CROWN CASTLE INTERNATIONAL CORP
Form 10-Q/A
May 06, 2005
**Table of Contents**

# UNITED STATES

# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM 10-Q/A

**(Amendment No. 1)**

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended June 30, 2004**

**OR**

¨ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the transition period ______ to ______**

**Commission File Number 001-16441**

# CROWN CASTLE INTERNATIONAL CORP.

**(Exact name of registrant as specified in its charter)**

| | |
|---|---|
| **Delaware**<br>**(State or other jurisdiction of**<br>**incorporation or organization)** | **76-0470458**<br>**(I.R.S. Employer**<br>**Identification No.)** |
| **510 Bering Drive**<br>**Suite 500**<br>**Houston, Texas**<br>**(Address of principal executive offices)** | **77057-1457**<br>**(Zip Code)** |

**(713) 570-3000**

**(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 x No ¨

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

Number of shares of common stock outstanding at July 30, 2004: 225,375,924

Table of Contents

**CROWN CASTLE INTERNATIONAL CORP.**

**INDEX**

Table of Contents

**EXPLANATORY NOTE REGARDING RESTATEMENT**

The Company has restated its consolidated balance sheet as of December 31, 2003, and consolidated statements of operations and comprehensive income (loss) and stockholders equity for the years ended December 31, 2002 and 2003. The restatement affected periods prior to 2002. The impact of the restatement on such prior periods was reflected as an adjustment to opening accumulated deficit as of January 1, 2002. The restatement was reported in our Annual Report on Form 10-K for the year ended December 31, 2004 and is now being reported in this amendment to our Quarterly Report on Form 10-Q/A for the quarterly period ended June 30, 2004. The restatement has also been reported in an amendment to our Quarterly Report on Form 10-Q/A for the quarterly period ended March 31, 2004, and will also be reported in an amendment to our Quarterly Report on Form 10-Q/A for the quarterly period ended September 30, 2004.

The consolidated financial statements have been restated to reflect the correction of errors for certain non-cash items relating to the Company s lease accounting practices. On February 7, 2005, the Securities and Exchange Commission issued a public letter to the American Institute of Certified Public Accountants to clarify the interpretation of existing accounting literature applicable to certain leases and leasehold improvements. As a result, the Company has adjusted its method of accounting for tenant leases, ground leases and depreciation.

The corrections to the Company s consolidated financial statements consist of non-cash adjustments primarily attributable to increases in site rental revenues, ground lease expense (included in site rental costs of operations) and depreciation expense. Since the adjustments affected results of operations at the Company s majority owned Australian subsidiary ( CCAL ) and the Company s two joint ventures with Verizon Communications, they also resulted in changes to minority interests and the purchase price allocation for the acquisition of a minority interest in 2003. The adjustments for depreciation expense also affected the discontinued operations of its UK subsidiary ( CCUK ), resulting in a change to the net gain on disposal. These adjustments have no effect on the Company s credit (provision) for income taxes since the net impact on deferred tax assets and liabilities is offset by changes in valuation allowances. The adjustments do not affect historical net cash flows from operating, investing or financing activities, future cash flows or the timing of payments under related leases. Moreover, the corrections do not have any impact on cash balances, compliance with any financial covenants or debt instruments, or the current economic value of the Company s leaseholds and its tower assets. The net impact of the accounting correction will generally be to accelerate ground lease expense (as such expenses are straight-lined over a period that equals or exceeds the remaining depreciable life of the tower, along with periods covered by tenant renewal options) and depreciation expense and, to a lesser extent, site rental revenues (as such revenues are only straight-lined over the current lease term, without regard to renewal options that may be exercised by a tenant).

The restatement adjustments increased the Company s net loss and net loss per share for the three and six months ended June 30, 2003 by approximately $13.8 million or $0.07 per share and $23.8 million or $0.12 per share, respectively, and increased the net loss and net loss per share for the three and six months ended June 30, 2004 by approximately $11.2 million or $0.05 per share and $22.9 million or $0.10 per share, respectively.

For a discussion of the individual restatement adjustments, see Note 1 of the Company s condensed notes to consolidated financial statements in Item 1. Financial Statements . Additionally, see Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations. For more information on the impact of the restatement on other periods, see our Annual Report on Form 10-K for the year ended December 31, 2004.

The Company did not amend its Annual Report on Form 10-K or Quarterly Reports on Form 10-Q for periods affected by the restatement that ended prior to March 31, 2004. The financial statements and related financial information contained in the Company s previously filed reports should no longer be relied upon.

All referenced amounts in this Quarterly Report for prior periods and prior period comparisons reflect the balances and amounts on a restated basis.

For the convenience of the reader, this Form 10-Q/A sets forth the original filing in its entirety. However, this Form 10-Q/A only (1) amends and restates Items 1, 2, and 4 of Part I of the original filing, in each case solely as a result of, and to reflect, the restatement and certain balance sheet reclassifications (as discussed in Note 1 of the condensed notes to consolidated financial statements), and (2) adds Item 2 of Part II to the original filing. No other information in the original filing is amended hereby. The foregoing items have not been updated to reflect other events occurring after the original filing or to modify or update those disclosures affected by subsequent events. In addition, pursuant to the rules of the Securities and Exchange Commission, Item 6 of Part II of the original filing has been amended to contain the currently dated certifications from the Company s Chief Executive Officer and Chief Financial Officer, as required by Sections 302 and 906 of the Sarbanes-Oxley Act of 2002. The certifications of the Company s Chief Executive Officer and Chief Financial Officer are attached to this Form 10-Q/A as Exhibits 31.1, 31.2 and 32.1.

Except for the foregoing amended information, this Form 10-Q/A retains the information as of the date of the original filing, and the Company has not updated the information contained herein to reflect events that occurred at a later date. Other events occurring after the date of the original filing or other disclosures necessary to reflect subsequent events have been addressed in the Company s Annual Report on Form 10-K for the year ended December 31, 2004, or will be addressed in the Company s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2005, and reports filed with the Securities and Exchange Commission subsequent to the date of this filing.

