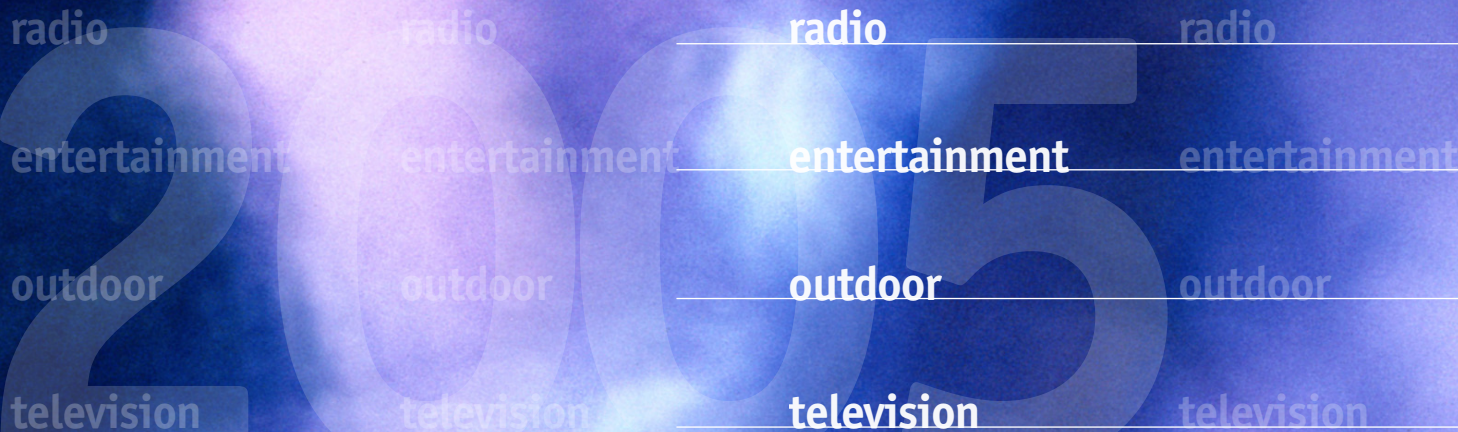




2004

2004

## Clear Channel Shareholder Letter



### Dear fellow shareholders,

We are pleased to report that **2004 represented our best financial performance in Clear Channel's history**. By focusing on improving our existing operations and driving profitability in our leading businesses, we delivered record financial results and expanded our potential for long-term growth.

For the full year, we reported revenues of \$9.4 billion and earnings of \$825 million. We also repurchased nearly \$2 billion in shares of common stock over the course of the year and have retired approximately 10% of our shares since starting on our repurchase program in April of last year. The reduction in shares allowed us to accelerate our earnings per share growth, which increased 18% in 2004 despite a challenging economic environment. During 2004 we increased our dividend by 25% and returned more than \$265 million in dividends to our shareholders. Our financial and operational success was driven by our focus on execution, guided by our proven "Out-of-Home" media strategy and a talented group of professionals.

Importantly, **our 2004 performance highlights a key aspect of our operating strategy that was critical to delivering results and laying the groundwork for impressive growth over the long term: *Leading change*.**

At Clear Channel, we believe leadership is not defined by market share or assets, but by our actions. Put simply, leadership is not a position, it is an approach. **True leaders pilot change by encouraging new thinking, investing in new technologies and creating and implementing new business practices that are innovative and sometimes unconventional.**

For those of you that have been investors in Clear Channel over the years, leading change is a familiar concept. Driving innovation and reinventing our businesses is in our DNA. This proactive and forward-thinking approach is essential to our strategy and success. As we share our progress and highlights with you in this letter, you will see that leading change is a common theme across all of our businesses.

