CROWN CASTLE INTERNATIONAL CORP
Form 10-Q/A
May 06, 2005

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 September 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 October 31, 2004: 223,591,172

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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 September 30, 2004. The restatement has also been reported in amendments to our Quarterly Reports on Form 10-Q/A for the quarterly periods ended March 31, 2004 and June 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 nine months ended September 30, 2003 by approximately $19.3 million or $0.09 per share and $43.1 million or $0.21 per share, respectively, and decreased the net income and net income per share for the three and nine months ended September 30, 2004 by approximately $10.7 million or $0.04 per share and $33.5 million or $0.15 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 (As restated)	September 30, 2004 (As restated) (Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$ 409,584	$ 757,005
Short-term investments	26,600	151,500
Receivables:		
Trade, net of allowance for doubtful accounts of $7,603 and $6,763 at December 31, 2003 and September 30, 2004, respectively	37,289	29,977
Other	930	10,479
Inventories	9,615	8,368
Deferred site rental receivable	2,332	3,250
Prepaid expenses and other current assets	27,940	28,127
Assets of discontinued operations (Notes 1 and 3)	2,052,510	
Total current assets	2,566,800	988,706
Property and equipment, net of accumulated depreciation of $1,081,891 and $1,282,435 at December 31, 2003 and September 30, 2004, respectively	3,593,570	3,395,320
Goodwill	270,438	270,438
Deferred site rental receivable	76,333	83,666
Deferred financing costs and other assets, net of accumulated amortization of $39,692 and $33,189 at December 31, 2003 and September 30, 2004, respectively	105,092	85,483
	$ 6,612,233	$ 4,823,613
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 9,785	$ 8,963
Accrued interest	49,063	32,559
Accrued compensation and related benefits	13,397	9,989
Deferred rental revenues and other accrued liabilities	106,384	128,303
Liabilities of discontinued operations (Notes 1 and 3)	353,544	
Long-term debt, current maturities	267,142	
Total current liabilities	799,315	179,814
Long-term debt, less current maturities	3,182,850	1,898,847
Deferred ground lease payable	98,524	111,375
Other liabilities	53,844	43,411
Total liabilities	4,134,533	2,233,447
Commitments and contingencies		
Minority interests	176,645	176,362

Redeemable preferred stock	506,702	507,706
Stockholders equity:		
Common stock, $.01 par value; 690,000,000 shares authorized; shares issued:		
December 31, 2003 220,758,321 and September 30, 2004 223,641,905	2,208	2,236
Additional paid-in capital	3,349,459	3,379,191
Accumulated other comprehensive income (loss)	247,249	40,763
Unearned stock compensation	(8,122)	(14,026)
Accumulated deficit	(1,796,441)	(1,502,066)
Total stockholders equity	1,794,353	1,906,098
	$ 6,612,233	$ 4,823,613

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 September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
	(As restated)	(As restated)	(As restated)	(As restated)
Net revenues:				
Site rental	$ 121,785	$ 135,229	$ 355,451	$ 397,916
Network services and other	17,396	14,956	53,944	48,172
	139,181	150,185	409,395	446,088
Operating expenses:				
Costs of operations (exclusive of depreciation, amortization and accretion):				
Site rental	44,160	45,754	132,888	135,682
Network services and other	10,178	10,786	34,608	34,054
General and administrative	21,422	22,641	64,160	66,936
Corporate development	1,039	211	3,577	1,021
Restructuring charges (credits)	(1,058)	(445)	1,291	(478)
Asset write-down charges	6,137		7,517	3,816
Non-cash general and administrative compensation charges	6,205	1,442	13,933	9,860
Depreciation, amortization and accretion	70,276	70,030	210,942	211,449
	158,359	150,419	468,916	462,340
Operating income (loss)	(19,178)	(234)	(59,521)	(16,252)
Other income (expense):				
Interest and other income (expense)	(43,382)	(13,590)	(57,342)	(40,353)
Interest expense, amortization of deferred financing costs and dividends on preferred stock	(62,408)	(52,281)	(189,928)	(166,171)
Loss from continuing operations before income taxes, minority interests and cumulative effect of change in accounting principle	(124,968)	(66,105)	(306,791)	(222,776)
Provision for income taxes	(585)	6,856	(1,828)	5,519
Minority interests	1,496	(544)	3,908	(952)
Loss from continuing operations before cumulative effect of change in accounting principle	(124,057)	(59,793)	(304,711)	(218,209)
Discontinued operations (Notes 1 and 3):				
Income from operations of CCUK, net of tax	5,076	15,400	12,617	46,399
Net gain on disposal of CCUK, net of tax		495,049		495,049
Income from discontinued operations, net of tax	5,076	510,449	12,617	541,448

