101	$ 401,332	$ 47,549	$ 7,417,405

Included in the Americas acquisitions amount above is $127.6 million related to the acquisition of Interspace, all of which is expected to be deductible for tax purposes.

Note 4: DERIVATIVE INSTRUMENTS

The Company s wholly owned subsidiary, Clear Channel Investments, Inc., terminated its secured forward exchange contract with respect to 8.3 million shares of its investment in XM Satellite Radio Holdings, Inc. on August 2, 2006 by paying the counterparty approximately $83.1 million. The accreted value of the debt was $92.9 million and the fair value of the collar was an asset of $6.0 million resulting in a net gain of approximately $3.8 million recorded in Gain (loss) on marketable securities on the Company s consolidated statement of operations.

The Company 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 (the AMT contracts). These options are not designated as hedges of the underlying shares of AMT. The fair values of the AMT contracts were a liability of $9.0 million recorded in Other long term liabilities and an asset of $11.7 million recorded in Other assets at September 30, 2006 and December 31, 2005, respectively. For the nine months ended September 30, 2006 and year ended December 31, 2005, the Company recognized losses of $20.7 million and $18.2 million, respectively, in Gain (loss) on marketable securities related to the change in fair value of the options. To offset the change in the fair value of these contracts, the Company has recorded AMT shares as trading securities. During the nine months ended September 30, 2006 and year ended December 31, 2005, the Company recognized gains of $18.9 million and $17.5 million, respectively, in Gain (loss) on marketable securities related to the change in the fair value of the shares.

The Company is exposed to foreign currency exchange risks related to its investment in net assets in foreign countries. To manage this risk, the Company entered into two United States dollar Euro cross currency swaps with an aggregate Euro notional amount of 706.0 million and a corresponding aggregate U.S. dollar notional amount of $877.7 million. These cross currency swaps had a value of $44.5 million at September 30, 2006 and $2.9 million at December 31, 2005, which was recorded in Other long-term obligations . These cross currency swaps require 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 these cross currency swaps 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 swaps and the semiannual cash payments to be reported as a cumulative translation adjustment in other comprehensive income (loss) in the same manner as the underlying hedged net assets. As of September 30, 2006, a $20.7 million loss, net of tax, was recorded as a cumulative translation adjustment to other comprehensive income (loss) related to the cross currency swap.

Note 5: RECENT DEVELOPMENTS

Company Share Repurchase Program

On March 9, 2006, the Company s Board of Directors authorized a share repurchase program, permitting it to repurchase $600.0 million of its common stock. On September 6, 2006, the Board of Directors authorized an additional share repurchase program, permitting the Company to repurchase an additional $1.0 billion of its common stock. This increase expires on September 6, 2007, although the program may be discontinued or suspended at anytime prior to its expiration. The Company had repurchased an aggregate 130.9 million shares for $4.3 billion, including commission and fees, under all previously announced share repurchase programs as of September 30, 2006, with $1.0 billion remaining available.

Debt Offerings

On March 21, 2006 the Company completed a debt offering of $500.0 million 6.25% Senior Notes due 2011. Interest is payable on March 15 and September 15 of each year. The net proceeds of approximately $497.5 million were used to repay borrowings under the Company s bank credit facility.

On August 15, 2006 the Company completed an additional $250.0 million issuance of its 6.25% Senior Notes due 2011 originally issued March 21, 2006. The net proceeds of approximately $253.4 million, including accrued interest, were used to repay borrowings under the Company s bank credit facility.

Acquisitions

CCO completed the acquisition of Interspace on July 1, 2006, by issuing 4,250,000 shares of CCO s Class A common stock and the payment of approximately $81.3 million. The acquisition was valued at approximately $170.4 million based on CCO s common shares issued at the closing share price on the date of acquisition and the cash consideration paid. Interspace s 2005 revenues and operating expenses (excluding depreciation and amortization) were approximately $45.8 million and $32.5 million, respectively.

The Company acquired radio stations for $16.6 million and a music scheduling company for $44.3 million in cash plus $10.0 million of deferred purchase consideration during the nine months ended September 30, 2006. The Company also acquired Americas and international outdoor display faces and additional equity interests in international outdoor companies for $200.7 million in cash, which includes cash paid for Interspace. The Company exchanged assets in one of its Americas outdoor markets for assets located in a different market. In addition, the

Company s national representation firm acquired representation contracts for $11.8 million in cash and its television business acquired a station for $20.0 million in cash.

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Disposition of Assets

The Company disposed of programming rights in its radio broadcasting segment and recognized a gain of $31.4 million and exchanged assets in one of its Americas outdoor markets for assets located in a different market and recognized a gain of $13.2 million. Both of these gains were recorded in Gain on disposition of assets net during the first quarter of 2006.

Recent Legal Proceedings

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. On October 5, 2006, the Company received a subpoena from the Assistant United States Attorney for the Southern District of New York requiring it to produce certain information regarding substantially the same matters as covered in the subpoena from the Eastern District of Missouri. The Company is cooperating with the requirements of both subpoenas.

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

On April 19, 2006, the Company received a letter of inquiry from the Federal Communications Commission (the FCC) requesting information about whether consideration was provided by record labels to the Company in exchange for the broadcast of music without disclosure of such consideration to the public. The Company is cooperating with the FCC in responding to this request for information.

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

Note 6: RESTRUCTURING

The Company has restructuring liabilities related to its 2000 acquisition of AMFM Inc. (AMFM), and the 2002 acquisition of The Ackerley Group, Inc. (Ackerley). The balance at September 30, 2006 of $5.3 million was comprised of $0.4 million of severance costs and $4.9 million of lease termination costs. During the nine months ended September 30, 2006, $0.4 million was paid and charged to severance.

In addition to the AMFM and Ackerley restructurings, the Company restructured its outdoor operations in France in the third quarter of 2005. As a result, the Company recorded $26.6 million in restructuring costs as a component of selling, general and administrative expenses. Of the $26.6 million, $22.5 million was related to severance costs and $4.1 million was related to other costs. During 2006, $7.4 million of related costs were paid and charged to the restructuring accrual. As of September 30, 2006, the accrual balance was $14.7 million.

Note 7: 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.

As discussed in Note 5, there are various lawsuits and claims pending against the Company. Based on current assumptions, the Company has accrued its estimate of the probable costs for the resolution of these claims. Future results of operations could be materially affected by changes in these assumptions.

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Note 8: GUARANTEES

Within the Company s $1.75 billion credit facility, there exists a $150.0 million sub-limit available to certain of the Company s international subsidiaries. This $150.0 million sub-limit 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. Subsidiary borrowings under this sub-limit are guaranteed by the Company. At September 30, 2006, this portion of the $1.75 billion credit facility s outstanding balance was $30.7 million, which is recorded in Long-term debt on the Company s financial statements.

Within the Company s bank credit facility agreement 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 up to approximately $39.9 million. As of September 30, 2006, no amounts were outstanding under these agreements.

As of September 30, 2006, the Company has outstanding commercial standby letters of credit and surety bonds of $130.2 million and $35.6 million, respectively. 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 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 as borrowings under the Company s bank credit facilities.