### Radio: *Reinventing an Industry*

**The radio industry is changing. And Clear Channel is leading the way.** This past year, Clear Channel Radio launched what some consider the most significant initiative in the radio industry in the last 75 years. We started with a simple premise: **fewer, shorter and better radio commercials would make radio better for listeners, advertisers and the industry as a whole.**

In an initiative we call "Less is More", we reduced commercial minutes on our radio stations by an average of 19% and transitioned to selling more 30-second advertisements instead of the customary 60-second spots. To help speed that transition, we partnered with some of the greatest minds in advertising and marketing today to form a new unit called the Creative Services Group. This group serves as an unprecedented resource for our stations, ad agencies and advertisers. Its sole focus is to make commercials more compelling and entertaining. And to make sure we're doing everything we can to support the initiatives undertaken, we changed our sales compensation structure in the radio division, rewarding value instead of volume.

**The value for listeners is obvious – more of the programming that they love and fewer, better ads.** But for advertisers, the benefits are equally compelling. **Reducing commercial clutter and providing higher quality and more effective commercials increases the effectiveness of radio advertising.** More of our advertisers' messages will be resonating with the people they want to reach. Extensive in-house research and a review of several independent studies show that listeners remember shorter ads just as well as longer ones. And given that a 30-second campaign can actually provide greater reach and frequency than a 60-second campaign, the end result is a better listening environment for audiences, and more value and return on investment to the advertiser.

All told, "Less is More" is a major change in how we do business. While it is still early, we couldn't be more pleased with the results so far. "Less is More" has been heralded by listeners, advertisers, Wall Street and even by our competitors. It is the right thing to do for Clear Channel and the radio industry over the long term. It is a great example of how we are leading change.

**While 2004 will be remembered as the year we introduced "Less is More", it will also be remembered as one of our best and most important years in programming.** Our programming is as vibrant as the communities we serve and as dynamic as the markets we operate in. No one invests more in radio programming than Clear Channel Radio and the results are impressive:

**We are attracting new on-air talent to radio.** Most notably, we introduced *Keep Hope Alive™ with the Reverend Jesse Jackson* and *TRUMPED!™* with Donald Trump to large, medium and small markets around the country. Indeed, TRUMPED! was the largest launch of any program in radio history. But we didn't stop there.

**We expanded or created entirely new music formats.** For example, we significantly increased our commitment to serving the growing Hispanic community, launching four new Spanish language radio stations in 2004 and creating the "Hurban" and "La Preciosa" formats, among others. We also became the single largest broadcaster of Progressive Talk programming, airing the format on 22 stations with an innovative combination of national network and local talent. And finally, we announced an expansion of our online radio effort to bring our thousands of beloved local brands to life on the Internet and look forward to sharing more information on this important effort in the coming months.

**We continue to introduce new and emerging artists.** In acceptance speeches during this year's Grammys, Radio Music Awards, and elsewhere, leading musical artists including Alicia Keys, Nelly and Ryan Cabrera have publicly credited the support of local Clear Channel Radio program directors as instrumental in launching their careers. These local program directors, in Chicago, St. Louis and New York, are just a few of our more than 900 local program directors across the country whose passion for music and deep connection to their listeners is apparent on every one of our stations. Our continued investment in local market research, paired with the "golden gut" that is the hallmark of great radio programming, enables us to attract and keep the most loyal of audiences and raving fans that are now 100 million strong.

**We continue to lead the way in investing in new technologies.** Our focus this year has been in two high-growth areas: online radio and digital broadcasting.

The Internet presents an important high-growth opportunity and so **we're building on the nearly 200 local stations currently streaming broadcasts from station-specific Web sites.** In the coming months, we will be delivering exclusive content including in-studio performances, custom music videos, and artist interviews to those sites even as we develop complementary online radio and music programming.

In addition, **we lead the industry in commitment to high-definition digital broadcasts.** We concluded the year with more stations broadcasting in high-definition digital radio than any other broadcaster. Over the next three years, almost all of our stations in the country's Top 100 markets will be doing the same.