Income (loss) before cumulative effect of change in accounting principle	(118,981)	450,656	(292,094)	323,239
Cumulative effect of change in accounting principle for asset retirement obligations			(551)	
Net income (loss)	(118,981)	450,656	(292,645)	323,239
Dividends on preferred stock, net of gains (losses) on purchases of preferred stock	(9,496)	(9,836)	(45,900)	(28,864)
Net income (loss) after deduction of dividends on preferred stock, net of gains (losses) on purchases of preferred stock	$ (128,477)	$ 440,820	$ (338,545)	$ 294,375
Net income (loss)	$ (118,981)	$ 450,656	$ (292,645)	$ 323,239
Other comprehensive income (loss):				
Foreign currency translation adjustments	9,639	(2,841)	74,586	12,335
Less: reclassification adjustment for foreign currency translation adjustments included in net income (loss)		(232,893)		(232,893)
Derivative instruments:				
Net change in fair value of cash flow hedging instruments	67	(210)	(1,408)	(40)
Amounts reclassified into results of operations	1,810	725	5,188	2,599
Minimum pension liability adjustment		11,513		11,513
Comprehensive income (loss)	$ (107,465)	$ 226,950	$ (214,279)	$ 116,753
Per common share basic and diluted:				
Loss from continuing operations before cumulative effect of change in accounting principle	$ (0.62)	$ (0.31)	$ (1.62)	$ (1.12)
Income from discontinued operations	0.03	2.29	0.06	2.45
Cumulative effect of change in accounting principle			(0.01)	
Net income (loss)	$ (0.59)	$ 1.98	$ (1.57)	$ 1.33
Common shares outstanding basic and diluted (in thousands)	216,621	222,841	216,516	221,329

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)

	Nine Months Ended September 30,	
	2003	2004
	(As restated)	(As restated)
Cash flows from operating activities:		
Net income (loss)	$ (292,645)	$ 323,239
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation, amortization and accretion	210,942	211,449
Losses on purchases and redemption of long-term debt	18,858	38,253
Non-cash general and administrative compensation charges	13,933	9,860
Amortization of deferred financing costs, discounts on long-term debt and dividends on preferred stock	54,724	7,978
Minority interests and loss on issuance of interest in joint venture	7,332	952
Equity in losses and write-downs of unconsolidated affiliates	807	3,991
Asset write-down charges	7,517	3,816
Income from discontinued operations	(12,617)	(541,448)
Losses on purchases of preferred stock	26,996	
Cumulative effect of change in accounting principle	551	
Changes in assets and liabilities:		
Decrease in receivables	19,513	6,312
Decrease in accrued interest	(21,360)	(16,504)
Increase (decrease) in deferred rental revenues and other liabilities	(203)	857
Decrease (increase) in inventories, prepaid expenses and other assets	3,205	(6,732)
Decrease in accounts payable	(6,918)	(814)
Net cash provided by operating activities	30,635	41,209
Cash flows from investing activities:		
Proceeds from disposition of property and equipment	11,692	2,726
Capital expenditures	(20,702)	(29,215)
Investments in affiliates and other	(13,245)	(11,119)
Maturities of investments	789,960	250,100
Purchases of investments	(628,263)	(375,000)
Acquisition of minority interest in joint venture	(5,873)	
Net cash provided by (used for) investing activities	133,569	(162,508)
Cash flows from financing activities:		
Proceeds from issuance of capital stock	4,532	30,074
Principal payments on long-term debt	(9,500)	(1,289,750)
Purchases and redemption of long-term debt	(251,867)	(267,359)
Purchases of capital stock	(281,468)	(52,990)
Net borrowings (payments) under revolving credit agreements	(35,000)	(15,000)
Incurrence of financing costs	(7,441)	(444)
Proceeds from issuance of long-term debt	230,000	