Note 9: SEGMENT DATA

The Company has three reportable segments, which it believes best reflects how the Company is currently managed radio broadcasting, Americas outdoor advertising and international outdoor advertising. The Americas outdoor advertising segment consists of our operations in the United States, Canada and Latin America, and the international outdoor segment includes operations in Europe, Asia, Africa and Australia. The category other includes television broadcasting, media representation and other general support services and initiatives. Revenue and expenses earned and charged between segments are recorded at fair value and eliminated in consolidation.

(In thousands)	Radio Broadcasting	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate expenses and gain (loss) on disposition of assets - net	Eliminations	Consolidated
Nine Months Ended September 30, 2006							
Revenue	$ 2,754,566	$ 965,733	$ 1,101,293	$ 423,098	$	$ (94,767)	$ 5,149,923
Direct operating expenses	768,215	382,401	671,442	164,716		(46,598)	1,940,176
Selling, general and administrative expenses	940,413	150,846	250,757	177,925		(48,169)	1,471,772
	102,998	129,382	169,888	49,881	14,573		466,722

Depreciation and amortization							
Corporate expenses					140,645		140,645
Gain (loss) on disposition of assets net					56,000		56,000
Operating income (loss)	$ 942,940	$ 303,104	$ 9,206	$ 30,576	$ (99,218)	$	$ 1,186,608
Intersegment revenues	$ 30,764	$ 6,864	$	$ 57,139	$	$	$ 94,767
Identifiable assets	$ 12,262,329	$ 2,764,509	$ 2,265,066	$ 1,071,857	$ 567,449	$	$ 18,931,210
Capital expenditures	$ 64,769	$ 60,367	$ 103,613	$ 7,805	$ 3,394	$	$ 239,948

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(In thousands)	Radio Broadcasting	Americas Outdoor Advertising	International Outdoor Advertising	Other	Corporate expenses and gain (loss) on disposition of assets - net	Eliminations	Consolidated
Three Months Ended September 30, 2006							
Revenue	$ 962,147	$ 356,384	$ 363,870	$ 143,510	$	$ (31,017)	$ 1,794,894
Direct operating expenses	265,319	133,468	234,152	55,345		(13,664)	674,620
Selling, general and administrative expenses	308,787	52,029	82,608	60,211		(17,353)	486,282
Depreciation and amortization	33,582	45,897	56,226	16,277	5,192		157,174
Corporate expenses					49,630		49,630
Gain (loss) on disposition of assets net					8,915		8,915
Operating income (loss)	$ 354,459	$ 124,990	$ (9,116)	$ 11,677	$ (45,907)	$	$ 436,103
Intersegment revenues	$ 10,175	$ 1,882	$	$ 18,960	$	$	$ 31,017
Nine Months Ended September 30, 2005							
Revenue	$ 2,624,736	$ 886,649	$ 1,044,822	$ 388,585	$	$ (90,962)	$ 4,853,830
Direct operating expenses	711,604	358,862	629,185	160,339		(46,467)	1,813,523
Selling, general and administrative expenses	900,647	136,919	273,044	160,661		(44,495)	1,426,776
Depreciation and amortization	106,309	127,019	163,214	51,443	14,153		462,138
					119,412		119,412

Corporate expenses							
Gain (loss) on disposition of assets net					14,303		14,303
Operating income (loss)	$ 906,176	$ 263,849	$ (20,621)	$ 16,142	$ (119,262)	$	$ 1,046,284
Intersegment revenues	$ 27,396	$ 5,633	$	$ 57,933	$	$	$ 90,962
Identifiable assets	$ 12,246,440	$ 2,515,518	$ 2,166,667	$ 1,269,086	$ 316,296	$	$ 18,514,007
Capital expenditures	$ 65,806	$ 50,012	$ 87,210	$ 11,064	$ 5,261	$	$ 219,353
Three Months Ended September 30, 2005							
Revenue	$ 919,245	$ 317,705	$ 350,298	$ 130,352	$	$ (34,312)	$ 1,683,288
Direct operating expenses	248,716	121,817	207,648	55,858		(20,016)	614,023
Selling, general and administrative expenses	297,899	45,768	107,282	52,167		(14,296)	488,820
Depreciation and amortization	36,185	40,928	54,477	17,763	4,682		154,035
Corporate expenses					41,071		41,071
Gain (loss) on disposition of assets net					8,487		8,487
Operating income (loss)	$ 336,445	$ 109,192	$ (19,109)	$ 4,564	$ (37,266)	$	$ 393,826
Intersegment revenues	$ 9,240	$ 1,162	$	$ 23,910	$	$	$ 34,312

Revenue of $1.2 billion and $1.1 billion derived from foreign operations are included above for the nine months ended September 30, 2006 and 2005, respectively. Revenue of $389.0 million and $368.9 million derived from foreign operations are included above for the three months ended September 30, 2006 and 2005, respectively. Identifiable assets of $2.5 billion derived from foreign operations are included above at September 30, 2006 and 2005.

Note 10: SUBSEQUENT EVENTS

On October 25, 2006, the Company s Board of Directors declared a quarterly cash dividend of $0.1875 per share on the Company s Common Stock. The dividend is payable on January 15, 2007 to shareholders of record at the close of business on December 31, 2006.

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On October 12, 2006, the Company received a $257.0 million tax refund related to the utilization of a portion of the capital loss generated on the spin-off of Live Nation, Inc. The Company also utilized 2005 net operating losses to reduce its September 15, 2006 tax payment by $21.3 million. These two events resulted in a total cash benefit to the Company of $278.3 million.

On November 1, 2006, the Company redeemed its 6% Senior Notes at their maturity for $750.0 million plus accrued interest with proceeds from its bank credit facility.

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

Executive Summary

Consolidated revenue increased 7% during the third quarter of 2006 compared to the same period of 2005. Revenue growth of $42.9 million from our radio broadcasting segment was driven by increased national advertising revenues. Our Americas outdoor advertising segment s revenues increased $38.7 million primarily from growth in bulletin and airport revenues as well as from the acquisition of Interspace. Our international outdoor segment contributed $13.6 million in revenue growth which was primarily attributable to movements in foreign exchange over the third quarter of 2005.

Consolidated direct operating and SG&A expenses increased 5% during the third quarter of 2006, compared to the same period of 2005, primarily from our radio and Americas segments, which increased principally due to growth in commission expenses associated with the increase in revenue and the adoption of FAS 123(R). Radio also experienced increased programming and distribution expenses while Americas incurred increased site lease expenses. Direct operating and SG&A expenses declined in our international outdoor segment primarily from a $26.6 million restructuring charge related to our businesses in France recorded during the third quarter of 2005.

Our subsidiary, Clear Channel Outdoor Holdings, Inc., or CCO, completed its acquisition of Interspace Airport Advertising on July 1, 2006, by issuing 4,250,000 shares of CCO s Class A Common Stock and approximately $81.3 million in cash. Interspace contributed approximately $14.6 million to revenue and $9.0 million to direct operating and SG&A expenses during the third quarter of 2006.

Format of Presentation

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

We manage our operating segments primarily focusing on their operating income, while corporate expenses, gain (loss) on disposition of assets net, interest expense, gain (loss) on marketable securities, equity in earnings of nonconsolidated affiliates, other income (expense) net, income tax benefit (expense), minority interest net of tax, and discontinued operations are managed on a total company basis and are, therefore, included only in our discussion of consolidated results.