Digital radio provides us with the ability to deliver radically improved, CD-quality radio programming and reception, and affords us the ability to bring listeners data and other related services. Examples include on-demand traffic and weather and other programming, like splitting a channel on a Friday night to broadcast the local high school football game or bringing Smooth Jazz to a community that is heavy on Rock. Applications for digital delivery platforms are immense. You can expect us to continue to lead the way. By making these investments today, we are ushering in a new era of radio, one that we are very excited about.

For these reasons and more, **our stations continued to rank either at the top or among the top three in local-market ratings in 2004.** Listeners are choosing Clear Channel Radio stations every day, in every market we serve.

Innovation and leadership were also keys to driving our success at Clear Channel's International radio operations. By partnering with local joint venture partners, **Clear Channel is providing quality programming and services to communities in Australia, New Zealand and Mexico through over 220 radio stations outside the United States.** The Australian Radio Network grew revenue faster than any other Australian radio group in 2004. Our New Zealand Radio Network grew its reach by introducing new formats and adding new stations. And together with our partner in Mexico, Grupo Acir,

we introduced new services, like our innovative new traffic and weather network. We are very proud to report that across all of our International markets, we are solidifying relationships with advertisers who are using radio as a marketing tool for the first time.

## **Outdoor: A Renaissance in the Making**

**Clear Channel Outdoor was our fastest-growing business in 2004,** and for good reason. Clear Channel Outdoor is in the midst of a virtual renaissance. Our Outdoor business today is much more than billboards – it includes more than 80 spectacular signs in Times Square alone, backlit displays in local malls and airports, liquid crystal displays over New York subway entrances and even programmable panels on the roofs of taxicabs. We provide bus shelters to travelers, and free use of bicycles to commuters in Europe.

**Technology is clearly changing the outdoor business for the better.** New platforms, combined with new technologies in printing and signage, have enabled outdoor displays to be more engaging than ever before. Outdoor advertising now contributes to a city's aesthetics and functionality, while serving as a highly effective platform for advertisers. Today, outdoor advertising can be customized by day-part, enabling advertisers to buy time, not just space. Clear Channel Outdoor is leading the development of new technologies that are effectively transforming the medium into a multi-dimensional communications vehicle.

Further, **the tracking and selling of outdoor advertising continued to mature** in 2004. Clear Channel Outdoor has been a leader in developing Web-based tools, enabling unprecedented inventory management. The Web-based tools combined with advances in operational technologies have allowed Clear Channel Outdoor the ability to offer a service guarantee to clients that is a first of its kind in the industry. In addition, Clear Channel Outdoor continues to invest in and support audience measurement initiatives, working closely with partners to develop an industry standard.

Of course, the underlying fundamentals of the business are tremendous, and should only improve both domestically and internationally. Consumers spend more time out-of-home than ever before and outdoor advertising offers a valuable and effective platform to reach them as in-home media continues to fragment. With a presence in 63 countries worldwide and a management team focused on innovation, the future is now for Clear Channel Outdoor.

## **Entertainment: Improving the Experience**

Clear Channel Entertainment is at the forefront of reshaping the live entertainment experience. In 2004 **we made real progress in our commitment to creating the most entertaining experience possible for fans.**

A mix of world-class events and productions included tours by major musical artists in amphitheatres as well as showcases for emerging talent at more intimate venues. **Billboard Magazine named our Madonna's Reinvention Tour the Top Tour of the Year and named Clear Channel Entertainment the Top Promoter of the Year.** We also presented premiere musicals and plays on and off Broadway, the West End, in cities throughout the country, and through our "Broadway Across America" series. **Billy Crystal's 700 SUNDAYS opened on Broadway to immense critical acclaim, and we had continued success with Billy Joel's *Movin' Out, Mamma Mia, Hairspray, and The Producers*,** to name a few. Our motor sports events continued to be enormously popular and our exhibitions unit showcased cultural exhibitions including *Treasures of the Vatican* and *Space*.