**Table of Contents**

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONSOLIDATED BALANCE SHEET**

**(In thousands of dollars, except share amounts)**

| | December 31, 2003 (As restated) | June 30, 2004 (As restated) (Unaudited) |
|---|---|---|
| **ASSETS** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 409,584 | $ 192,657 |
| Short-term investments | 26,600 | |
| Receivables: | | |
| Trade, net of allowance for doubtful accounts of $7,603 and $6,866 at December 31, 2003 and June 30, 2004, respectively | 37,289 | 34,116 |
| Other | 930 | 1,536 |
| Inventories | 9,615 | 9,308 |
| Deferred site rental receivable | 2,332 | 2,475 |
| Prepaid expenses and other current assets | 27,940 | 27,208 |
| Assets of discontinued operations (Notes 1 and 3) | 2,052,510 | 2,060,474 |
| Total current assets | 2,566,800 | 2,327,774 |
| Property and equipment, net of accumulated depreciation of $1,081,891 and $1,209,282 at December 31, 2003 and June 30, 2004, respectively | 3,593,570 | 3,446,238 |
| Goodwill | 270,438 | 270,438 |
| Deferred site rental receivable | 76,333 | 80,604 |
| Deferred financing costs and other assets, net of accumulated amortization of $39,692 and $42,247 at December 31, 2003 and June 30, 2004, respectively | 105,092 | 106,296 |
| | $ 6,612,233 | $ 6,231,350 |
| **LIABILITIES AND STOCKHOLDERS EQUITY** | | |
| Current liabilities: | | |
| Accounts payable | $ 9,785 | $ 9,060 |
| Accrued interest | 49,063 | 43,705 |
| Accrued compensation and related benefits | 13,397 | 10,392 |
| Deferred rental revenues and other accrued liabilities | 106,384 | 97,043 |
| Liabilities of discontinued operations (Notes 1 and 3) | 353,544 | 355,072 |
| Long-term debt, current maturities | 267,142 | 1,275,385 |
| Total current liabilities | 799,315 | 1,790,657 |
| Long-term debt, less current maturities | 3,182,850 | 1,898,752 |
| Deferred ground lease payable | 98,524 | 106,602 |
| Other liabilities | 53,844 | 49,992 |
| Total liabilities | 4,134,533 | 3,846,003 |
| Commitments and contingencies | | |
| Minority interests | 176,645 | 174,587 |

| | | |
|---|---|---|
| Redeemable preferred stock | 506,702 | 507,371 |
| Stockholders equity: | | |
| Common stock, $.01 par value; 690,000,000 shares authorized; shares issued: | | |
| December 31, 2003 220,758,321 and June 30, 2004 225,296,483 | 2,208 | 2,253 |
| Additional paid-in capital | 3,349,459 | 3,396,236 |
| Accumulated other comprehensive income (loss) | 247,249 | 264,469 |
| Unearned stock compensation | (8,122) | (16,683) |
| Accumulated deficit | (1,796,441) | (1,942,886) |
| Total stockholders equity | 1,794,353 | 1,703,389 |
| | $ 6,612,233 | $ 6,231,350 |

See condensed notes to consolidated financial statements.

Table of Contents

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS) (Unaudited)**

**(In thousands of dollars, except per share amounts)**

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2003 | 2004 | 2003 | 2004 |
| | (As restated) | (As restated) | (As restated) | (As restated) |
| Net revenues: | | | | |
| Site rental | $ 118,276 | $ 132,507 | $ 233,666 | $ 262,687 |
| Network services and other | 19,629 | 18,513 | 36,548 | 33,216 |
| | 137,905 | 151,020 | 270,214 | 295,903 |
| Operating expenses: | | | | |
| Costs of operations (exclusive of depreciation, amortization and accretion): | | | | |
| Site rental | 44,070 | 45,403 | 88,728 | 89,928 |
| Network services and other | 12,819 | 12,272 | 24,430 | 23,268 |
| General and administrative | 22,220 | 22,685 | 42,738 | 44,295 |
| Corporate development | 918 | 371 | 2,538 | 810 |
| Restructuring charges (credits) | 2,349 | | 2,349 | (33) |
| Asset write-down charges | 1,380 | 1,868 | 1,380 | 3,816 |
| Non-cash general and administrative compensation charges | 5,834 | 6,203 | 7,728 | 8,418 |
| Depreciation, amortization and accretion | 70,099 | 70,575 | 140,666 | 141,419 |
| | 159,689 | 159,377 | 310,557 | 311,921 |
| Operating income (loss) | (21,784) | (8,357) | (40,343) | (16,018) |
| Other income (expense): | | | | |
| Interest and other income (expense) | (11,397) | (1,349) | (13,960) | (26,763) |
| Interest expense and amortization of deferred financing costs | (63,809) | (56,568) | (127,520) | (113,890) |
| Loss from continuing operations before income taxes, minority interests and cumulative effect of change in accounting principle | (96,990) | (66,274) | (181,823) | (156,671) |
| Provision for income taxes | (627) | (684) | (1,243) | (1,337) |
| Minority interests | 869 | (277) | 2,412 | (408) |
| Loss from continuing operations before cumulative effect of change in accounting principle | (96,748) | (67,235) | (180,654) | (158,416) |
| Income from discontinued operations, net of tax (Notes 1 and 3) | 2,099 | 16,455 | 7,541 | 30,999 |
| Loss before cumulative effect of change in accounting principle | (94,649) | (50,780) | (173,113) | (127,417) |
| Cumulative effect of change in accounting principle for asset retirement obligations | | | (551) | |
| Net loss | (94,649) | (50,780) | (173,664) | (127,417) |

| | | | | |
|---|---|---|---|---|
| Dividends on preferred stock, net of gains (losses) on purchases of preferred stock | (21,446) | (9,332) | (36,404) | (19,028) |
| Net loss after deduction of dividends on preferred stock, net of gains (losses) on purchases of preferred stock | $ (116,095) | $ (60,112) | $ (210,068) | $ (146,445) |
| Net loss | $ (94,649) | $ (50,780) | $ (173,664) | $ (127,417) |
| Other comprehensive income (loss): | | | | |
| Foreign currency translation adjustments | 78,420 | (34,119) | 64,947 | 15,176 |
| Derivative instruments: | | | | |
| Net change in fair value of cash flow hedging instruments | (764) | 604 | (1,475) | 170 |
| Amounts reclassified into results of operations | 1,719 | 894 | 3,378 | 1,874 |
| Comprehensive income (loss) | $ (15,274) | $ (83,401) | $ (106,814) | $ (110,197) |
| Per common share basic and diluted: | | | | |
| Loss from continuing operations before cumulative effect of change in accounting principle | $ (0.55) | $ (0.34) | $ (1.00) | $ (0.80) |
| Income from discontinued operations | 0.01 | 0.07 | 0.03 | 0.14 |
| Cumulative effect of change in accounting principle | | | | |
| Net loss | $ (0.54) | $ (0.27) | $ (0.97) | $ (0.66) |
| Common shares outstanding basic and diluted (in thousands) | 215,969 | 221,853 | 216,464 | 220,574 |

See condensed notes to consolidated financial statements.