Radio Broadcasting

Our revenues are derived from selling advertising time, or spots, on our radio stations. Our 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. Management monitors average advertising rates, which are principally based on the length of the spot and how many people in a targeted audience listen to our stations, as measured by an independent ratings service. The size of the market influences rates as well, with larger markets typically receiving higher rates than smaller markets. Our advertising rates are also influenced by the time of day the advertisement airs, with morning and evening drive-time hours typically the highest. Management monitors yield in addition to average rates because yield allows management to track revenue performance across our inventory. Yield is defined by management as revenue earned divided by commercial capacity available. Radio advertising contracts are typically less than one year.

Management monitors macro level indicators to assess our radio operations performance. Due to the geographic diversity and autonomy of our markets, we have a multitude of market specific advertising rates and audience demographics. Therefore, management reviews average unit rates across all of our stations.

Management looks at our radio operations overall revenues including 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 each radio stations sales staffs while national advertising is sold, for the most part, through our national representation firm. Local advertising, which is our largest source of advertising revenue, and national advertising revenues are tracked separately, because these revenue streams have different sales forces and respond differently to changes in the economic environment.

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Management also looks at radio revenue by market size, as defined by Arbitron. Typically, larger markets can reach larger audiences with wider demographics than smaller markets. Additionally, management reviews our share of targeted demographics listening to the radio in an average quarter hour. This metric gauges how well our formats are attracting and keeping listeners.

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

Americas and International Outdoor Advertising

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

Our advertising rates are generally based on the gross rating points, or total number of impressions delivered, expressed as a percentage of a market population, by a display or group of displays. The number of impressions delivered by a display is measured by the number of people passing the site during a defined period of time and, in some international markets, is weighted to account for such factors as illumination, proximity to other displays and the speed and viewing angle of approaching traffic. Management typically monitors our business by reviewing the average rates, average revenues per display, occupancy, and inventory levels of each of our display types by market. In addition, because a significant portion of our advertising operations are conducted in foreign markets, principally France and the United Kingdom, management reviews the operating results from our foreign operations on a constant dollar basis. A constant dollar basis allows for comparison of operations independent of foreign exchange movements. Because revenue-sharing and minimum guaranteed payment arrangements are more prevalent in our international operations, the margins in our international operations are typically less than the margins in our Americas operations.

The significant expenses associated with our operations include (i) direct production, maintenance and installation expenses, (ii) site lease expenses for land under our displays and (iii) revenue-sharing or minimum guaranteed amounts payable under our street furniture and transit display contracts. Our direct production, maintenance and installation expenses include costs for printing, transporting and changing the advertising copy on our displays, the related labor costs, the vinyl and paper costs and the costs for cleaning and maintaining our displays. Vinyl and paper costs vary according to the complexity of the advertising copy and the quantity of displays. Our site lease expenses include lease payments for use of the land under our displays, as well as any revenue-sharing arrangements we may have with the landlords. The terms of our Americas site leases generally range from 1 to 20 years. The terms of our international site leases generally range from 3 to 15 years, but vary across our networks.

FAS 123(R), Share-Based Payment

We adopted FAS 123(R), *Share-Based Payment*, on January 1, 2006 under the modified-prospective approach which requires us to recognize employee compensation cost related to our stock option grants in the same line items as cash compensation in the 2006 financial statements for all options granted after the date of adoption as well as for any options that were unvested at adoption. Under the modified-prospective approach, no stock option expense attributable to these options is reflected in the financial statements for 2005. The amounts recorded as share-based payments in the financial statements during 2005 relate to the expense associated with restricted stock awards. As of September 30, 2006, there was $49.5 million of total unrecognized compensation cost related to nonvested share-based compensation arrangements. This cost is expected to be recognized over a weighted average period of approximately three years.

The fair value of each option awarded is estimated on the date of grant using a Black-Scholes option-pricing model. Expected volatilities are based on implied volatilities from traded options on the Company s stock, historical volatility on the Company s stock, and other factors. The expected life of options granted represents the period of time that options granted are expected to be outstanding. The Company uses historical data to estimate option exercises and employee terminations within the valuation model. The risk free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods equal to

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the expected life of the option. The following table details compensation costs related to share-based payments for the three and nine months ended September 30, 2006:

(In millions)	Three Months	Nine Months
Radio Broadcasting		
Direct Operating Expenses	$ 2.7	$ 8.3
SG&A	3.6	10.6
Americas Outdoor Advertising		
Direct Operating Expenses	$ 0.9	$ 2.6
SG&A	0.3	0.9
International Outdoor Advertising		
Direct Operating Expenses	$ 0.2	$ 0.6
SG&A	0.1	0.3
Other		
Direct Operating Expenses	$ 0.5	$ 1.5
SG&A	0.5	1.6
Corporate	$ 2.3	$ 8.0

The comparison of Three and Nine Months Ended September 30, 2006 to Three and Nine Months Ended September 30, 2005 is as follows:

	Three Months Ended September 30,		%	Nine Months Ended September 30,		%
(In thousands)	2006	2005	Change	2006	2005	Change
Revenue	$ 1,794,894	$ 1,683,288	7%	$ 5,149,923	$ 4,853,830	6%
Operating expenses:						
Direct operating expenses	674,620	614,023	10%	1,940,176	1,813,523	7%
Selling, general and administrative expenses	486,282	488,820	(1%)	1,471,772	1,426,776	3%
Depreciation and amortization	157,174	154,035	2%	466,722	462,138	1%
Corporate expenses	49,630	41,071	21%	140,645	119,412	18%
Gain (loss) on disposition of assets net	8,915	8,487		56,000	14,303	
Operating income	436,103	393,826	11%	1,186,608	1,046,284	13%
Interest expense	128,271	113,087		365,945	324,794	
Gain (loss) on marketable securities	5,396	(815)		2,072	(278)	
Equity in earnings of nonconsolidated affiliates	8,568	10,565		25,054	28,160	
Other income (expense) net	(536)	(560)		(5,752)	8,585	
Income before income taxes, minority interest, and discontinued operations	321,260	289,929		842,037	757,957	
Income tax benefit (expense):						

Current	(72,032)	(32,096)	(186,135)	(150,064)
Deferred	(59,684)	(82,426)	(159,100)	(149,330)
Income tax benefit (expense)	(131,716)	(114,522)	(345,235)	(299,394)
Minority interest income (expense), net of tax	(3,673)	(3,577)	(16,629)	(6,380)
Income before discontinued operations	185,871	171,830	480,173	452,183
Income (loss) from discontinued operations, net		33,645		21,906
Net income	$ 185,871	$ 205,475	$ 480,173	$ 474,089

Consolidated Revenue

Three Months

Consolidated revenue increased $111.6 million for the third quarter of 2006 compared to the third quarter of 2005. Revenue growth was led by $42.9 million from our radio broadcasting segment, primarily from an increase in national revenues. Our Americas outdoor advertising segment s revenue increased $38.7 million, primarily from increased bulletin and airport revenues, as well as the acquisition of Interspace which contributed $14.6 million. Our international outdoor segment contributed $13.6 million of the

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increase, primarily related to $13.1 million attributable to foreign exchange gains, while revenue in our other segment increased $13.2 million during the third quarter of 2006 as compared to the same period of 2005 primarily from growth at Katz Media and our television business.

