CROWN CASTLE INTERNATIONAL CORP
Form 10-Q/A
May 06, 2005
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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 **(State or other jurisdiction of** **incorporation or organization)**	**76-0470458** **(I.R.S. Employer** **Identification No.)**
510 Bering Drive **Suite 500** **Houston, Texas** **(Address of principal executive offices)**	**77057-1457** **(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

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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.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

(In thousands of dollars, except share amounts)

	December 31, 2003	June 30, 2004
	(As restated)	(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.

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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.

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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.

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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.

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)

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)

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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.

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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)

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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.

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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:

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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).

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.

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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:

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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
	45,808	11,867	57,675	89,601	23,595	113,196

Costs of operations (exclusive of depreciation, amortization and accretion)						
General and administrative	20,212	2,473	22,685	38,700	5,595	44,295
Corporate development	371		371	810		810
Restructuring charges (credits)				(33)		(33)
Asset write-down charges	1,004	864	1,868	2,772	1,044	3,816
Non-cash general and administrative compensation charges	5,570	633	6,203	7,611	807	8,418
Depreciation, amortization and accretion	58,067	12,508	70,575	116,429	24,990	141,419
Operating income (loss)	(10,131)	1,774	(8,357)	(19,706)	3,688	(16,018)
Interest and other income (expense)	(277)	(1,072)	(1,349)	(24,351)	(2,412)	(26,763)
Interest expense and amortization of deferred financing costs	(54,108)	(2,460)	(56,568)	(108,750)	(5,140)	(113,890)
Provision for income taxes	(684)		(684)	(1,337)		(1,337)
Minority interests	1,134	(1,411)	(277)	2,677	(3,085)	(408)
Income (loss) from discontinued operations	16,623	(168)	16,455	31,167	(168)	30,999
Net income (loss)	$ (47,443)	$ (3,337)	$ (50,780)	$ (120,300)	$ (7,117)	$ (127,417)

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Tower Cash Flow and Adjusted Consolidated Cash Flow for the Company and its Restricted Subsidiaries is as follows under the indentures governing the 4% Convertible Senior Notes, the 10¾% Senior Notes, the 9 3/8% Senior Notes, the 7.5% Senior Notes and the 7.5% Series B Senior Notes:

	(As restated) (In thousands of dollars)
Tower Cash Flow, for the three months ended June 30, 2004	$ 114,296
Consolidated Cash Flow, for the twelve months ended June 30, 2004	$ 393,518
Less: Tower Cash Flow, for the twelve months ended June 30, 2004	(421,428)
Plus: four times Tower Cash Flow, for the three months ended June 30, 2004	457,184
Adjusted Consolidated Cash Flow, for the twelve months ended June 30, 2004	$ 429,274

The amounts presented above for Tower Cash Flow, Consolidated Cash Flow and Adjusted Consolidated Cash Flow continue to include the operating results from CCUK, and will do so until the pending sale of CCUK is closed. See Note 3.

Letters of Credit

The Company has issued letters of credit to various landlords, insurers and other parties in connection with certain contingent retirement obligations under various tower site land leases and certain other contractual obligations. The letters of credit were issued through one of CCUSA s lenders in amounts aggregating $13,841,000 and expire on various dates through October 2005.

6. Redeemable Preferred Stock

Redeemable preferred stock ($.01 par value, 20,000,000 shares authorized) consists of the following:

	December 31, 2003	June 30, 2004

	(In thousands of dollars)	
8¼% Cumulative Convertible Redeemable Preferred Stock; shares issued and outstanding: 200,000 (stated net of unamortized value of warrants; mandatory redemption and aggregate liquidation value of $200,000)	$ 196,614	$ 196,819
6.25% Convertible Preferred Stock; shares issued and outstanding: 6,361,000 (stated net of unamortized issue costs; mandatory redemption and aggregate liquidation value of $318,050)	310,088	310,552
	$ 506,702	$ 507,371

In March and June of 2004, the Company paid its quarterly dividends on the 8¼% Convertible Preferred Stock by issuing a total of 600,000 shares of its common stock. As allowed by the Deposit Agreement relating to dividend payments on the 8¼% Convertible Preferred Stock, the Company repurchased the 600,000 shares of common stock from the dividend paying agent for a total of $8,247,000 in cash. The Company utilized cash from an Unrestricted investment subsidiary to effect the stock purchases. The Company may choose to continue such issuances and purchases of stock in the future in order to avoid further dilution caused by the issuance of common stock as dividends on its preferred stock.