Table of Contents

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONSOLIDATED STATEMENT OF CASH FLOWS (Unaudited)**

**(In thousands of dollars)**

| | Six Months Ended June 30, | |
|---|---|---|
| | 2003 | 2004 |
| | (As restated) | (As restated) |
| Cash flows from operating activities: | | |
| Net loss | $ (173,664) | $ (127,417) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 140,666 | 141,419 |
| Losses on purchases of long-term debt | | 24,367 |
| Non-cash general and administrative compensation charges | 7,728 | 8,418 |
| Amortization of deferred financing costs and discounts on long-term debt | 34,509 | 5,773 |
| Asset write-down charges | 1,380 | 3,816 |
| Minority interests and loss on issuance of interest in joint venture | 8,828 | 408 |
| Equity in losses and write-downs of unconsolidated affiliates | 3,833 | 2,578 |
| Income from discontinued operations | (7,541) | (30,999) |
| Cumulative effect of change in accounting principle | 551 | |
| Changes in assets and liabilities: | | |
| Decrease in receivables | 18,425 | 1,943 |
| Increase (decrease) in deferred rental revenues and other liabilities | (1,404) | 319 |
| Decrease in accrued interest | | (5,358) |
| Decrease in accounts payable | (7,900) | (686) |
| Decrease (increase) in inventories, prepaid expenses and other assets | 6,224 | (2,600) |
| Net cash provided by operating activities | 31,635 | 21,981 |
| Cash flows from investing activities: | | |
| Proceeds from disposition of property and equipment | 7,472 | 1,480 |
| Capital expenditures | (14,610) | (19,457) |
| Investments in affiliates and other | (13,223) | (14,333) |
| Maturities of investments | 475,104 | 62,650 |
| Purchases of investments | (424,463) | (36,050) |
| Acquisition of minority interest in joint venture | (5,873) | |
| Net cash provided by (used for) investing activities | 24,407 | (5,710) |
| Cash flows from financing activities: | | |
| Proceeds from issuance of capital stock | 1,951 | 26,273 |
| Purchases of long-term debt | | (267,359) |
| Purchases of capital stock | (52,246) | (17,009) |
| Net borrowings (payments) under revolving credit agreements | (25,000) | (15,000) |
| Principal payments on long-term debt | (4,750) | (14,365) |
| Incurrence of financing costs | | (412) |
| Net cash used for financing activities | (80,045) | (287,872) |

| | | |
|---|---|---|
| Effect of exchange rate changes on cash | 3,180 | (921) |
| Discontinued operations (Notes 1 and 3) | 1,020 | 55,595 |
| Net decrease in cash and cash equivalents | (19,803) | (216,927) |
| Cash and cash equivalents at beginning of period | 339,837 | 409,584 |
| Cash and cash equivalents at end of period | $ 320,034 | $ 192,657 |
| Supplementary schedule of non-cash investing and financing activities: | | |
| Amounts recorded in connection with acquisition of minority interest: | | |
| Fair value of net assets recorded, including goodwill and other intangible assets | $ 26,360 | $ |
| Minority interest acquired | 46,265 | |
| Minority interest issued | (66,752) | |
| Supplemental disclosure of cash flow information: | | |
| Interest paid | $ 92,944 | $ 111,925 |
| Income taxes paid | 243 | 337 |

See condensed notes to consolidated financial statements.

**Table of Contents**

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**1. General**

The information contained in the following notes to the consolidated financial statements is condensed from that which would appear in the annual consolidated financial statements; accordingly, the consolidated financial statements included herein should be reviewed in conjunction with the consolidated financial statements for the fiscal year ended December 31, 2004, and related notes thereto, included in the Annual Report on Form 10-K (the Form 10-K ) filed by Crown Castle International Corp. with the Securities and Exchange Commission. All references to the Company include Crown Castle International Corp. and its subsidiary companies unless otherwise indicated or the context indicates otherwise.

The consolidated financial statements included herein are unaudited; however, they include all adjustments (consisting only of normal recurring adjustments) which, in the opinion of management, are necessary to present fairly the consolidated financial position of the Company at June 30, 2004, the consolidated results of operations for the three and six months ended June 30, 2003 and 2004, and the consolidated cash flows for the six months ended June 30, 2003 and 2004. Accounting measurements at interim dates inherently involve greater reliance on estimates than at year end. The results of operations for the interim periods presented are not necessarily indicative of the results to be expected for the entire year. Certain reclassifications have been made to the prior period s financial statements to be consistent with the presentation in the current period (see *Investments* ).

On June 28, 2004, the Company signed a definitive agreement to sell its UK subsidiary ( CCUK ) to an affiliate of National Grid Transco Plc ( National Grid ). As a result, the Company has restated its financial statements to present CCUK s assets, liabilities, results of operations and cash flows as amounts from discontinued operations. Such restatements have been made for all periods presented. See Note 3.

*Effects of Restatement*

The consolidated financial statements as presented for the three and six months ended June 30, 2003 and 2004 have been restated to reflect the correction of errors for certain non-cash items relating to the Company s lease accounting practices. On February 7, 2005, the Securities and Exchange Commission issued a public letter to the American Institute of Certified Public Accountants to clarify the interpretation of existing accounting literature applicable to certain leases and leasehold improvements. As a result, the Company has adjusted its method of accounting for tenant leases, ground leases and depreciation.

The corrections to the Company s consolidated financial statements consist of non-cash adjustments primarily attributable to increases in site rental revenues, ground lease expense (included in site rental costs of operations) and depreciation expense. Since the adjustments affected results of operations at CCAL and the Company s two joint ventures with Verizon Communications, they also resulted in changes to minority interests and the purchase price allocation for the acquisition of a minority interest in 2003. The cumulative effects of these adjustments on the Company s consolidated statements of operations from inception through June 30, 2004 are as follows: an increase in site rental revenues of $33,119,000; an increase in site rental costs of operations of $95,264,000; an increase in depreciation expense of $171,272,000; an increase in operating losses of $233,417,000; an increase in other expense (attributable to the loss on the issuance of an interest in the Crown Atlantic joint venture) of $3,126,000; an increase in minority interests of $41,886,000; and an increase in net losses of $194,657,000. These adjustments have no effect on the Company s credit (provision) for income taxes since the net impact on deferred tax assets and liabilities is offset by changes in valuation allowances. The adjustments do not affect historical net cash flows from operating, investing or financing activities, future cash flows or the timing of payments under related leases. Moreover, the corrections do not have any impact on cash balances, compliance with any financial covenants or debt instruments, or the current economic value of the Company s leaseholds and its tower assets. The net impact of the accounting correction will generally be to accelerate ground lease expense (as such expenses are straight-lined over a period that equals or exceeds the remaining depreciable life of the tower, along with periods covered by tenant renewal options) and depreciation expense and, to a lesser extent, site rental revenues (as such revenues are only straight-lined over the current lease term, without regard to renewal options that may be exercised by a tenant).

Historically, the Company has calculated straight-line ground lease expense (for leases with fixed escalation provisions) using the current lease term (typically five to ten years) without regard to renewal options. Further, the Company depreciated all tower assets over a 20-year useful life, without regard to the term of the underlying ground lease, because of its historical experience in successfully renewing ground leases prior to expiration. As a result of this accounting adjustment, the Company now calculates its straight-line ground lease expense using a time period that equals or exceeds the remaining depreciable life of the tower asset. Further, when a tenant has exercisable renewal options that would compel the Company to exercise existing ground lease renewal options, the Company has straight-lined the ground lease expense over a sufficient portion of such ground lease renewals to coincide with the final termination of the tenant s renewal options. The Company has also shortened the depreciable lives of certain tower assets that have ground lease expirations prior to the end of their useful life. When calculating its straight-line site rental revenues, the Company now considers all fixed elements of a tenant lease s escalation provisions, even if such escalation provisions also include a variable element.