Nine Months

Consolidated revenue increased $296.1 million for the nine months ended September 30, 2006 compared to the same period of 2005. Radio contributed $129.8 million attributable to increased average rates on local and national sales. Our Americas outdoor segment s revenue increased $79.1 million from an increase in bulletin and airport revenues. Our international outdoor segment contributed $56.5 million, of which approximately $44.9 million during the first six months of 2006 related to Clear Media which we began consolidating in the third quarter of 2005. Increased street furniture revenues also contributed to our international revenue growth, which were partially offset by a revenue decline of $18.7 million from foreign exchange fluctuations.

Consolidated Direct Operating Expenses

Three Months

Direct operating expenses increased $60.6 million during the third quarter of 2006 compared to the same period of 2005. Radio broadcasting s direct operating expenses increased $16.6 million, $8.1 million of which related to programming and distribution initiatives. Our Americas outdoor segment contributed $11.7 million, principally from an increase in site-lease expenses and our acquisition of Interspace. Direct operating expenses in our international outdoor segment increased $26.5 million over the third quarter of 2005 primarily from an increase in fixed rent associated with guarantees on new contracts and $8.3 million from movements in foreign exchange. Share-based payments included in direct operating expenses associated with the adoption of FAS 123(R) were $4.3 million for the third quarter of 2006.

Nine Months

Direct operating expenses increased $126.7 million for the nine months ended September 30, 2006 compared to the same period of 2005. Our radio broadcasting segment contributed $56.6 million primarily from programming and distribution initiatives. Americas outdoor direct operating expenses increased $23.5 million driven by increased site lease expenses associated with the increase in revenue and the acquisition of Interspace. Interspace contributed $6.2 million to direct operating expenses in the third quarter of 2006. Our international outdoor segment contributed $42.3 million, of which $18.0 million during the first six months of 2006 related to our consolidation of Clear Media and the remainder was principally due to an increase in site lease expenses. The increase in international outdoor s direct operating expense was partially offset by a decline of $11.2 million related to movements in foreign exchange. Share-based payments included in direct operating expenses associated with the adoption of FAS 123(R) were $13.0 million for the nine months ended September 30, 2006.

Consolidated Selling, General and Administrative Expenses, or SG&A

Three Months

SG&A decreased $2.5 million during the third quarter of 2006 compared to the same period of 2005 which included a $26.6 million charge related to restructuring our businesses in France during the third quarter of 2005 partially offset by $2.9 million related to movements in foreign exchange. SG&A increased in our radio broadcasting and Americas outdoor segments $10.9 million and $6.3 million, respectively, primarily from sales expenses associated with the increase in revenue. Share-based payments included in SG&A associated with the adoption of FAS 123(R) were $4.5 million during the third quarter of 2006.

Nine Months

SG&A increased $45.0 million for the nine months ended September 30, 2006 compared to the same period of 2005. Our radio broadcasting SG&A increased $39.8 million primarily as a result of $15.9 million in bonus and commission expenses associated with the increase in revenue. SG&A increased $13.9 million in our Americas outdoor segment principally related to an increase in bonus and commission expenses associated with the increase in revenues. Our international outdoor SG&A expenses declined $22.3 million primarily attributable to a decline of $4.6 million from movements in foreign exchange as well as $26.6 million related to restructuring our businesses in France recorded in the third quarter of 2005. Share-based payments included in SG&A associated with the adoption of FAS 123(R) were $13.4 million for the nine months ended September 30, 2006.

Corporate Expenses

Corporate expenses increased approximately $8.6 million and $21.2 million for the three and nine months ended September 30, 2006, respectively, as compared to the same periods of 2005. These increases were primarily the result of increased bonus expenses. Share based payments increased $0.4 million and $3.4 million, respectively, during the third quarter and nine months ended September 30, 2006 as compared to the same periods of 2005.

Gain (loss) on Disposition of Assets Net

Gain on disposition of assets net of $56.0 million for the nine months ended September 30, 2006 mostly related to $31.4 million in our radio segment primarily from the sale of programming rights and $13.2 million in our Americas outdoor segment from the exchange of assets in one of our markets for the assets of a third party located in a different market.

Interest Expense

Interest expense increased $15.2 million and $41.2 million for the three and nine months ended September 30, 2006, respectively, over the same periods of 2005 primarily due to increased interest rates on our floating rate debt. Interest on our floating rate debt, which includes fixed-rate debt on which we have entered into interest rate swap agreements, is influenced by changes in LIBOR. Average LIBOR for the three months ended September 30, 2006 and 2005 was 5.4% and 3.8%, respectively. Average LIBOR for the nine months ended September 30, 2006 and 2005 was 5.1% and 3.3%, respectively.

Gain (loss) on marketable securities

The gain on marketable securities of $5.4 million in the third quarter of 2006 related to a $1.6 million gain associated with the change in fair value of our American Tower Corporation, or AMT, securities that are classified as trading and a related secured forward exchange contract associated with those securities, plus $3.8 million from terminating our secured forward exchange contract associated with our investment in XM Satellite Radio Holdings, Inc. The loss of $0.8 million in the third quarter of 2005 related to the change in fair value of AMT securities that were classified as trading and a related secured forward exchange contract associated with those securities.

The gain of $2.1 million for the nine months ended September 30, 2006 related to a $3.8 million gain from terminating our secured forward exchange contract associated with our investment in XM Satellite Radio Holdings, Inc. partially offset by a loss of $1.7 million from the change in fair value of AMT securities that are classified as trading and a related secured forward exchange contract associated with those securities. The loss of $0.3 million recorded in 2005 related to the change in fair value of AMT securities that were classified as trading and a related secured forward exchange contract associated with those securities.

Income Tax Benefit (Expense)

Current tax expense for the three months ended September 30, 2006 increased $39.9 million over the same period of 2005. The increase was due to additional current tax expense recorded during the current period related to an increase in taxable income of approximately $31.3 million. In addition, during the three months ended September 30, 2005, an additional current tax benefit of approximately $30.1 million was recorded related to the filing of an amended tax return and a foreign exchange loss that was recognized upon the July 2005 maturity of our Euro denominated bonds.

Current tax expense for the nine months ended September 30, 2006 increased $36.1 million over the same period of 2005. The increase was primarily related to additional current tax expense recorded during the period related to an increase in taxable income. Our effective tax rate for the nine months ended September 30, 2006 and 2005 was 41% and 39.5%, respectively.

Deferred tax expense for the three months ended September 30, 2006 decreased $22.7 million over the same period of 2005 primarily due to additional deferred tax expense being recorded during the three months ended September 30, 2005 related to the filing of an amended tax return and a foreign exchange loss that was recognized upon the July 2005 maturity of our Euro denominated bonds.

Deferred tax expense for the nine months ended September 30, 2006 increased $9.8 million over the same period of 2005 due to an increase in deferred tax expense of approximately $16.7 million in the current period related to the uncertainty of our ability to utilize certain tax losses in the future for certain international operations. In addition, a deferred tax benefit of $8.2 million was recorded during the nine months ended September 30, 2005 related to a change in state tax law. These amounts were partially offset by additional deferred tax benefits being recorded during the nine ended September 30, 2006 related to the reversal of book compensation costs that resulted from the adoption of Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*, on January 1, 2006.