7. Stockholders Equity

In February of 2004, the Company issued 35,400 shares of common stock to the non-executive members of its Board of Directors. These shares had a grant-date fair value of $11.85 per share. In connection with these shares, the Company recognized non-cash general and administrative compensation charges of $419,000 for the three months ended March 31, 2004.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In March, April and May of 2004, the Company granted approximately 1,343,000 shares of restricted common stock to approximately 500 of its employees (including approximately 175 employees of CCUK). These restricted shares had a weighted-average grant-date fair value of $13.99 per share, determined based on the closing market price of the Company s common stock on the grant dates. The restrictions on the shares will expire in various annual amounts over the vesting period of four years, with provisions for accelerated vesting based on the market performance of the Company s common stock. In connection with these restricted shares, the Company will recognize non-cash general and administrative compensation charges of approximately $18,800,000 over the vesting period. Such charges will be reduced in the event that any of the restricted shares are forfeited before they become vested. In order to reach the first target level for accelerated vesting of these restricted shares, the market price of the Company s common stock would have to close at or above $14.81 per share (125% of the base price of $11.85 per share) for twenty consecutive trading days. Reaching the first target level would result in the restrictions expiring with respect to one third of these restricted shares. In order to reach the second and third target levels for accelerated vesting of these restricted shares, the market price of the Company s common stock would have to close at or above $18.52 per share and $23.14 per share, respectively (125% of each of the previous target levels), for twenty consecutive trading days. Reaching each of the second and third target levels would result in the restrictions expiring with respect to an additional third of these restricted shares. The vesting terms for the restricted shares held by CCUK employees will be modified upon the closing of the sale of CCUK (see Notes 3 and 13).

On April 27, 2004, the market performance of the Company s common stock reached the third (and final) target level for accelerated vesting of the restricted common shares that had been issued during the first quarter of 2003. This third target level was reached when the market price of the Company s common stock closed at or above $12.45 per share (150% of the second target level of $8.30 per share) for twenty consecutive trading days. As a result, the restrictions expired with respect to the final third of such outstanding shares during the second quarter of 2004. The acceleration of the vesting for these shares resulted in the recognition of non-cash general and administrative compensation charges of $5,378,000 for the three months ended June 30, 2004. All of the executives and employees elected to sell a portion of their vested shares in order to pay their respective minimum withholding tax liabilities, and the Company arranged to purchase these shares in order to facilitate the stock sales. The Company purchased approximately 587,300 of such shares of common stock (at a price of $14.92 per share) for a total of $8,762,000 in cash. The Company utilized cash from an Unrestricted investment subsidiary to effect the stock purchase.

8. Employee Benefit Plan

The components of net periodic pension cost for CCUK s defined benefit pension plan are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2003	**2004**	**2003**	**2004**
	(In thousands of dollars)			
Service cost	$ 863	$ 666	$ 1,717	$ 1,346
Interest cost	478	652	951	1,318
Expected return on plan assets	(478)	(670)	(951)	(1,354)
Amortization of net actuarial (gain) loss	134	186	267	376

Net periodic pension cost	$ 997	$ 834	$ 1,984	$ 1,686

CCUK contributed $1,323,000 to its pension plan during the six months ended June 30, 2004, and expects to contribute a total of approximately $2,637,000 for the year ending December 31, 2004. Amounts related to CCUK s defined benefit pension plan are included in discontinued operations on the Company s consolidated financial statements as a result of the pending sale of CCUK (see Note 3).

9. Per Share Information

Per share information is based on the weighted-average number of common shares outstanding during each period for the basic computation and, if dilutive, the weighted-average number of potential common shares resulting

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

from the assumed conversion of outstanding stock options, warrants, convertible preferred stock and convertible senior notes for the diluted computation.