Net cash used for financing activities	(350,744)	(1,595,469)
Effect of exchange rate changes on cash	3,269	(105)
Discontinued operations (Notes 1 and 3)	945	2,064,294
Net increase (decrease) in cash and cash equivalents	(182,326)	347,421
Cash and cash equivalents at beginning of period	339,837	409,584
Cash and cash equivalents at end of period	$ 157,511	$ 757,005
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	$ 153,858	$ 172,376
Income taxes paid	328	481

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 September 30, 2004, the consolidated results of operations for the three and nine months ended September 30, 2003 and 2004, and the consolidated cash flows for the nine months ended September 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. On August 31, 2004, the Company completed the sale of CCUK. See Note 3.

Effects of Restatement

The consolidated financial statements as presented for the three and nine months ended September 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 adjustments for depreciation expense also effected the discontinued operations of CCUK, resulting in a change to the net gain on disposal (see Note 3). The cumulative effects of these adjustments on the Company s consolidated statements of operations from inception through September 30, 2004 are as follows: an increase in site rental revenues of $34,258,000; an increase in site rental costs of operations of $98,822,000; an increase in depreciation expense of $180,715,000; an increase in operating losses of $245,279,000; 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 $43,071,000; a decrease in income from operations of CCUK, and a corresponding increase in the net gain on disposal of CCUK, of $4,839,000; and an increase in net losses of $205,334,000. 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).

CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

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 (1) 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, and (2) an adjustment to the estimated tax on the sale of CCUK (see Note 3). The deferred income tax provisions amounted to $4,000,000, $2,000,000 and $1,500,000 for the years ended December 31, 2002 and 2003 and the nine months ended September 30, 2004, respectively. Such amounts had previously been inappropriately offset by deferred tax assets. Upon the sale of CCUK, the Company incurred a federal alternative minimum tax which has been increased by $7,000,000 for certain adjustments to the tax basis of CCUK s assets. A deferred tax asset arising from the carryforward of such alternative minimum tax can be offset against the deferred tax liabilities, resulting in a $7,500,000 deferred income tax credit for the nine months ended September 30, 2004.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The adjustments to amounts previously presented in the consolidated statement of operations for the three and nine months ended September 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 September 30, 2003:			
Site rental revenues	$ 120,127	$ 1,658	$ 121,785
Site rental costs of operations	40,062	4,098	44,160
Depreciation expense	60,846	9,430	70,276
Operating income (loss)	(7,308)	(11,870)	(19,178)
Interest and other income (expense)	(35,104)	(8,278)	(43,382)
Credit (provision) for income taxes	(85)	(500)	(585)
Minority interests	151	1,345	1,496
Net income (loss)	(99,678)	(19,303)	(118,981)
Net income (loss) per common share basic and diluted	(0.50)	(0.09)	(0.59)
Three Months Ended September 30, 2004:			
Site rental revenues	$ 134,090	$ 1,139	$ 135,229
Site rental costs of operations	42,196	3,558	45,754
Depreciation expense	60,587	9,443	70,030
Operating income (loss)	11,628	(11,862)	(234)
Credit (provision) for income taxes	(144)	7,000	6,856
Minority interests	(1,729)	1,185	(544)
Income from discontinued operations, net of tax	517,449	(7,000)	510,449
Net income (loss)	461,333	(10,677)	450,656
Net income (loss) per common share basic and diluted	2.02	(0.04)	1.98
Nine Months Ended September 30, 2003:			
Site rental revenues	$ 350,608	$ 4,843	$ 355,451
Site rental costs of operations	120,655	12,233	132,888
Depreciation expense	183,072	27,870	210,942
Operating income (loss)	(24,261)	(35,260)	(59,521)
Interest and other income (expense)	(45,938)	(11,404)	(57,342)
Credit (provision) for income taxes	(328)	(1,500)	(1,828)
Minority interests	(1,136)	5,044	3,908
Net income (loss)	(249,525)	(43,120)	(292,645)
Dividends on preferred stock, net of gains (losses) on purchases of preferred stock	(43,948)	(1,952)	(45,900)
Net income (loss) per common share basic and diluted	(1.36)	(0.21)	(1.57)
Nine Months Ended September 30, 2004:			
Site rental revenues	$ 394,422	$ 3,494	$ 397,916
Site rental costs of operations	124,974	10,708	135,682
Depreciation expense	182,931	28,518	211,449
Operating income (loss)	19,480	(35,732)	(16,252)
Interest and other income (expense)	(39,966)	(387)	(40,353)