Minority Interest Income (Expense), net of tax

Minority interest expense was essentially unchanged in the third quarter 2006 as compared to the third quarter of 2005, with an increase from the initial public offering of 10% of our subsidiary CCO, offset by decreases that were mainly attributable to an overall decline in operating results in Italy and Australia as well as adjustments related to our investment in China made to be in accordance with generally accepted accounting principles in the United States. Minority interest expense for the nine months ended September 30, 2006 increased $10.2 million over the same period of 2005 principally as a result of the initial public offering of 10% of our subsidiary CCO.

Segment Revenue and Divisional Operating Expenses

Radio Broadcasting

	Three Months Ended September 30,			Nine Months Ended September 30,		
(In thousands)	2006	2005	% Change	2006	2005	% Change
Revenue	$ 962,147	$ 919,245	5%	$ 2,754,566	$ 2,624,736	5%
Direct operating expenses	265,319	248,716	7%	768,215	711,604	8%
SG&A	308,787	297,899	4%	940,413	900,647	4%
Depreciation and amortization	33,582	36,185	(7%)	102,998	106,309	(3%)
Operating income	$ 354,459	$ 336,445	5%	$ 942,940	$ 906,176	4%

Three months

Our radio broadcasting revenues increased 5% during the third quarter of 2006 as compared to the third quarter of 2005 primarily from an increase in national advertising revenues, driven by increases in yield and average unit rates. The number of 30 second and 15 second commercials broadcast as a percent of total minutes sold increased in the third quarter of 2006 as compared to the same period of 2005. Our top 50 markets paced the revenue growth for the quarter, growing revenues at a higher percentage than the remainder of our markets. Strong advertising client categories during the third quarter of 2006 as compared to the third quarter of 2005 were automotive, retail and entertainment.

Our radio broadcasting direct operating expenses increased $16.6 million primarily related to increased costs associated with programming and distribution initiatives. This growth includes an increase in share-based payments of $2.7 million as result of adopting FAS 123(R). Our SG&A expenses increased $10.9 million for the third quarter of 2006 as compared to the third quarter of 2005 primarily from increased commission expenses associated with the increase in revenue. This growth includes an increase in share-based payments of $3.6 million as result of adopting FAS 123(R).

Nine Months

Our radio broadcasting revenue increased 5% during the nine months ended September 30, 2006 as compared to the same period of 2005 primarily from an increase in both local and national advertising revenues. This growth was driven by an increase in yield and average unit rates. The number of 30 second and 15 second commercials broadcast as a percent of total minutes sold increased in the nine months ended September 30, 2006 as compared to the same period of 2005.

Our radio broadcasting direct operating expenses increased $56.6 million for the nine months ended September 30, 2006 as compared to the same period of 2005. Included in direct operating expenses for 2006 were share-based payments of $8.3 million as a result of adopting FAS 123(R). Also contributing to the increase were added costs of approximately $30.7 million from programming and distribution initiatives. Our SG&A expenses increased $39.8 million primarily as a result of approximately $15.9 million in bonus and commission expenses as well as $10.6 million from the adoption of FAS 123(R).

Americas Outdoor Advertising

(In thousands)	Three Months Ended September 30, 2006	Three Months Ended September 30, 2005	% Change	Nine Months Ended September 30, 2006	Nine Months Ended September 30, 2005	% Change
Revenue	$ 356,384	$ 317,705	12%	$ 965,733	$ 886,649	9%
Direct operating expenses	133,468	121,817	10%	382,401	358,862	7%
SG&A	52,029	45,768	14%	150,846	136,919	10%
Depreciation and amortization	45,897	40,928	12%	129,382	127,019	2%
Operating income	$ 124,990	$ 109,192	14%	$ 303,104	$ 263,849	15%

Three Months

Our Americas revenue increased 12% during the third quarter of 2006, as compared to the third quarter of 2005, primarily attributable to bulletin and airport revenues, as well as revenues associated with the acquisition of Interspace. The increase in bulletin revenue was driven by an increase in rates. The increase in airport revenues was attributable to increased occupancy and rates as well as the acquisition of Interspace in the current quarter, which contributed $14.6 million to revenue growth over the third quarter of 2005. Strong revenue growth for the quarter was achieved across a broad spectrum of markets including Boston, Cleveland, Dallas, Minneapolis, Orlando, Sacramento, San Antonio and Tucson. Top advertising client categories during the quarter included autos, business and consumer services, entertainment, insurance and retail.

Direct operating expenses increased $11.7 million in the third quarter of 2006 over the third quarter of 2005. The increase was driven by increased site lease expenses associated with the increase in revenue. Interspace contributed $6.2 million to direct operating expenses in the third quarter of 2006. SG&A expenses increased $6.3 million primarily related to an increase in commission expenses associated with the increase in revenue. Included in direct operating and SG&A expenses is an increase in share-based payments of $1.2 million related to the adoption of FAS 123(R).

Nine Months

Our Americas revenue increased 9% during the nine months ended September 30, 2006 as compared to the same period of 2005 primarily attributable to bulletin and airport revenues. Bulletin revenues increased primarily from an increase in average rates while the increase in airport revenues was attributable to increased occupancy and rates. Also contributing to the increased airport revenues was $14.6 million from our acquisition of Intersapce.

Direct operating expenses increased $23.5 million in the nine months ended September 30, 2006 over the same period of 2005 primarily from an increase in site lease expenses of approximately $14.9 million as well as $2.6 million related to the adoption of FAS 123(R). Interspace contributed $6.2 million to direct operating expenses in the nine months ended September 30, 2006. Our SG&A expenses increased $13.9 million in the nine months of 2006 over the same period of 2005 primarily from an increase in bonus and commission expenses of $7.2 million related to the increase in revenue, and $0.9 million of share-based payments related to the adoption of FAS 123(R).

International Outdoor Advertising

	Three Months Ended September 30,			Nine Months Ended September 30,		
(In thousands)	2006	2005	% Change	2006	2005	% Change
Revenue	$ 363,870	$ 350,298	4%	$ 1,101,293	$ 1,044,822	5%
Direct operating expenses	234,152	207,648	13%	671,442	629,185	7%
SG&A	82,608	107,282	(23%)	250,757	273,044	(8%)
Depreciation and amortization	56,226	54,477	3%	169,888	163,214	4%
Operating income	$ (9,116)	$ (19,109)	N.A.	$ 9,206	$ (20,621)	N.A.

Three Months

Revenues from our international outdoor operations increased 4% in the third quarter of 2006 as compared to the third quarter of 2005 primarily related to $13.1 million from movements in foreign exchange. Excluding the effects of foreign exchange, our international outdoor revenue was flat over the third quarter of 2005 with growth in our street furniture revenues offset by a decline in our billboard revenues in France and the United Kingdom. Top 5 advertising client categories during the quarter included autos, business and consumer services, entertainment, insurance and retail.

Direct operating expenses increased $26.5 million over the third quarter of 2005 primarily from an increase in fixed rent associated with guarantees on new contracts and $8.3 million from movements in foreign exchange. Our

SG&A expenses decreased $24.7 million during the third quarter of 2006 compared to the same period of 2005 primarily from a $26.6 million charge from restructuring our businesses in France recorded in the third quarter of 2005 partially offset by $2.9 million related to movements in foreign exchange. Included in direct operating and SG&A expenses is an increase in share-based payments of $0.3 million related to the adoption of FAS 123(R).