**Table of Contents**

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In addition, certain issuance costs from prior financing transactions that were previously included in deferred financing costs ($387,000) or additional paid-in capital ($16,057,000) have been charged to interest and other income (expense) ($10,877,000) or included with dividends on preferred stock ($5,567,000). Such corrections were made in accordance with EITF Issue No. 98-14, *Debtor s Accounting for Changes in Line-of-Credit or Revolving-Debt Arrangements* ( EITF 98-14 ), and EITF Topic No. D-42, *The Effect on the Calculation of Earnings per Share for the Redemption or Induced Conversion of Preferred Stock* ( EITF D-42 ). EITF 98-14 requires that a proportionate amount of unamortized deferred financing costs be written off when the borrowing availability under a credit facility is reduced. EITF D-42 requires that financing costs related to preferred stock that were classified as additional paid-in capital upon issuance be charged to results of operations upon the subsequent purchase or redemption of such preferred stock.

In addition, certain foreign currency translation adjustments ($686,000) included in accumulated other comprehensive income (loss) have been charged to results of operations for 2001 in accordance with EITF Issue No. 01-5, *Application of FASB Statement No. 52 to an Investment Being Evaluated for Impairment That Will Be Disposed Of* ( EITF 01-5 ). In 2001, the Company wrote off an investment in Brazil, but did not write off the related translation adjustments. EITF 01-5 requires that accumulated foreign currency translation adjustments be included as part of the carrying amount of a foreign investment being evaluated for impairment under a committed plan of disposal.

Finally, the Company has recorded deferred income tax provisions resulting from the adoption of Statement of Financial Accounting Standards No. 142, *Goodwill and Other Intangible Assets*, pursuant to which goodwill balances were no longer amortized. The deferred income tax provisions amounted to $4,000,000, $2,000,000 and $1,000,000 for the years ended December 31, 2002 and 2003 and the six months ended June 30, 2004, respectively. Such amounts had previously been inappropriately offset by deferred tax assets.

The adjustments to amounts previously presented in the consolidated statement of operations for the three and six months ended June 30, 2003 and 2004 are summarized as follows.

| | As Previously Stated | Restatement Adjustments | As Restated |
|---|---|---|---|
| | (In thousands of dollars, except per share amounts) | | |
| Three Months Ended June 30, 2003: | | | |
| Site rental revenues | $ 116,646 | $ 1,630 | $ 118,276 |
| Site rental costs of operations | 39,985 | 4,085 | 44,070 |
| Depreciation expense | 60,763 | 9,336 | 70,099 |
| Operating income (loss) | (9,993) | (11,791) | (21,784) |
| Interest and other income (expense) | (8,271) | (3,126) | (11,397) |
| Provision for income taxes | (127) | (500) | (627) |
| Minority interests | (730) | 1,599 | 869 |
| Net loss | (80,831) | (13,818) | (94,649) |
| Dividends on preferred stock, net of gains (losses) on purchases of preferred stock | (20,081) | (1,365) | (21,446) |
| Net loss per common share - basic and diluted | (0.47) | (0.07) | (0.54) |
| Three Months Ended June 30, 2004: | | | |
| Site rental revenues | $ 131,363 | $ 1,144 | $ 132,507 |
| Site rental costs of operations | 41,843 | 3,560 | 45,403 |

| | | | |
|---|---|---|---|
| Depreciation expense | 61,119 | 9,456 | 70,575 |
| Operating income (loss) | 3,515 | (11,872) | (8,357) |
| Provision for income taxes | (184) | (500) | (684) |
| Minority interests | (1,463) | 1,186 | (277) |
| Net loss | (39,594) | (11,186) | (50,780) |
| Net loss per common share - basic and diluted | (0.22) | (0.05) | (0.27) |
| Six Months Ended June 30, 2003: | | | |
| Site rental revenues | $ 230,481 | $ 3,185 | $ 233,666 |
| Site rental costs of operations | 80,593 | 8,135 | 88,728 |
| Depreciation expense | 122,226 | 18,440 | 140,666 |
| Operating income (loss) | (16,953) | (23,390) | (40,343) |
| Interest and other income (expense) | (10,834) | (3,126) | (13,960) |
| Provision for income taxes | (243) | (1,000) | (1,243) |
| Minority interests | (1,287) | 3,699 | 2,412 |
| Net loss | (149,847) | (23,817) | (173,664) |
| Dividends on preferred stock, net of gains (losses) on purchases of preferred stock | (34,452) | (1,952) | (36,404) |
| Net loss per common share - basic and diluted | (0.85) | (0.12) | (0.97) |
| Six Months Ended June 30, 2004: | | | |
| Site rental revenues | $ 260,332 | $ 2,355 | $ 262,687 |
| Site rental costs of operations | 82,778 | 7,150 | 89,928 |
| Depreciation expense | 122,344 | 19,075 | 141,419 |
| Operating income (loss) | 7,852 | (23,870) | (16,018) |
| Interest and other income (expense) | (26,376) | (387) | (26,763) |
| Provision for income taxes | (337) | (1,000) | (1,337) |
| Minority interests | (2,809) | 2,401 | (408) |
| Net loss | (104,561) | (22,856) | (127,417) |
| Net loss per common share - basic and diluted | (0.56) | (0.10) | (0.66) |

Table of Contents

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables describe the effects of the restatement on net loss and the related per share amounts for the three and six months ended June 30, 2003 and 2004.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2003 | 2004 | 2003 | 2004 |
| | (In thousand of dollars, except per share amounts) | | | |
| Net loss, as previously stated | $ (80,831) | $ (39,594) | $ (149,847) | $ (104,561) |
| Adjustments to site rental revenues | 1,630 | 1,144 | 3,185 | 2,355 |
| Adjustments to site rental costs of operations | (4,085) | (3,560) | (8,135) | (7,150) |
| Adjustments to depreciation expense | (9,336) | (9,456) | (18,440) | (19,075) |
| Adjustments to interest and other income (expense) | (3,126) | | (3,126) | (387) |
| Adjustments to provision for income taxes | (500) | (500) | (1,000) | (1,000) |
| Adjustments to minority interests | 1,599 | 1,186 | 3,699 | 2,401 |
| Net loss, as restated | (94,649) | (50,780) | (173,664) | (127,417) |
| Dividends on preferred stock, net of gains (losses) on purchases of preferred stock, as restated | (21,446) | (9,332) | (36,404) | (19,028) |
| Net loss after deduction of dividends on preferred stock, net of gains (losses) on purchases of preferred stock, as restated | $ (116,095) | $ (60,112) | $ (210,068) | $ (146,445) |
| Per common share basic and diluted: | | | | |
| Net loss, as previously stated | $ (0.47) | $ (0.22) | $ (0.85) | $ (0.56) |
| Adjustments to site rental revenues | 0.01 | 0.01 | 0.01 | 0.01 |
| Adjustments to site rental costs of operations | (0.02) | (0.02) | (0.04) | (0.03) |
| Adjustments to depreciation expense | (0.04) | (0.05) | (0.09) | (0.09) |
| Adjustments to interest and other income (expense) | (0.02) | | (0.01) | |
| Adjustments to provision for income taxes | | | | |
| Adjustments to minority interests | 0.01 | 0.01 | 0.02 | 0.01 |
| Adjustments to dividends on preferred stock, net of gains (losses) on purchases of preferred stock | (0.01) | | (0.01) | |
| Net loss, as restated | $ (0.54) | $ (0.27) | $ (0.97) | $ (0.66) |