A reconciliation of the numerators and denominators of the basic and diluted per share computations is as follows:

	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)			
Loss from continuing operations before cumulative effect of change in accounting principle	$ (96,748)	$ (67,235)	$ (180,654)	$ (158,416)
Dividends on preferred stock	(17,119)	(9,332)	(34,801)	(19,028)
Gains (losses) on purchases of preferred stock	(4,327)		(1,603)	
Loss from continuing operations before cumulative effect of change in accounting principle applicable to common stock for basic and diluted computations	(118,194)	(76,567)	(217,058)	(177,444)
Income from discontinued operations	2,099	16,455	7,541	30,999
Cumulative effect of change in accounting principle			(551)	
Net loss applicable to common stock for basic and diluted computations	$ (116,095)	$ (60,112)	$ (210,068)	$ (146,445)
Weighted-average number of common shares outstanding during the period for basic and diluted computations (in thousands)	215,969	221,853	216,464	220,574
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)

The calculations of common shares outstanding for the diluted computations exclude the following potential common shares. The inclusion of such potential common shares in the diluted per share computations would be antidilutive since the Company incurred net losses for all periods presented.

	June 30,	
	2003	2004
	(In thousands)	
Options to purchase shares of common stock at exercise prices currently ranging from $-0- to $39.75 per share	21,921	15,800
Warrants to purchase shares of common stock at an exercise price of $7.50 per share	640	640
Warrants to purchase shares of common stock at an exercise price of $26.875 per share	1,000	1,000
Shares of 8¼% Cumulative Convertible Redeemable Preferred Stock which are convertible into shares of common stock	7,442	7,442
Shares of 6.25% Convertible Preferred Stock which are convertible into shares of common stock	8,625	8,625
Shares of restricted common stock	3,781	1,398
4% Convertible Senior Notes which are convertible into shares of common stock		21,237
Total potential common shares	43,409	56,142

10. Commitments and Contingencies

The Company is involved in various claims, lawsuits and proceedings arising in the ordinary course of business. While there are uncertainties inherent in the ultimate outcome of such matters and it is impossible to presently

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

determine the ultimate costs that may be incurred, management believes the resolution of such uncertainties and the incurrence of such costs should not have a material adverse effect on the Company s consolidated financial position or results of operations.

11. Operating Segments

The measurement of profit or loss currently used to evaluate the results of operations for the Company and its operating segments is earnings before interest, taxes, depreciation and amortization, as adjusted (Adjusted EBITDA). The Company defines Adjusted EBITDA as net income (loss) plus cumulative effect of change in accounting principle, income (loss) from discontinued operations, minority interests, provision for income taxes, interest expense, amortization of deferred financing costs and dividends on preferred stock, interest and other income (expense), depreciation, amortization and accretion, non-cash general and administrative compensation charges, asset write-down charges and restructuring charges (credits). Adjusted EBITDA is not intended as an alternative measure of operating results or cash flow from operations (as determined in accordance with generally accepted accounting principles), and the Company s measure of Adjusted EBITDA may not be comparable to similarly titled measures of other companies. There are no significant revenues resulting from transactions between the Company s operating segments.

As a result of the pending sale of CCUK, the Company has restated its financial statements to present CCUK s results of operations and cash flows as amounts from discontinued operations (see Note 3). In addition, all periods have been restated to reflect the correction of certain accounting errors (see Note 1). Such restatements have been made for all periods presented. The financial results for the Company s operating segments are as follows:

	Three Months Ended June 30, 2004					
	CCUSA	CCUK	CCAL	Crown Atlantic	Corporate Office and Other	Consolidated Total
	(As restated)		(As restated)	(As restated)		(As restated)
			(In thousands of dollars)			
Net revenues:						
Site rental	$ 93,342	$	$ 11,449	$ 27,716	$	$ 132,507
Network services and other	15,252		1,123	2,138		18,513
	108,594		12,572	29,854		151,020
Costs of operations (exclusive of depreciation, amortization and accretion)	41,532		4,594	11,549		57,675
General and administrative	14,445		2,630	1,278	4,332	22,685
Corporate development					371	371