Nine Months

Revenue in our international outdoor segment increased 5% in the first nine months of 2006 compared to the same period of 2005. The increase includes approximately $44.9 million during the first six months of 2006 related to our consolidation of Clear Media which we began consolidating in the third quarter of 2005. Also contributing to the increase was growth in street furniture revenues partially offset by a decline in billboard revenues and approximately $18.7 million related to movements in foreign exchange for the first nine months of 2006 compared to the same period of 2005.

Direct operating expenses increased $42.3 million during the nine months ended September 30, 2006 as compared to the same period of 2005. The increase was primarily attributable to $18.0 million during the first six months of 2006 related to our consolidation of Clear Media and an increase in site lease expenses. Also included in the increase was $0.6 million related to the adoption of FAS 123(R). The increase in direct operating expenses was partially offset by a decline of approximately $11.2 million related to movements in foreign exchange. Our SG&A expenses declined $22.3 million primarily attributable to a decline of $4.6 million from movements in foreign exchange as well as $26.6 million related to restructuring our businesses in France recorded in the third quarter of 2005.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
(In thousands)	2006	2005	2006	2005
Radio Broadcasting	$ 354,459	$ 336,445	$ 942,940	$ 906,176
Americas Outdoor Advertising	124,990	109,192	303,104	263,849
International Outdoor Advertising	(9,116)	(19,109)	9,206	(20,621)
Other	11,677	4,564	30,576	16,142
Gain (loss) on disposition of assets net	8,915	8,487	56,000	14,303
Corporate	(54,822)	(45,753)	(155,218)	(133,565)
Consolidated operating income	$ 436,103	$ 393,826	$ 1,186,608	$ 1,046,284

LIQUIDITY AND CAPITAL RESOURCES

Cash Flows

	Nine Months Ended September 30,	
(In thousands)	2006	2005
Cash provided by (used in):		
Operating activities	$1,182,184	$ 981,455
Investing activities	$ (510,289)	$(283,871)
Financing activities	$ (650,049)	$(467,017)
Discontinued operations	$	$(122,632)

Operating Activities

Cash flow from operating activities for the nine months ended September 30, 2006 principally reflected net income of $480.2 million plus depreciation and amortization of $466.7 million. Also contributing to cash flow from operating activities was an income tax refund of $133.3 million from the overpayment of 2005 taxes due to a foreign exchange loss from the restructuring of our international business in anticipation of our strategic realignment, as well as the application of a portion of the capital loss generated from our spin-off of Live Nation. Cash flow from operating activities for the nine months ended September 30, 2005 principally reflected income before discontinued operations of $452.2 plus depreciation and amortization of $462.1 million.

Investing Activities

Cash used in investing activities for the nine months ended September 30, 2006 principally reflected cash used for the acquisition of operating assets of $293.4 million which primarily related to the acquisition of radio stations and a music scheduling company in our radio segment, the acquisition of Interspace, the acquisition of an outdoor advertising business in the United Kingdom, and the acquisition of a television station. Cash used in investing activities for the nine months ended September 30, 2006 also reflected $239.9 million used for the purchase of property, plant and equipment. Cash used in investing activities for the nine months ended September 30, 2005 principally reflected $219.4 million used for the purchase of property, plant and equipment.

Financing Activities

Cash used in financing activities for the nine months ended September 30, 2006 primarily reflected $1.4 billion used for the purchase of our common stock, $290.4 million used for the payment of dividends, partially offset by net draws on our credit facility of $401.8 million and $778.5 million from the issuance of long term debt. Cash used in financing activities for the nine months ended September 30, 2005 principally reflected $859.1 million for the purchase of our common stock and $241.5 million for the payment of dividends, partially offset by net draws on our credit facility of $838.1 million.

Discontinued Operations

We completed the spin-off of Live Nation, our former live entertainment and sports representation businesses, on December 21, 2005. In accordance with Statement of Financial Accounting Standards No. 144, *Accounting for the Impairment of Disposal of Long-Lived Assets*, we reported the results of operations of these businesses during 2005 in discontinued operations on our Consolidated Statement of Operations and reclassified cash flows from these businesses to discontinued operations on our Consolidated Statement of Cash Flows.

Anticipated Cash Requirements

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

SOURCES OF CAPITAL

As of September 30, 2006 and December 31, 2005 we had the following debt outstanding:

(In millions)		September 30, 2006		December 31, 2005
Credit facility	$	687.2	$	292.4
Long-term bonds (a)		7,279.5		6,537.0
Other borrowings		156.6		217.1
Total Debt		8,123.3		7,046.5
Less: Cash and cash equivalents		104.6		82.8
	$	8,018.7	$	6,963.7

(a) Includes $8.0 million and $10.5 million in unamortized fair value purchase accounting adjustment premiums related to the merger with AMFM at September 30, 2006 and December 31, 2005, respectively. Also includes reductions of $32.4 million and

$29.0 million related to fair value adjustments for interest rate swap agreements at September 30, 2006 and December 31, 2005, respectively.

Credit Facility

We have a multi-currency revolving credit facility in the amount of $1.75 billion, which can be used for general working capital purposes including commercial paper support as well as to fund capital expenditures, share repurchases, acquisitions and the refinancing of public debt securities. At September 30, 2006, the outstanding balance on this facility was $687.2 million and, taking into account letters of credit of $124.6 million, $938.1 million was available for future borrowings, with the entire balance to be repaid on July 12, 2009.

During the nine months ended September 30, 2006, we made principal payments totaling $2.1 billion and drew down $2.5 billion on the credit facility. As of November 6, 2006, the credit facility s outstanding balance was $1.2 billion and, taking into account outstanding letters of credit, $516.2 million was available for future borrowings.

Debt Offering

On March 21, 2006, we completed a debt offering of $500.0 million 6.25% Senior Notes due 2011. Interest is payable on March 15 and September 15 of each year. The net proceeds of approximately $497.5 million were used to repay borrowings under our bank credit facility. On August 15, 2006 we completed an additional $250.0 million issuance of our 6.25% Senior Notes due 2011 originally issued March 21, 2006. The net proceeds of approximately $253.4 million, including accrued interest, were used to repay borrowings under the Company s bank credit facility.

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Shelf Registration

On August 30, 2006, we filed a Registration Statement on Form S-3 covering the issuance of debt securities, junior subordinated debt securities, preferred stock, common stock, warrants, stock purchase contracts and stock purchase units. The shelf registration statement also covers preferred securities that may be issued from time to time by our three Delaware statutory business trusts and guarantees of such preferred securities by us. This shelf registration statement was automatically effective on August 31, 2006 for a period of three years.

Debt Covenants

The significant covenants on our $1.75 billion five-year, multi-currency revolving credit facility relate to leverage and interest coverage contained and defined in the credit agreement. The leverage ratio covenant requires us to maintain a ratio of consolidated funded indebtedness to operating cash flow (as defined by the credit agreement) of less than 5.25x. The interest coverage covenant requires us to maintain a minimum ratio of operating cash flow (as defined by the credit agreement) to interest expense of 2.50x. In the event that we do not meet these covenants, we are considered to be in default on the credit facility at which time the credit facility may become immediately due. At September 30, 2006, our leverage and interest coverage ratios were 3.7x and 4.6x, respectively. This credit facility contains a cross default provision that would be triggered if we were to default on any other indebtedness greater than $200.0 million.