The following table describes the effects of the restatement on comprehensive loss for the three and six months ended June 30, 2003 and 2004.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2003 | 2004 | 2003 | 2004 |

| | (In thousand of dollars) | | | |
|---|---|---|---|---|
| Comprehensive income (loss), as previously stated | $ 1,910 | $ (76,154) | $ (77,635) | $ (90,723) |
| Adjustments to net loss | (13,818) | (11,186) | (23,817) | (22,856) |
| Adjustments to foreign currency translation adjustments | (3,366) | 3,939 | (5,362) | 3,382 |
| Comprehensive income (loss), as restated | $ (15,274) | $ (83,401) | $ (106,814) | $ (110,197) |

**Table of Contents**

The following tables describe the cumulative effects of the restatement on the consolidated balance sheets as of December 31, 2003 and June 30, 2004.

| | Property and Equipment | Goodwill | Deferred Site Rental Receivable (a) | Deferred Financing Costs and Other Assets | Deferred Ground Lease Payable | Other Liabilities | Minority Interests | Stockholders Equity |
|---|---|---|---|---|---|---|---|---|
| | | | | (In thousand of dollars) | | | | |
| Balances as of December 31, 2003, as previously stated | $ 3,755,073 | $ 267,071 | $ | $ 146,786 | $ | $ 55,978 | $ 208,333 | $ 1,984,413 |
| Reclassification of previously stated amounts | | | 45,887 | (41,694) | 8,134 | (8,134) | | |
| Adjustments to site rental revenues | | | 30,764 | | | | | 30,764 |
| Adjustments to site rental costs of operations | | | | | 88,114 | | | (88,114) |
| Adjustments to depreciation expense | (152,197) | | | | | | | (152,197) |
| Adjustments to provision for income taxes | | | | | | 6,000 | | (6,000) |
| Adjustments to minority interests | | | | | | | (39,485) | 39,485 |
| Adjustments to purchase price allocation for acquisition | 4,386 | 3,367 | | | | | 10,879 | (3,126) |
| Foreign currency translation adjustments (b) | (13,692) | | 2,014 | | 2,276 | | (3,082) | (10,872) |
| Balances as of December 31, 2003, as restated | $ 3,593,570 | $ 270,438 | $ 78,665 | $ 105,092 | $ 98,524 | $ 53,844 | $ 176,645 | $ 1,794,353 |
| Balances as of June 30, 2004, as previously stated | $ 3,622,355 | $ 267,071 | $ | $ 151,975 | $ | $ 52,803 | $ 207,700 | $ 1,912,923 |
| Reclassification of previously stated amounts | | | 48,798 | (45,292) | 9,811 | (9,811) | | |
| Adjustments to site rental revenues | | | 33,119 | | | | | 33,119 |
| Adjustments to site rental costs of operations | | | | | 95,264 | | | (95,264) |
| Adjustments to depreciation expense | (171,272) | | | | | | | (171,272) |
| Adjustments to interest and other income (expense) | | | | (387) | | | | (387) |
| Adjustments to provision for income taxes | | | | | | 7,000 | | (7,000) |
| Adjustments to minority interests | | | | | | | (41,886) | 41,886 |
| Adjustments to purchase price allocation for acquisition | 4,386 | 3,367 | | | | | 10,879 | (3,126) |
| Foreign currency translation adjustments (b) | (9,231) | | 1,162 | | 1,527 | | (2,106) | (7,490) |
| Balances as of June 30, 2004, as restated | $ 3,446,238 | $ 270,438 | $ 83,079 | $ 106,296 | $ 106,602 | $ 49,992 | $ 174,587 | $ 1,703,389 |

(a) Balances as of December 31, 2003 and June 30, 2004, as restated, include current portion of $2,332 and $2,475, respectively.

(b) Amounts represent the effect of foreign currency translation for the lease accounting adjustments to the Australian operations.

**Table of Contents**

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Cash and Cash Equivalents and Investments*

As of December 31, 2003, all investments (consisting of auction rate securities) were classified as held-to-maturity since the Company had the positive intent and ability to hold such investments until they matured. Held-to-maturity securities are stated at amortized cost. Although the Company s auction rate securities had contractual maturities which exceeded one year, the underlying interest rates on such securities reset at intervals of less than 90 days. Therefore, these auction rate securities were priced and subsequently traded as short-term investments because of the interest rate reset feature. As a result, the Company has classified its auction rate securities as short-term investments in the accompanying consolidated balance sheet. The 2003 balance of such securities was previously classified as cash equivalents due to the liquidity and pricing reset feature. In 2004, these securities were reclassified as short-term investments to conform with the current presentation. There was no impact on net earnings or cash flow from operations as a result of the reclassification.

On June 28, 2004, the Company signed a definitive agreement to sell CCUK to an affiliate of National Grid (see Note 3). After calculating the preliminary working capital type adjustments impacting the cash proceeds from the transaction, it was determined that CCUK s cash and cash equivalents should be reclassified to assets of discontinued operations in the Company s consolidated balance sheets. Such reclassified cash balances amounted to $26,243,000 and $39,846,000 as of December 31, 2003 and June 30, 2004, respectively.

*Stock-Based Compensation*

The Company used the intrinsic value based method of accounting for its stock-based employee compensation plans until December 31, 2002. This method does not result in the recognition of compensation expense when employee stock options are granted if the exercise price of the options equals or exceeds the fair market value of the stock at the date of grant. On January 1, 2003, the Company adopted the fair value method of accounting (using the prospective method of transition) for stock-based employee compensation awards granted on or after that date (see Note 2). The following table shows the pro forma effect on the Company s net loss and loss per share as if compensation cost had been recognized for all stock options based on their fair value at the date of grant. The pro forma effect of stock options on the Company s net loss for those periods may not be representative of the pro forma effect for future periods due to the impact of vesting and potential future awards.