We are especially excited about a new service we further developed in 2004 – one that significantly extends the concert-going experience: **Instant Live is a proprietary service that enables concertgoers to purchase a CD of the performance they just experienced as they leave the venue.** This technology creates a new revenue stream for artists as well as for Clear Channel, and provides fans with a lasting record of a great memory. Acts using the service this year include KISS, Counting Crows and the Allman Brothers. As you can imagine, some Instant Live CDs have become instant collectors' items. On the ticketing front, we reduced the price of lawn seats at our outdoor venues and are initiating discussions with artists and artist management about cost drivers in the business and how the entire industry can work together to improve fans' total experience. The result should be lower ticket prices and higher attendance, which will benefit artists, Clear Channel and most importantly, the fans.

As an important part of this commitment, **we continue to invest in restoring**

**some of the nation's most historic theatrical and music landmarks.** In 2004 we began renovating San Francisco's famed Fillmore, Philadelphia's Boyd Theatre and won a contract to restore St. Louis' venerable Kiel Opera House. These come on the heels of completing renovations of and reopening the magnificent Boston Opera House and Baltimore's storied Hippodrome. With more than a dozen other renovations over the past five years, we are leading the way in bringing back the mid-sized venue. This important and ongoing initiative is also a great example of how investing in the business and our local communities goes hand in hand, as we do our part to breathe new life into the fading historic cultural centers of some of America's greatest cities.

A new and very promising area for our Entertainment division is our Clear Channel Entertainment Properties unit, specializing in branded entertainment. Traditional marketing vehicles are often ineffective for building innovative brands and our ability to combine our relationships with music and sports talent with our venues and other properties presents unprecedented opportunities to create and execute innovative and effective events and campaigns for major consumer and business brands.

**By expanding the definition of branded entertainment beyond TV and film product-placement to include branded live events, Clear Channel Entertainment Properties is creating new relevance that delivers big for dynamic brands.** As just one example, we partnered in 2004 with The Las Vegas Convention and Visitors Authority to create the first Vegas Rock Star Poker Tournament and Sweepstakes. This live, branded event combines creative lead-generation with a thrilling experience at a world-class venue. Branded live entertainment spans music, action sports, gaming and more. We believe the possibilities are endless.

**Television: Building Local Connections and Driving Digital Broadcasts**

Our 40 television stations continue Clear Channel's tradition of excellent local service; and putting new technologies to work to better serve viewers and advertisers. Co-branding television and radio stations in five of our markets creates an even stronger local connection.

**Clear Channel Television is a leader in using the Internet to extend our local service brands.** Our TV station's websites are recognized as invaluable sources of news, weather, sports, and wide-ranging entertainment and information, creating new sources of revenue in the process. 2004 saw a 230% increase in unique visitors to our websites.

**Our commitment to local programming continued to expand in 2004, adding a combined fifty-five hours per week in new local news and information programming.** Our commitment to diversity is evidenced by the addition of our first twenty-four hour, Spanish-language station (Telemundo affiliate in Bakersfield, CA) and Spanish-language weekend news in Cincinnati.

And importantly, **our stations are leading the conversion to digital broadcasting.** Clear Channel's 33 HDTV transmitters in 26 markets deliver full power digital high definition (HDTV) television service. As a result, viewers receive better local service: exceptional HDTV pictures, Internet streaming, multi-channel programming, unique hyper-local content, and more.

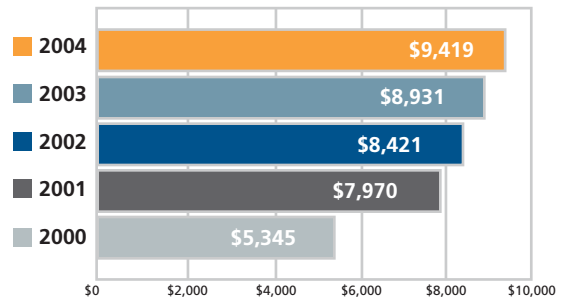
At the heart of it all is a clear commitment to unique local service.