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

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

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

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

At September 30, 2006, we were in compliance with all debt covenants. We expect to remain in compliance throughout 2006.

USES OF CAPITAL

On August 9, 2005, we announced our intention to return approximately $1.6 billion of capital to shareholders through either share repurchases, a special dividend or a combination of both. Since announcing our intent through November 6, 2006, we have returned approximately $1.6 billion to shareholders by repurchasing 53.5 million shares of our common stock. Since announcing a share repurchase program in March 2004, we have repurchased approximately 130.9 million shares of our common stock for approximately $4.3 billion. Subject to our financial condition, market conditions, economic conditions and other factors, it remains our intention to return the remaining balance of approximately $17.5 million in capital to our shareholders through share repurchases from funds generated from the repayment of intercompany debt, the proceeds of any new debt offerings, available cash balances and cash flow from operations.

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Dividends

Our Board of Directors declared quarterly cash dividends as follows:

(In millions, except per share data)

Declaration Date	Amount per Common Share	Record Date	Payment Date	Total Payment
October 26, 2005	0.1875	December 31, 2005	January 15, 2006	$100.9
February 14, 2006	0.1875	March 31, 2006	April 15, 2006	95.5
April 26, 2006	0.1875	June 30, 2006	July 15, 2006	94.0
July 25, 2006	0.1875	September 30, 2006	October 15, 2006	92.4

Additionally, on October 25, 2006, the Company s Board of Directors declared a quarterly cash dividend of $0.1875 per share on the Company s Common Stock. The dividend is payable on January 15, 2007 to shareholders of record at the close of business on December 31, 2006.

Derivative Instruments

Our wholly owned subsidiary, Clear Channel Investments, Inc., terminated its secured forward exchange contract with respect to 8.3 million shares of its investment in XM Satellite Radio Holdings, Inc. on August 2, 2006 by paying the counterparty approximately $83.1 million. The accreted value of the debt was $92.9 million and the fair value of the collar was an asset of $6.0 million resulting in a net gain of approximately $3.8 million.

Acquisitions

Our subsidiary, Clear Channel Outdoor Holdings, Inc., completed the acquisition of Interspace on July 1, 2006, by issuing 4,250,000 shares of CCO s Class A Common Stock and approximately $81.3 million in cash. The acquisition was valued at approximately $170.4 million based on CCO s common shares issued at the closing price on the date of acquisition and the cash consideration paid.

We acquired radio stations for $16.6 million and a music scheduling company for $44.3 million in cash and $10.0 million of deferred purchase consideration during the nine months ended September 30, 2006. We also acquired Americas and international outdoor display faces and additional equity interests in international outdoor companies for $200.7 million in cash, which includes cash paid for Interspace. We also exchanged assets in one of our Americas outdoor markets for assets located in a different market. In addition, our national representation firm acquired representation contracts for $11.8 million in cash and our television business acquired a station for $20.0 million in cash.

Capital Expenditures

Capital expenditures were $239.9 million and $219.4 million in the nine months ended September 30, 2006 and 2005, respectively.

	Nine Months Ended September 30, 2006 Capital Expenditures				
		Americas	International		
(In millions)	Radio	Outdoor Advertising	Outdoor Advertising	Corporate and Other	Total
Non-revenue producing	$ 64.8	$ 28.9	$ 29.4	$ 11.1	$ 134.2
Revenue producing		31.4	74.3		105.7
	$ 64.8	$ 60.3	$ 103.7	$ 11.1	$ 239.9

Treasury Stock Transactions

Our Board of Directors approved two separate share repurchase programs during 2004, each for $1.0 billion. On February 1, 2005, our Board of Directors approved a third $1.0 billion share repurchase program. On August 9, 2005, our Board of Directors authorized an increase in and extension of the February 2005 program, which had $307.4 million remaining, by $692.6 million, for a total of $1.0 billion. On March 9, 2006, our Board of Directors authorized an additional share repurchase program, permitting us to

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repurchase $600.0 million of our common stock. On September 6, 2006, our Board of Directors authorized an additional share repurchase program, permitting us to repurchase an additional $1.0 billion of our common stock. This increase expires on September 6, 2007, although the program may be discontinued or suspended at anytime prior to its expiration. As of November 6, 2006, 130.9 million shares had been repurchased for an aggregate purchase price of $4.3 billion, including commissions and fees, under the share repurchase programs, with $1.0 billion remaining available.

Commitments, Contingencies and Guarantees

There are various lawsuits and claims pending against us. Based on current assumptions, we have accrued an estimate of the probable costs for the resolution of these claims. Future results of operations could be materially affected by changes in these assumptions.

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.

Debt Maturities

On November 1, 2006, we redeemed the 6% Senior Notes at their maturity for $750.0 million plus accrued interest with proceeds from our bank credit facility.

MARKET RISK

Interest Rate Risk

At September 30, 2006, approximately 26% 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 average interest rate under these borrowings, it is estimated that our interest expense for the nine months ended September 30, 2006 would have changed by $31.7 million and that our net income for the nine months ended September 30, 2006 would have changed by $18.7 million. In the event of an adverse change in interest rates, management may take actions to further mitigate its exposure. However, due to the uncertainty of the actions that would be taken and their possible effects, this interest rate 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.

At September 30, 2006, 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 September 30, 2006 was a liability of $32.4 million.

Equity Price Risk

The carrying value of our available-for-sale and trading equity securities is 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 September 30, 2006 by $42.8 million and would change accumulated comprehensive income (loss) and net income by $16.6 million and $8.7 million, respectively. At September 30, 2006, we also held $16.6 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. 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 of international currency fluctuations, we maintain a natural hedge through borrowings in currencies other than the U.S. dollar. In addition, we have U.S. dollar Euro cross currency swaps which are 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 $25.1 million for the nine months ended September 30, 2006. It is estimated that a 10% change in the value of the U.S. dollar to foreign currencies would change net income for the nine months ended September 30, 2006 by $2.5 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 September 30, 2006 would change our equity in earnings of nonconsolidated affiliates by $2.3 million and would change our net income by approximately $1.4 million for the nine months ended September 30, 2006.

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

In February 2006, the Financial Accounting Standards Board (FASB) issued Statement No. 155, *Accounting for Certain Hybrid Financial Instruments* (Statement 155). Statement 155 is an amendment of FASB Statement No. 133, *Accounting for Derivative Instruments and Hedging Activities* (Statement 133) and FASB Statement 140, *Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities* (Statement 140) and allows companies to elect to measure at fair value entire financial instruments containing embedded derivatives that would otherwise have to be accounted for separately. Statement 155 also requires companies to identify interest in securitized financial assets that are freestanding derivatives or contain embedded derivatives that would have to be accounted for separately, clarifies which interest- and principal-only strips are subject to Statement 133, and amends Statement 140 to revise the conditions of a qualifying special purpose entity due to the new requirement to identify whether interests in securitized financial assets are freestanding derivatives or contain embedded derivatives. Statement 155 is effective for all financial instruments acquired or issued in fiscal years beginning after September 15, 2006. We will adopt Statement 155 on January 1, 2007 and anticipate that adoption will not materially impact our financial position or results of operations.