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2003 | 2004 | 2003 | 2004 |
| | (As restated) | (As restated) | (As restated) | (As restated) |
| | (In thousands of dollars, except per share amounts) | | | |
| Net loss, as reported | $ (94,649) | $ (50,780) | $ (173,664) | $ (127,417) |
| Add: Stock-based employee compensation expense included in reported net loss | 7,695 | 8,025 | 10,126 | 10,721 |
| Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards | (14,563) | (10,668) | (23,921) | (16,429) |

| | | | | |
|---|---|---|---|---|
| Net loss, as adjusted | (101,517) | (53,423) | (187,459) | (133,125) |
| Dividends on preferred stock, net of gains (losses) on purchases of preferred stock | (21,446) | (9,332) | (36,404) | (19,028) |
| Net loss applicable to common stock for basic and diluted computations, as adjusted | $ (122,963) | $ (62,755) | $ (223,863) | $ (152,153) |
| Loss per common share basic and diluted: | | | | |
| As reported | $ (0.54) | $ (0.27) | $ (0.97) | $ (0.66) |
| As adjusted | $ (0.57) | $ (0.28) | $ (1.03) | $ (0.69) |

Table of Contents

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**2. New Accounting Pronouncements**

In June 2001, the Financial Accounting Standards Board (the FASB ) issued Statement of Financial Accounting Standards No. 143, *Accounting for Asset Retirement Obligations* ( SFAS 143 ). SFAS 143 addresses financial accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the related asset retirement costs. The fair value of a liability for an asset retirement obligation is to be recognized in the period in which it is incurred and can be reasonably estimated. Such asset retirement costs are to be capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset s estimated useful life. Fair value estimates of liabilities for asset retirement obligations will generally involve discounted future cash flows. Periodic accretion of such liabilities due to the passage of time is to be recorded as an operating expense. The provisions of SFAS 143 were effective for fiscal years beginning after June 15, 2002, with initial application as of the beginning of the fiscal year. The Company adopted the requirements of SFAS 143 as of January 1, 2003. The adoption of SFAS 143 resulted in the recognition of liabilities amounting to $1,359,000 for contingent retirement obligations under certain tower site land leases (included in other long-term liabilities on the Company s consolidated balance sheet), the recognition of asset retirement costs amounting to $808,000 (included in property and equipment on the Company s consolidated balance sheet), and the recognition of a charge for the cumulative effect of the change in accounting principle amounting to $551,000. Accretion expense related to liabilities for contingent retirement obligations (included in depreciation, amortization and accretion on the Company s consolidated statement of operations) amounted to $44,000 and $50,000 for the three months ended June 30, 2003 and 2004, respectively, and $87,000 and $99,000 for the six months ended June 30, 2003 and 2004, respectively. At December 31, 2003 and June 30, 2004, liabilities for contingent retirement obligations amounted to $1,584,000 and $1,624,000, respectively.

In June 2002, the FASB issued Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit or Disposal Activities* ( SFAS 146 ). SFAS 146 replaces the previous accounting guidance provided by Emerging Issues Task Force Issue No. 94-3, *Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Activity (including Certain Costs Incurred in a Restructuring*) ( EITF 94-3 ). SFAS 146 requires that costs associated with exit or disposal activities be recognized when they are incurred, rather than at the date of a commitment to an exit or disposal plan (as provided by EITF 94-3). Examples of costs covered by SFAS 146 include certain employee severance costs and lease termination costs that are associated with a restructuring or discontinued operation. The provisions of SFAS 146 were effective for exit or disposal activities initiated after December 31, 2002, and are to be applied prospectively. The Company adopted the requirements of SFAS 146 as of January 1, 2003. See Note 12.

In November 2002, the FASB s Emerging Issues Task Force released its final consensus on Issue No. 00-21, *Revenue Arrangements with Multiple Deliverables* ( EITF 00-21 ). EITF 00-21 addresses certain aspects of the accounting for arrangements under which multiple revenue-generating activities will be performed, including the determination of whether an arrangement involving multiple deliverables contains more than one unit of accounting. The guidance in EITF 00-21 is effective for revenue arrangements entered into in fiscal periods beginning after June 15, 2003. The Company adopted the provisions of EITF 00-21 as of July 1, 2003, and such adoption did not have a significant effect on its consolidated financial statements.

In December 2002, the FASB issued Statement of Financial Accounting Standards No. 148, *Accounting for Stock-Based Compensation Transition and Disclosure* ( SFAS 148 ). SFAS 148 amends Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ( SFAS 123 ), to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based employee compensation. In addition, SFAS 148 amends the provisions of SFAS 123 to require more prominent disclosures in both annual and interim financial statements about the method of accounting for stock-based employee compensation and the effect of the method used on reported results of operations. The Company adopted the disclosure requirements of SFAS 148 as of December 31, 2002. On January 1, 2003, the Company adopted the fair value method of accounting for stock-based employee compensation using the prospective method of transition as provided by SFAS 148. Under this transition method, the Company is recognizing compensation cost for all employee awards granted on or after January 1, 2003. The adoption of this new accounting method did not have a significant effect on the Company s consolidated financial statements.

**Table of Contents**

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

In January 2003, the FASB issued FASB Interpretation No. 46, *Consolidation of Variable Interest Entities* ( FIN 46 ). In December 2003, the FASB issued a revised version of FIN 46. FIN 46 clarifies existing accounting literature regarding the consolidation of entities in which a company holds a controlling financial interest . A majority voting interest in an entity has generally been considered indicative of a controlling financial interest. FIN 46 specifies other factors ( variable interests ) which must be considered when determining whether a company holds a controlling financial interest in, and therefore must consolidate, an entity ( variable interest entities ). The provisions of FIN 46, as revised, are effective for the first reporting period ending after March 15, 2004. The Company adopted the provisions of FIN 46 as of March 31, 2004, and such adoption did not have a significant effect on its consolidated financial statements.

In May 2003, the FASB issued Statement of Financial Accounting Standards No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity* ( SFAS 150 ). SFAS 150 requires that mandatorily redeemable financial instruments issued in the form of shares be classified as liabilities, and specifies certain measurement and disclosure requirements for such instruments. The provisions of SFAS 150 were effective at the beginning of the first interim period beginning after June 15, 2003. The Company adopted the requirements of SFAS 150 as of July 1, 2003. The Company determined that (1) its 12 $^3/4$% Exchangeable Preferred Stock was to be reclassified as a liability upon adoption of SFAS 150 and (2) its 8 $^1/4$% Convertible Preferred Stock and its 6.25% Convertible Preferred Stock were not to be reclassified as liabilities, since the conversion features caused them to be contingently redeemable rather than mandatorily redeemable financial instruments. In addition, the dividends on the Company s 12 $^3/4$% Exchangeable Preferred Stock were included in interest expense on its consolidated statement of operations beginning on July 1, 2003. The Company redeemed the remaining outstanding shares of 12 $^3/4$% Exchangeable Preferred Stock in December of 2003.