Adjusted EBITDA	52,617		5,348	17,027	(4,703)	70,289
Asset write-down charges	1,004			864		1,868
Non-cash general and administrative compensation charges	2,836		26	632	2,709	6,203
Depreciation, amortization and accretion	51,305		6,748	12,469	53	70,575
Operating income (loss)	(2,528)		(1,426)	3,062	(7,465)	(8,357)
Interest and other income (expense)	386		(489)	126	(1,372)	(1,349)
Interest expense and amortization of deferred financing costs	(15,643)		(1,357)	(2,460)	(37,108)	(56,568)
Provision for income taxes	(500)		(184)			(684)
Minority interests			1,134	(1,411)		(277)
Income from discontinued operations		16,455				16,455
Net income (loss)	$ (18,285)	$ 16,455	$ (2,322)	$ (683)	$ (45,945)	$ (50,780)
Capital expenditures	$ 10,610		$ 280	$ 1,745	$ 46	$ 12,681
Total assets (at period end)	$ 3,005,523	$ 2,060,474	$ 265,398	$ 730,319	$ 169,636	$ 6,231,350

For the three months ended June 30, 2004, CCUK s capital expenditures of $9,386,000 are included in discontinued operations on the Company s consolidated statement of cash flows.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30, 2004					
	CCUSA	CCUK	CCAL	Crown Atlantic	Corporate Office and Other	Consolidated Total
	(As restated)		(As restated)	(As restated)		(As restated)
	(In thousands of dollars)					
Net revenues:						
Site rental	$ 186,193	$	$ 20,703	$ 55,791	$	$ 262,687
Network services and other	27,226		2,327	3,663		33,216
	213,419		23,030	59,454		295,903
Costs of operations (exclusive of depreciation, amortization and accretion)	80,463		9,456	23,277		113,196
General and administrative	26,348		5,010	2,726	10,211	44,295
Corporate development					810	810
Adjusted EBITDA	106,608		8,564	33,451	(11,021)	137,602
Restructuring charges (credits)					(33)	(33)
Asset write-down charges	2,772			1,044		3,816
Non-cash general and administrative compensation charges	3,647		41	805	3,925	8,418
Depreciation, amortization and accretion	102,299		13,982	24,787	351	141,419
Operating income (loss)	(2,110)		(5,459)	6,815	(15,264)	(16,018)
Interest and other income (expense)	170		(321)	(280)	(26,332)	(26,763)
Interest expense and amortization of deferred financing costs	(31,667)		(2,460)	(5,140)	(74,623)	(113,890)
Provision for income taxes	(1,000)		(337)			(1,337)
Minority interests			2,677	(3,085)		(408)
Income from discontinued operations		30,999				30,999
Net income (loss)	$ (34,607)	$ 30,999	$ (5,900)	$ (1,690)	$ (116,219)	$ (127,417)
Capital expenditures	$ 16,172		$ 585	$ 2,479	$ 221	$ 19,457

For the six months ended June 30, 2004, CCUK s capital expenditures of $22,058,000 are included in discontinued operations on the Company s consolidated statement of cash flows.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended June 30, 2003					
	CCUSA	**CCUK**	**CCAL**	**Crown Atlantic**	**Corporate Office and Other**	**Consolidated Total**
	(As restated)		(As restated)	(As restated)		(As restated)
	(In thousands of dollars)					
Net revenues:						
Site rental	$ 85,812	$	$ 7,160	$ 25,304	$	$ 118,276
Network services and other	14,698		858	4,073		19,629
	100,510		8,018	29,377		137,905
Costs of operations (exclusive of depreciation, amortization and accretion)	41,123		3,532	12,234		56,889
General and administrative	13,779		1,648	1,503	5,290	22,220
Corporate development					918	918
Adjusted EBITDA	45,608		2,838	15,640	(6,208)	57,878
Restructuring charges	2,314			35		2,349
Asset write-down charges	1,361			19		1,380
Non-cash general and administrative compensation charges	2,693			632	2,509	5,834
Depreciation, amortization and accretion	50,548		6,568	12,403	580	70,099
Operating income (loss)	(11,308)		(3,730)	2,551	(9,297)	(21,784)
Interest and other income (expense)	433		215	(11,252)	(793)	(11,397)
Interest expense and amortization of deferred financing costs	(8,373)		(940)	(3,824)	(50,672)	(63,809)
Provision for income taxes	(500)		(127)			(627)
Minority interests	361		1,350	(842)		869
Income from discontinued operations		2,099				2,099
Net income (loss)	$ (19,387)	$ 2,099	$ (3,232)	$ (13,367)	$ (60,762)	$ (94,649)
Capital expenditures	$ 4,723		$ 277	$ 2,985	$ 4	$ 7,989