**An Unwavering Commitment to Our Communities**

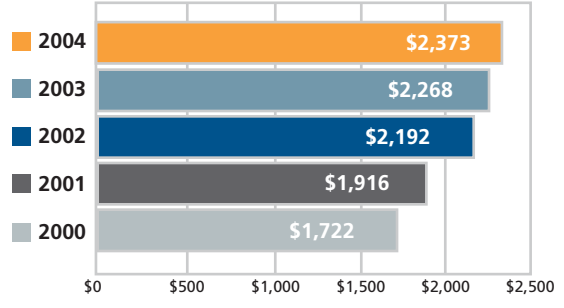
**Serving our communities is at the very heart of what we do across all of our divisions in every local community we serve.** This 'Local Spirit' infuses our businesses and is reflected in the work of thousands of local employees in towns and cities around the world. However, we take our role as a community leader seriously at the corporate level, too.

In 2004, Clear Channel Communications served as a major supporter of the Ad Council, airing public service campaigns that made a difference in our communities by not only raising the awareness of our nation's most important concerns, but by also educating the public on where to find support and answers. **The Ad Council acknowledged our collective efforts by giving Clear Channel its highest honor, the Gold Bell Award.** Clear Channel was also named one of the **Multiple Sclerosis Society's Corporate Stars**, which recognizes corporations that invest both human and financial resources in the fight against MS. **Children's Miracle Network honored Clear Channel with its National Service Award**, in recognition of the more than \$7 million raised last year for CMN, and over 3,000 hours of free airtime given on Clear Channel stations for CMN telethons. We also contributed \$1.5

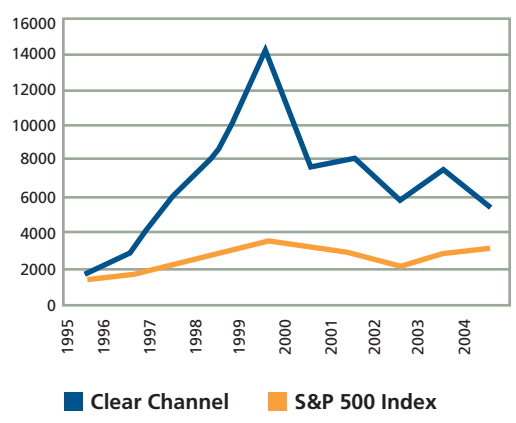
Revenue (In millions of dollars)



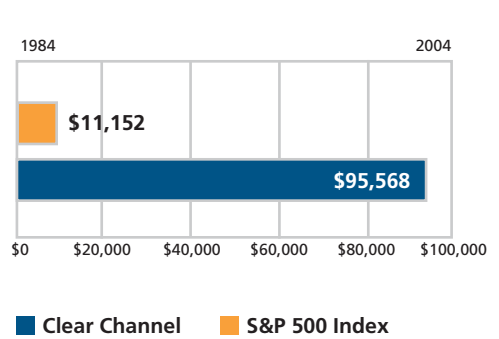
Operating Income Before Depreciation & Amortization and Non-Cash Compensation (In millions of Dollars)



10 Year Stock Performance (Cumulative Total Return, adjusted for stock splits and dividends. Reflects an investment of \$1,000 on 12/31/93)



Stock Performance Since IPO (Cumulative Total Return, adjusted for stock splits and dividends. Reflects an investment of \$1,000 in Clear Channel's IPO on April 1984 vs. S&P 500).



million in 2004 in support of the USO, and raised over \$11 million for St. Jude's Children's Hospital. These are just a few of the thousands of local, regional and national community service efforts championed by Clear Channel in 2004.