In December 2003, the FASB issued Statement of Financial Accounting Standards No. 132 (revised 2003), *Employers Disclosures about Pensions and Other Postretirement Benefits* ( SFAS 132(R) ). SFAS 132(R) revises the required disclosures about pension plans and other postretirement benefit plans. SFAS 132(R) replaces Statement of Financial Accounting Standards No. 132, *Employers Disclosures about Pensions and Other Postretirement Benefits* (which was originally issued in February 1998), but retains its disclosure requirements. SFAS 132(R) requires additional disclosures about the assets, obligations, cash flows and net periodic benefit cost of defined benefit pension plans, and requires that certain disclosures be included in interim financial statements. SFAS 132(R) applies to the Company s disclosures for CCUK s defined benefit plan. The provisions of SFAS 132(R) are generally effective for fiscal years ending after December 15, 2003; however, many of the new disclosure requirements for information about foreign plans, as well as information about future benefit payments, do not become effective until fiscal years ending after June 15, 2004. The interim-period disclosure requirements of SFAS 132(R) are effective for interim periods beginning after December 15, 2003. The Company has adopted the annual reporting requirements of SFAS 132(R) as of December 31, 2003, except for the disclosure about future benefit payments. The Company has adopted the interim-period reporting requirements as of March 31, 2004 (see Note 8).

**3. Sale of CCUK**

On June 28, 2004, the Company signed a definitive agreement to sell CCUK to an affiliate of National Grid for $2,035,000,000 in cash. The closing date of the transaction, subject to certain approvals, is expected to be on or before September 30, 2004. In accordance with the terms of the Company s 2000 Credit Facility, the Company will be required to use $1,275,385,000 of the proceeds from the transaction to fully repay the outstanding borrowings under the 2000 Credit Facility (see Note 5). The remaining proceeds from the transaction will be used for general corporate purposes, which could include the repayment of outstanding indebtedness and/or investments in new business opportunities in the United States. Under the terms of the indentures governing the Company s public debt securities, any proceeds from the sale of CCUK not invested in qualifying assets within one year must be offered to purchase such debt securities from the Company s bondholders at the outstanding principal amount plus accrued interest. The carrying amounts of CCUK s assets and liabilities are as follows:

Table of Contents

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | December 31, 2003 | June 30, 2004 |
|---|---|---|
| | (In thousands of dollars) | |
| Assets: | | |
| Cash and cash equivalents | $ 26,243 | $ 39,846 |
| Receivables | 43,834 | 38,355 |
| Inventories | 5,927 | 5,712 |
| Prepaid expenses and other current assets | 49,605 | 43,642 |
| Property and equipment, net | 986,872 | 977,989 |
| Goodwill | 939,642 | 954,599 |
| Other assets, net | 387 | 331 |
| Assets of discontinued operations | $ 2,052,510 | $ 2,060,474 |
| Liabilities: | | |
| Accounts payable | $ 30,964 | $ 32,872 |
| Other current liabilities | 166,795 | 151,600 |
| Other liabilities | 155,785 | 170,600 |
| Liabilities of discontinued operations | $ 353,544 | $ 355,072 |

As of June 30, 2004, the Company s consolidated stockholders equity accounts include foreign currency translation adjustments and a minimum pension liability adjustment of $242,914,000 and $(11,573,000), respectively, related to CCUK s assets and liabilities. Such adjustments are included in accumulated other comprehensive income (loss) on the Company s consolidated balance sheet and will be part of the calculation of the net gain on the sale of CCUK when the transaction is closed.

CCUK s financial results have historically been presented as a separate operating segment (see Note 11). A summary of CCUK s operating results is as follows:

| | Three Months Ended June 30, | | Six Months Ended June 30, | |
|---|---|---|---|---|
| | 2003 | 2004 | 2003 | 2004 |
| | (In thousands of dollars) | | | |
| Net revenues | $ 87,926 | $ 111,884 | $ 173,896 | $ 216,699 |
| Income before income taxes and cumulative effect of change in accounting principle | $ 5,390 | $ 23,893 | $ 16,166 | $ 44,239 |
| Provision for income taxes | (3,291) | (7,438) | (7,141) | (13,240) |
| Cumulative effect of change in accounting principle for asset retirement obligations | | | (1,484) | |

| | | | | |
|---|---|---|---|---|
| Income from discontinued operations | $ 2,099 | $ 16,455 | $ 7,541 | $ 30,999 |

**4. Goodwill and Other Intangible Assets**

As of December 31, 2003 and June 30, 2004, the Company had consolidated goodwill of $270,438,000, as restated (including $215,061,000, as restated, at CCUSA and $55,377,000 at Crown Atlantic).

14

Table of Contents

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The value of site rental contracts from acquisitions included in CCUSA are accounted for as other intangible assets with finite useful lives, and are included in deferred financing costs and other assets on the Company s consolidated balance sheet. A summary of other intangible assets with finite useful lives is as follows:

| | Six Months Ended June 30, 2004 | | |
|---|---|---|---|
| | Gross Carrying Amount | Accumulated Amortization | Net Book Value |
| | (In thousands of dollars) | | |
| Balance at beginning of period | $ 30,005 | $ (14,653) | $ 15,352 |
| Amortization expense | | (926) | (926) |
| Balance at end of period | $ 30,005 | $ (15,579) | $ 14,426 |
| Estimated aggregate annual amortization expense: | | | |
| Years ending December 31, 2004 through 2008 | | $ 1,852 | |

**5. Long-term Debt**

Long-term debt consists of the following:

| | December 31, 2003 | June 30, 2004 |
|---|---|---|
| | (In thousands of dollars) | |
| 2000 Credit Facility | $ 1,289,750 | $ 1,275,385 |
| Crown Atlantic Credit Facility | 195,000 | 180,000 |
| 4% Convertible Senior Notes due 2010 | 230,000 | 230,000 |
| 10 3/8% Senior Discount Notes due 2011, net of discount | 12,366 | 11,341 |
| 9% Senior Notes due 2011 | 161,712 | 26,133 |
| 11 1/4% Senior Discount Notes due 2011, net of discount | 10,979 | 10,605 |
| 9 1/2% Senior Notes due 2011 | 114,265 | 4,753 |
| 10 3/4% Senior Notes due 2011 | 428,695 | 428,695 |
| 9 3/8% Senior Notes due 2011 | 407,225 | 407,225 |
| 7.5% Senior Notes due 2013 | 300,000 | 300,000 |
| 7.5% Series B Senior Notes due 2013 | 300,000 | 300,000 |

| | | |
|---|---|---|
| | 3,449,992 | 3,174,137 |
| Less: current maturities | (267,142) | (1,275,385) |
| | $ 3,182,850 | $ 1,898,752 |

*2000 Credit Facility*

On June 28, 2004, the Company signed a definitive agreement to sell CCUK to National Grid Transco Plc. In accordance with the terms of the 2000 Credit Facility, the Company will be required to use a majority of the proceeds from the transaction to fully repay the outstanding borrowings under the 2000 Credit Facility. As a result, the Company has reclassified the outstanding borrowings under the 2000 Credit Facility as a current liability on its consolidated balance sheet as of June 30, 2004. See Note 3.