Credit (provision) for income taxes	(481)	6,000	5,519
Minority interests	(4,538)	3,586	(952)
Income from discontinued operations, net of tax	548,448	(7,000)	541,448
Net income (loss)	356,772	(33,533)	323,239
Net income (loss) per common share basic and diluted	1.48	(0.15)	1.33

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The following tables describe the effects of the restatement on net income (loss) and the related per share amounts for the three and nine months ended September 30, 2003 and 2004.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
	(In thousand of dollars, except per share amounts)			
Net income (loss), as previously stated	$ (99,678)	$ 461,333	$ (249,525)	$ 356,772
Adjustments to site rental revenues	1,658	1,139	4,843	3,494
Adjustments to site rental costs of operations	(4,098)	(3,558)	(12,233)	(10,708)
Adjustments to depreciation expense	(9,430)	(9,443)	(27,870)	(28,518)
Adjustments to interest and other income (expense)	(8,278)		(11,404)	(387)
Adjustments to credit (provision) for income taxes	(500)	7,000	(1,500)	6,000
Adjustments to minority interests	1,345	1,185	5,044	3,586
Adjustments to income from discontinued operations, net of tax		(7,000)		(7,000)
Net income (loss), as restated	(118,981)	450,656	(292,645)	323,239
Dividends on preferred stock, net of gains (losses) on purchases of preferred stock, as restated	(9,496)	(9,836)	(45,900)	(28,864)
Net income (loss) after deduction of dividends on preferred stock, net of gains (losses) on purchases of preferred stock, as restated	$ (128,477)	$ 440,820	$ (338,545)	$ 294,375
Per common share basic and diluted:				
Net income (loss), as previously stated	$ (0.50)	$ 2.02	$ (1.36)	$ 1.48
Adjustments to site rental revenues	0.01	0.01	0.02	0.01
Adjustments to site rental costs of operations	(0.02)	(0.02)	(0.06)	(0.05)
Adjustments to depreciation expense	(0.05)	(0.04)	(0.13)	(0.13)
Adjustments to interest and other income (expense)	(0.04)		(0.05)	
Adjustments to credit (provision) for income taxes		0.03	(0.01)	0.03
Adjustments to minority interests	0.01	0.01	0.03	0.02
Adjustments to income from discontinued operations, net of tax		(0.03)		(0.03)
Adjustments to dividends on preferred stock, net of gains (losses) on purchases of preferred stock			(0.01)	
Net income (loss), as restated	$ (0.59)	$ 1.98	$ (1.57)	$ 1.33

The following table describes the effects of the restatement on comprehensive income (loss) for the three and nine months ended September 30, 2003 and 2004.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
	(In thousand of dollars)			
Comprehensive income (loss), as previously stated	$ (87,678)	$ 239,416	$ (165,313)	$ 148,693
Adjustments to net income (loss)	(19,303)	(10,677)	(43,120)	(33,533)
Adjustments to foreign currency translation adjustments	(484)	(1,789)	(5,846)	1,593
Comprehensive income (loss), as restated	$ (107,465)	$ 226,950	$ (214,279)	$ 116,753