For the three months ended June 30, 2003, CCUK s capital expenditures of $12,760,000 are included in discontinued operations on the Company s consolidated statement of cash flows.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Six Months Ended June 30, 2003					
	CCUSA	CCUK	CCAL	Crown Atlantic	Corporate Office and Other	Consolidated Total
	(As restated)		(As restated)	(As restated)		(As restated)
	(In thousands of dollars)					
Net revenues:						
Site rental	$ 169,321	$	$ 14,089	$ 50,256	$	$ 233,666
Network services and other	28,150		1,642	6,756		36,548
	197,471		15,731	57,012		270,214
Costs of operations (exclusive of depreciation, amortization and accretion)	81,887		6,819	24,452		113,158
General and administrative	26,063		3,348	3,124	10,203	42,738
Corporate development					2,538	2,538
Adjusted EBITDA	89,521		5,564	29,436	(12,741)	111,780
Restructuring charges	2,314			35		2,349
Asset write-down charges	1,361			19		1,380
Non-cash general and administrative compensation charges	3,877			692	3,159	7,728
Depreciation, amortization and accretion	102,141		12,665	24,880	980	140,666
Operating income (loss)	(20,172)		(7,101)	3,810	(16,880)	(40,343)
Interest and other income (expense)	521		397	(11,228)	(3,650)	(13,960)
Interest expense and amortization of deferred financing costs	(16,922)		(1,835)	(7,765)	(100,998)	(127,520)
Provision for income taxes	(1,000)		(243)			(1,243)
Minority interests	866		2,602	(1,056)		2,412
Income from discontinued operations		7,541				7,541
Cumulative effect of change in accounting principle for asset retirement obligations	(394)		(57)	(100)		(551)
Net income (loss)	$ (37,101)	$ 7,541	$ (6,237)	$ (16,339)	$ (121,528)	$ (173,664)
Capital expenditures	$ 8,069		$ 1,260	$ 5,192	$ 89	$ 14,610

For the six months ended June 30, 2003, CCUK s capital expenditures of $58,988,000 are included in discontinued operations on the Company s consolidated statement of cash flows.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

12. Restructuring Charges and Asset Write-Down Charges

At December 31, 2003 and June 30, 2004, other accrued liabilities includes $2,716,000 and $2,080,000, respectively, related to restructuring charges. A summary of the restructuring charges by operating segment is as follows:

	Six Months Ended June 30, 2004			
	CCUSA	Crown Atlantic	Corporate Office and Other	Consolidated Total
	(In thousands of dollars)			
Amounts accrued at beginning of period:				
Employee severance	$ 492	$	$ 33	$ 525
Costs of office closures and other	2,143	48		2,191
	2,635	48	33	2,716
Amounts charged (credited) to expense:				
Employee severance			(33)	(33)
Costs of office closures and other				
Total restructuring charges (credits)			(33)	(33)
Amounts paid:				
Employee severance	(333)			(333)
Costs of office closures and other	(239)	(31)		(270)
	(572)	(31)		(603)
Amounts accrued at end of period:				
Employee severance	159			159
Costs of office closures and other	1,904	17		1,921
	$ 2,063	$ 17	$	$ 2,080

During the six months ended June 30, 2004, the Company abandoned or disposed of certain tower sites and sites in development and recorded asset write-down charges of $2,772,000 for CCUSA and $1,044,000 for Crown Atlantic.

13. Subsequent Events

In August of 2004, the Company began purchasing its common stock in public market transactions. Through August 5, 2004, the Company purchased a total of 730,400 shares of common stock. The Company utilized $9,803,000 in cash from an Unrestricted investment subsidiary to effect these common stock purchases.