*Crown Atlantic Credit Facility*

In February of 2004, Crown Atlantic amended its credit facility to reduce the available borrowings from $301,050,000 to $250,000,000. The amendment of the credit facility resulted in a loss of $387,000 consisting of the write-off of certain financing costs (as restated). Such loss is included in interest and other income (expense) on the Company s consolidated statement of operations. During the six months ended June 30, 2004, Crown Atlantic repaid $15,000,000 in outstanding borrowings under the Crown Atlantic Credit Facility. Crown Atlantic utilized cash provided by its operations to effect this repayment. As a result, available borrowings under the Crown Atlantic Credit Facility amount to $70,000,000.

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

*Purchases of the Company s Debt Securities*

On December 5, 2003, the Company commenced cash tender offers and consent solicitations for all of its outstanding 9% Senior Notes and 9 1/2% Senior Notes. On December 31, 2003, in accordance with the terms of the tender offers, the purchase prices for the tendered notes (excluding accrued interest through the purchase date) were determined to be 107.112% of the outstanding principal amount for the 9% Senior Notes and 109.140% of the outstanding principal amount for the 9 1/2% Senior Notes. Such purchase prices include a consent payment of $20.00 for each $1,000 principal amount of the tendered notes. On January 7, 2004, the Company (1) utilized $146,984,000 of its cash to purchase the $135,579,000 in outstanding principal amount of the tendered 9% Senior Notes, including accrued interest thereon of $1,763,000, and (2) utilized $124,030,000 of its cash to purchase the $109,512,000 in outstanding principal amount of the tendered 9 1/2% Senior Notes, including accrued interest thereon of $4,508,000. The purchase of the tendered 9% Senior Notes resulted in a loss of $12,466,000 for the first quarter of 2004, consisting of the write-off of unamortized deferred financing costs ($2,823,000) and the excess of the total purchase price over the carrying value of the tendered notes ($9,643,000). The purchase of the tendered 9 1/2% Senior Notes resulted in a loss of $11,652,000 for the first quarter of 2004, consisting of the write-off of unamortized deferred financing costs ($1,642,000) and the excess of the total purchase price over the carrying value of the tendered notes ($10,010,000). Such losses are included in interest and other income (expense) on the Company s consolidated statement of operations for the six months ended June 30, 2004. The 9% Senior Notes and 9 1/2% Senior Notes that were tendered through December 31, 2003 have been classified as current maturities of long-term debt on the Company s consolidated balance sheet as of December 31, 2003.

In January of 2004, the Company (1) utilized $1,570,000 of its cash to purchase $1,500,000 in outstanding principal amount at maturity of its 10 3/8 % Discount Notes and (2) utilized $1,046,000 of its cash to purchase $1,000,000 in outstanding principal amount at maturity of its 11¼% Discount Notes, both in public market transactions. The debt purchases resulted in losses of $249,000 that are included in interest and other income (expense) on the Company s consolidated statement of operations for the six months ended June 30, 2004.

The Company anticipates that it may purchase additional debt securities using a portion of the proceeds from the pending sale of CCUK. See Note 3.

*Reporting Requirements Under the Indentures Governing the Company s Debt Securities (the Indentures )*

The following information (as such capitalized terms are defined in the Indentures) is presented solely as a requirement of the Indentures; such information is not intended as an alternative measure of financial position, operating results or cash flow from operations (as determined in accordance with generally accepted accounting principles). Furthermore, the Company s measure of the following information may not be comparable to similarly titled measures of other companies.

Summarized financial information for (1) the Company and its Restricted Subsidiaries and (2) the Company s Unrestricted Subsidiaries is as follows:

Table of Contents

**CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES**

**CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

| | June 30, 2004 | | | |
|---|---|---|---|---|
| | Company and Restricted Subsidiaries | Unrestricted Subsidiaries | Consolidation Eliminations | Consolidated Total |
| | (As restated) | (As restated) | (As restated) | (As restated) |
| | (In thousands of dollars) | | | |
| Cash and cash equivalents | $ 102,114 | $ 90,543 | $ | $ 192,657 |
| Assets of discontinued operations | 2,059,631 | 843 | | 2,060,474 |
| Other current assets | 66,218 | 8,425 | | 74,643 |
| Property and equipment, net | 2,802,090 | 644,148 | | 3,446,238 |
| Investments in Unrestricted Subsidiaries | 470,238 | | (470,238) | |
| Goodwill | 215,061 | 55,377 | | 270,438 |
| Deferred site rental receivable | 77,808 | 2,796 | | 80,604 |
| Other assets, net | 68,224 | 38,072 | | 106,296 |
| | $ 5,861,384 | $ 840,204 | $ (470,238) | $ 6,231,350 |
| Current liabilities | $ 1,416,815 | $ 18,770 | $ | $ 1,435,585 |
| Liabilities of discontinued operations | 354,416 | 656 | | 355,072 |
| Long-term debt, less current maturities | 1,718,752 | 180,000 | | 1,898,752 |
| Deferred ground lease payable | 84,404 | 22,198 | | 106,602 |
| Other liabilities | 46,398 | 3,594 | | 49,992 |
| Minority interests | 29,839 | 144,748 | | 174,587 |
| Redeemable preferred stock | 507,371 | | | 507,371 |
| Stockholders equity | 1,703,389 | 470,238 | (470,238) | 1,703,389 |
| | $ 5,861,384 | $ 840,204 | $ (470,238) | $ 6,231,350 |

| | Three Months Ended June 30, 2004 | | | Six Months Ended June 30, 2004 | | |
|---|---|---|---|---|---|---|
| | Company and Restricted Subsidiaries | Unrestricted Subsidiaries | Consolidated Total | Company and Restricted Subsidiaries | Unrestricted Subsidiaries | Consolidated Total |
| | (As restated) | (As restated) | (As restated) | (As restated) | (As restated) | (As restated) |
| | (In thousands of dollars) | | | | | |
| Net revenues | $ 120,901 | $ 30,119 | $ 151,020 | $ 236,184 | $ 59,719 | $ 295,903 |
| Costs of operations (exclusive of depreciation, amortization and accretion) | 45,808 | 11,867 | 57,675 | 89,601 | 23,595 | 113,196 |

| | | | | | | |
|---|---|---|---|---|---|---|
| General and administrative | 20,212 | 2,473 | 22,685 | 38,700 | 5,595 | 44,295 |
| Corporate development | 371 | | 371 | 810 | | |