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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

	Property and Equipment	Goodwill	Deferred Site Rental Receivable(a)	Deferred Financing Costs and Other Assets	Deferred Rental Revenues and Other Accrued Liabilities	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	$ 106,384	$	$ 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 credit (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	$ 106,384	$ 98,524	$ 53,844	$ 176,645	$ 1,794,353
Balances as of September 30, 2004, as previously stated	$ 3,583,257	$ 267,071	$	$ 133,105	$ 121,303	$	$ 54,037	$ 211,176	$ 2,128,098
Reclassification of previously stated amounts			51,024	(47,235)		10,626	(10,626)		
Adjustments to site rental revenues			34,258						34,258
Adjustments to site rental costs of operations						98,822			(98,822)
Adjustments to depreciation expense	(180,715)								(180,715)
Adjustments to interest and other income (expense)				(387)					(387)
Adjustments to credit (provision) for income taxes									
Adjustments to minority interests								(43,071)	43,071
Adjustments to income from discontinued operations, net of tax					7,000				(7,000)
Adjustments to purchase price allocation for acquisition	4,386	3,367						10,879	(3,126)
Foreign currency translation adjustments (b)	(11,608)		1,634			1,927		(2,622)	(9,279)
Balances as of September 30, 2004, as restated	$ 3,395,320	$ 270,438	$ 86,916	$ 85,483	$ 128,303	$ 111,375	$ 43,411	$ 176,362	$ 1,906,098

(a) Balances as of December 31, 2003 and September 30, 2004, as restated, include current portion of $2,332 and $3,250, respectively.

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

Investments

As of December 31, 2003 and September 30, 2004, 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 and 2004 balances 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.

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 income (loss) and income (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 income (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 September 30,		Nine Months Ended September 30,	
	2003	2004	2003	2004
	(As restated)	(As restated)	(As restated)	(As restated)
	(In thousands of dollars, except per share amounts)			
Net income (loss), as reported	$ (118,981)	$ 450,656	$ (292,645)	$ 323,239
Add: Stock-based employee compensation expense included in reported net loss	10,444	8,326	20,570	19,047
Deduct: Total stock-based employee compensation expense determined under fair value based method for all awards	(16,244)	(10,842)	(40,165)	(27,271)
Net income (loss), as adjusted	(124,781)	448,140	(312,240)	315,015
Dividends on preferred stock, net of gains (losses) on purchases of preferred stock	(9,496)	(9,836)	(45,900)	(28,864)
Net income (loss) applicable to common stock for basic and diluted computations, as adjusted	$ (134,277)	$ 438,304	$ (358,140)	$ 286,151
Net income (loss) per common share basic and diluted:				
As reported	$ (0.59)	$ 1.98	$ (1.57)	$ 1.33
As adjusted	$ (0.62)	$ 1.97	$ (1.65)	$ 1.29

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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 $46,000 and $51,000 for the three months ended September 30, 2003 and 2004, respectively, and $133,000 and $151,000 for the nine months ended September 30, 2003 and 2004, respectively. At December 31, 2003 and September 30, 2004, liabilities for contingent retirement obligations amounted to $1,584,000 and $1,628,000, 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 11.

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 12¾% Exchangeable Preferred Stock was to be reclassified as a liability upon adoption of SFAS 150 and (2) its 8¼% 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 12¾% 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 12¾% Exchangeable Preferred Stock in December of 2003.

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, subject to certain working capital type adjustments. On August 31, 2004, the Company completed the sale of CCUK. The proceeds for the transaction amounted to $2,027,973,000, after taking into account preliminary working capital type adjustments. In accordance with the terms of the Company s 2000 Credit Facility, the Company was 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. 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. On September 10, 2004, in order to satisfy these requirements under the indentures, the Company voluntarily commenced an offer to purchase certain of its outstanding public debt securities in advance of the one year time period. On October 12, 2004, the Company purchased $465,000 in outstanding principal amount of tendered notes (see Note 5).