Upon the closing of the sale of CCUK to National Grid, the Company s stock-based employee compensation awards (comprised of restricted stock awards and stock options) granted to CCUK employees (other than Peter Abery, the President and Managing Director of CCUK) will be modified as to the terms of their vesting and exercise. Such awards will continue to vest after the closing until either April 1, 2005 or September 30, 2005, depending on the position held by the CCUK employee. Further, vested stock options will be exercisable until either September 30, 2005 or December 30, 2005, again depending on the position held by the CCUK employee. As of August 5, 2004, the number of shares of the Company s common stock subject to awards held by CCUK employees includes (1) 352,939 shares of restricted common stock, (2) 646,974 shares for unvested stock options and (3) 1,251,270 shares for vested stock options. The Company expects that the modifications to these awards will generally be treated as the grant of new awards for accounting purposes. As such, compensation charges related to the modified awards will be recognized as part of the calculation of the net gain on the sale of CCUK when the transaction is closed. The awards held by Peter Abery are subject to a severance agreement with stock options vesting and restricted stock awards eligible for vesting over a period of 36 months from the closing date of the CCUK transaction. See Notes 3 and 7.

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

The following discussion is intended to assist in understanding our consolidated financial condition as of June 30, 2004 and our consolidated results of operations for the three- and six-month periods ended June 30, 2003 and 2004. The statements in this discussion regarding the industry outlook, our expectations regarding the future performance of our businesses and the other nonhistorical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks, uncertainties and assumptions, including but not limited to prevailing market conditions and those set forth below under the caption *Liquidity and Capital Resources Factors That Could Affect Future Results* .

The following discussion should be read in conjunction with the response to Part I, Item 1 of this report and the consolidated financial statements of the Company, including the related notes, and Management s Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2004. Any capitalized terms used but not defined in this Item have the same meaning given to them in the Form 10-K.

On June 28, 2004, we signed a definitive agreement to sell our UK subsidiary (CCUK) to an affiliate of National Grid Transco Plc (National Grid). As a result, we have restated our 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 Liquidity and Capital Resources .

Restatement of Previously Issued Financial Statements

Our consolidated results of operations 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 our lease accounting practices. In February of 2005, we adjusted our method of accounting for tenant leases, ground leases and depreciation. The corrections to our consolidated results of operations 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 our two joint ventures with Verizon Communications, they also resulted in changes to minority interests. The cumulative effects of these adjustments on our consolidated statements of operations from inception through June 30, 2004 are as follows: an increase in site rental revenues of $33.1 million; an increase in site rental costs of operations of $95.3 million; an increase in depreciation expense of $171.3 million; an increase in operating losses of $233.4 million; an increase in other expense (attributable to the loss on the issuance of an interest in the Crown Atlantic joint venture) of $3.1 million; an increase in minority interests of $41.9 million; and an increase in net losses of $194.7 million. These adjustments have no effect on our credit (provision) for income taxes since the net impact on deferred tax assets and liabilities is offset by changes in valuation allowances. 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, we have 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, we depreciated all tower assets over a 20-year useful life, without regard to the term of the underlying ground lease, because of our historical experience in successfully renewing ground leases prior to expiration. As a result of this accounting adjustment, we now calculate our 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 us to exercise existing ground lease renewal options, we have 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. We have also shortened the depreciable lives of certain tower assets that have ground lease expirations prior to the end of their useful life. When calculating our straight-line site rental revenues, we now consider all fixed elements of a tenant lease s escalation provisions, even if such escalation provisions also include a variable element. In addition, (1) certain issuance costs from prior financing transactions have been charged to other expense or included with dividends on preferred stock, (2) certain foreign currency translation adjustments have been charged to a prior year s results of operations and (3) certain adjustments have been made to deferred income tax provisions. See Note 1 to our consolidated financial statements for additional information regarding the restatement.

Results of Operations

The following information is derived from our historical Consolidated Statements of Operations for the periods indicated.

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	Three Months Ended June 20, 2003		Three Months Ended June 30, 2004		Six Months Ended June 30, 2003		Six Months Ended June 30, 2004	
	Amount	Percent of Net Revenues	Amount	Percent of Net Revenues	Amount	Percent of Net Revenues	Amount	Percent of Net Revenues
	(As restated)		(As restated)		(As restated)		(As restated)	
	(In thousands of dollars)							
Net revenues:								
Site rental	$ 118,276	85.8%	$ 132,507	87.7%	$ 233,666	86.5%	$ 262,687	88.8%
Network services and other	19,629	14.2	18,513	12.3	36,548	13.5	33,216	