This past year **we also actively supported the election process by enacting a variety of strategic initiatives across our divisions and partnering with independent organizations.**

For example, Clear Channel Radio sent teams of reporters to both the Democratic and Republican National Conventions and transmitted daily audio reports and text to our 125 news bureaus throughout the country. Our television stations also provided 5 minutes of free air time to local and state candidates, in prominent time periods in the 30 days leading up to the general election. In addition, **Clear Channel Communications was the media and entertainment partner for Declare Yourself, a nonprofit, non-partisan youth voter's registration recruitment program** founded by Norman Lear, driving nearly a million young voters to the Declare Yourself web site, where they registered to vote. We also supported Citizen Change, a non-partisan, non-profit organization with a mission to educate, motivate and empower millions of young Americans.

**Clear Channel Entertainment and Habitat for Humanity also**

**joined forces to "Raise the Roof™" for families in need.** The innovative program featured top artists who supported a Habitat house-building project in a community where they performed on tour. Clear Channel Entertainment funds a significant portion of the expense for each house build, with the balance being raised among corporate sponsors, Habitat supporters, fans and in some cases the artists. Since the program's launch in May 2004, Blink 182, John Mayer, Linkin Park and Dave Matthews Band have all taken part in a housebuild. In addition, Cher has signed on to chair this initiative.

And we are enormously proud of the extraordinary courage and selflessness shown by our employees in Florida and across our company in response to this year's devastating hurricanes. Clear Channel Radio and Television stations, as well as Clear Channel Outdoor properties acted as lifelines for the affected communities. They **provided the only outlet for local authorities to organize hurricane disaster relief efforts and were widely heralded for their humanitarian and superior journalistic performance.** After the hurricanes, Clear Channel Radio and Television stations across the country raised millions of dollars for the affected communities, and Clear Channel Entertainment partnered with leading music artists to donate portions of concert proceeds to the affected areas.

## Leading Change in the Future

Looking at our accomplishments in 2004, it's hard to believe that the industries in which we compete have been around for decades. While our parents and our grandparents have grown up enjoying the media and entertainment services we offer, the exciting initiatives described in this letter demonstrate that our businesses are anything but mature.

Competition, technology, demographic trends and consumer preferences have and will continue to evolve. By choosing to lead change, we embrace our own future. And we are truly fortunate to work with the professionals who are actively leading these changes. Together we are paving the way for a future of growth, operational excellence and community involvement and service. Our people are our greatest asset and it is their experience, commitment and vision that ultimately makes us leaders in the industries in which we operate.

In 2005 you can expect us to reinforce our leadership positions by executing our out-of-home media strategy and utilizing technology and innovation to drive our businesses forward.

We enter the year financially strong and poised for growth. We remain focused on enhancing shareholder value over the long-term and will continue to utilize the sizable amount of free cash flow we generate to maintain a healthy dividend and to repurchase our common stock, as we do not believe our current stock price reflects the long-term growth potential of our company and our leading media assets. We are executing across all of our businesses and are very optimistic about the future.

Before we conclude, we would like to personally thank all those who have been instrumental in making Clear Channel a leader while contributing to our success. To our employees, partners, customers and shareholders we say thank you. We appreciate your support and are proud of what we are accomplishing together.

Finally, in 2004, we also made changes in our own leadership. This past October, Mark Mays was named President and Chief Executive Officer of Clear Channel Communications, succeeding Lowry Mays, who is remaining Chairman. Lowry has been the driving force behind Clear Channel's success since the founding of the company in 1972 and we're delighted to say he continues to play an active role in the company's future.

As the mantle of leadership is passed from one generation to the next, we are giving our customers, our communities and ultimately our shareholders, the best opportunity to prosper in a future we help to create by leading the change that's necessary to serve the next generation. We look forward to updating you on our progress in 2005.

Sincerely,



L. LOWRY MAYS  
Chairman



MARK P. MAYS  
President and  
Chief Executive Officer



RANDALL T. MAYS  
Executive Vice President and  
Chief Financial Officer

By choosing to lead change, we embrace our own future. And we are truly fortunate to work with the professionals who are actively leading these changes.