In June 2006, the FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement 109* (FIN 48). FIN 48 clarifies the accounting for uncertainty in income taxes by prescribing a recognition threshold for tax positions taken or expected to be taken in a tax return. FIN 48 requires that entities recognize in their financial statements the impact of a tax position if that position is more likely than not of being sustained on audit, based on the technical merits of the position. The cumulative effect of applying the provisions of FIN 48 will be reported as an adjustment to the opening balance of retained earnings upon adoption. FIN 48 is effective for fiscal years beginning after December 15, 2006. We will adopt FIN 48 on January 1, 2007 and are currently evaluating the impact FIN 48 will have on our financial position and results of operations.

In September 2006, the FASB issued Statement No. 157, *Fair Value Measurements* (Statement 157). Statement 157 defines fair value, establishes a framework for measuring fair value and expands disclosure requirements for fair value measurements. Statement 157 applies whenever other standards require (or permit) assets or liabilities to be measured at fair value. Statement 157 does not expand the use of fair value in any new circumstances. Statement 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007. We will adopt Statement 157 on January 1, 2008 and anticipate that adoption will not materially impact our financial position or results of operations.

In September 2006, the FASB issued Statement No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R)* (Statement 158). Statement 158 requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan as an asset or liability in its statement of financial position and to recognize changes in that funded status in the year in which the changes occur through comprehensive income. The portions of Statement 158 that apply to us are effective as of the end of the fiscal year ending after December 15, 2006. We will adopt Statement 158 as of December 31, 2006 and anticipate that adoption will not materially impact our financial position or results of operations.

Critical Accounting Policies

Management believes certain critical accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements. Due to the implementation of FAS 123 (R), we identified a new critical accounting policy related to share-based compensation, which is listed below. Our other critical accounting policies and estimates are disclosed in the Note A of our Annual Report on Form 10-K for the year ended December 31, 2005.

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Stock Based Compensation

Prior to January 1, 2006, we accounted for our share-based payments under the recognition and measurement provisions of APB Opinion No. 25, *Accounting for Stock Issued to Employees* and related Interpretations, as permitted by Statement of Financial Accounting Standards No. 123, *Accounting for Stock Based Compensation* (Statement 123). Under that method, when options were granted with a strike price equal to or greater than market price on date of issuance, there is no impact on earnings either on the date of grant or thereafter, absent certain modifications to the options. Subsequent to January 1, 2006, we account for stock based compensation in accordance with FAS 123(R), *Share-Based Payment*. Under the fair value recognition provisions of this statement, stock based compensation cost is measured at the grant date based on the value of the award and is recognized as expense on a straight-line basis over the vesting period. Determining the fair value of share-based awards at the grant date requires assumptions and judgments about expected volatility and forfeiture rates, among other factors. If actual results differ significantly from these estimates, our results of operations could be materially impacted.

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:

Nine Months Ended September 30,		Year Ended December 31,				
2006	2005	2005	2004	2003	2002	2001
2.33	2.30	2.32	2.86	3.64	2.59	*

* For the year ended December 31, 2001, fixed charges exceeded earnings before income taxes and fixed charges by $1.1 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.

Risks Regarding Forward Looking Statements

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

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

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

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- the effect of leverage on our financial position and earnings;
- taxes;
- access to capital markets; and
- certain other factors set forth in our filings with the Securities and Exchange Commission, including our Annual Report for the year ended December 31, 2005.

This list of factors that may affect future performance and the accuracy of forward-looking statements are 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.

There were no changes in our internal control over financial reporting that occurred during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II OTHER INFORMATION

Item 1. Legal Proceedings

On April 19, 2006, we received a letter of inquiry from the Federal Communications Commission (the FCC) requesting information about whether consideration was provided by record labels to us in exchange for the broadcast of music without disclosure of such consideration to the public. We are cooperating with the FCC in responding to this request for information.

On September 9, 2003, the Assistant United States Attorney for the Eastern District of Missouri caused a Subpoena to Testify before Grand Jury to be issued to us. The Subpoena requires us to produce certain information regarding commercial advertising run by us on behalf of offshore and/or online (Internet) gambling businesses, including sports bookmaking and casino-style gambling. On October 5, 2006, the Company received a subpoena from the Assistant United States Attorney for the Southern District of New York requiring us to produce certain information regarding substantially the same matters as covered in the subpoena from the Eastern District of Missouri. We are cooperating with the requirements of both subpoenas.

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 1A. Risk Factors

For information regarding risk factors, please refer to Item 1A in the Company s Annual Report on Form 10-K for the year ended December 31, 2005. Additional information relating to risk factors is described in Management s Discussion and Analysis of Financial Condition and Results of Operations under Risks Regarding Forward Looking Statements.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Purchases of Equity Securities by the Issuer and Affiliated Purchases.

On March 9, 2006, our Board of Directors authorized a share repurchase program, permitting us to repurchase $600.0 million of our common stock. On September 6, 2006, our Board of Directors authorized an additional share repurchase program, permitting us to repurchase an additional $1.0 billion of our common stock. This increase expires on September 6, 2007, although the program may be discontinued or suspended at anytime prior to its expiration. During the three months ended September 30, 2006, we repurchased the following shares:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Maximum Dollar Value of Shares that May Yet Be Purchased Under the Programs
July 1 through July 31	3,758,500	$ 29.85	3,758,500	$ 173,013,409
August 1 through August 31	5,090,000	$ 28.30	5,090,000	$ 28,980,829
September 1 through September 30	397,000	$ 28.98	397,000	$ 1,017,476,855
Total	9,245,500		9,245,500	

Item 6. Exhibits

See Exhibit Index on Page 37

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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.
November 9, 2006	/s/ Randall T. Mays Randall T. Mays President and Chief Financial Officer
November 9, 2006	/s/ Herbert W. Hill, Jr. Herbert W. Hill, Jr. Senior Vice President and Chief Accounting Officer

INDEX TO EXHIBITS

Exhibit Number	Description
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	Seventh Amended and Restated Bylaws of the Company (incorporated by reference to the exhibits to Clear Channel s Current Report on Form 8-K dated July 31, 2006).
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	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).

4.8	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).
4.9	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).

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Exhibit Number	Description
4.10	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).
4.11	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).
4.12	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).
4.13	Thirteenth Supplemental Indenture dated May 1, 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 2, 2003).
4.14	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).
4.15	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).
4.16	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).
4.17	Seventeenth Supplemental Indenture dated September 15, 2004, 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 September 15, 2004).
4.18	Eighteenth Supplemental Indenture dated November 22, 2004, 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 17, 2004).
4.19	

	Nineteenth Supplemental Indenture dated December 13, 2004, 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 13, 2004).
4.20	Twentieth Supplemental Indenture dated March 21, 2006, 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 21, 2006).

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Exhibit Number	Description
4.21	Twenty-first Supplemental Indenture dated August 15, 2006, 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 August 16, 2006).
11	Statement re: Computation of Per Share Earnings.
12	Statement re: Computation of Ratios.
31.1	Certification of Chief 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 Chief 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.