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

The carrying amounts of CCUK s assets and liabilities are as follows:

	December 31, 2003	August 31, 2004 (Date of sale)
		(As restated)
	(In thousands of dollars)	
Assets:		
Cash and cash equivalents	$ 26,243	$ 53,621
Receivables	43,834	37,923
Inventories	5,927	6,384
Prepaid expenses and other current assets	49,605	40,458
Property and equipment, net	986,872	972,403
Goodwill	939,642	949,782
Other assets, net	387	809
Assets of discontinued operations	$ 2,052,510	$ 2,061,380
Liabilities:		
Accounts payable	$ 30,964	$ 30,930
Other current liabilities	166,795	133,545
Other liabilities	155,785	182,522
Liabilities of discontinued operations	$ 353,544	$ 346,997

As of August 31, 2004, the Company s consolidated stockholders equity accounts included foreign currency translation adjustments and a minimum pension liability adjustment of $232,893,000 and $(11,513,000), respectively, related to CCUK s assets and liabilities. Such adjustments were included in accumulated other comprehensive income (loss) on the Company s consolidated balance sheet and are part of the calculation of the net gain on the sale of CCUK.

The Company has recognized a net gain (as restated) of $495,049,000 during the third quarter of 2004 in connection with the sale of CCUK. Such gain is net of taxes of $18,000,000 (as restated), representing the Company s estimated U.S. federal alternative minimum tax resulting from the transaction. This tax amount is included in other accrued liabilities on the Company s consolidated balance sheet as of September 30, 2004. The cash proceeds from the transaction ($2,022,566,000), the cash payments for fees and expenses for the transaction ($12,776,000), and the net cash payments received from CCUK for the nine months ended September 30, 2004 ($54,504,000) are included as discontinued operations on the Company s consolidated statement of cash flows. The net gain is calculated as follows (in thousands of dollars, as restated):

Proceeds from sale	$ 2,027,973
Assets of discontinued operations	(2,061,380)
Liabilities of discontinued operations	346,997
Foreign currency translation adjustments	232,893
Minimum pension liability adjustment	(11,513)
Fees and expenses	(12,776)
Severance costs	(2,663)
Compensation charges related to modified stock-based employee awards	(6,482)
Net gain on disposal of CCUK before income taxes	513,049
Estimated federal alternative minimum tax	(18,000)
Net gain on disposal of CCUK, net of tax	$ 495,049

Upon the closing of the sale of CCUK to National Grid, the Company s stock-based employee compensation awards (comprised of restricted common stock and stock options) granted to CCUK employees (other than the President and Managing Director of CCUK) were 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 31, 2004, the number of shares of the Company s common stock subject to awards held by CCUK employees includes (1) 351,533 shares of restricted common stock, (2) 620,432 shares for unvested stock options and (3) 1,262,035

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

shares for vested stock options. The modifications to these awards have generally been treated as the grant of new awards for accounting purposes. As such, compensation charges related to the modified awards amounting to $6,482,000 have been recognized as part of the calculation of the net gain on the sale of CCUK. The awards held by the President and Managing Director of CCUK are subject to a severance agreement with stock options vesting and restricted common stock eligible for vesting over a period of 36 months from the closing date of the CCUK transaction. See Notes 7 and 12.

CCUK s financial results have historically been presented as a separate operating segment (see Note 10). A summary of CCUK s operating results is as follows:

	Three Months Ended September 30, 2003	Two Months Ended August 31, 2004 (Date of sale)	Nine Months Ended September 30, 2003	Eight Months Ended August 31, 2004 (Date of sale)
		(As restated)		(As restated)
	(In thousands of dollars)			
Net revenues	$ 98,054	$ 74,700	$ 271,950	$ 291,399
Income before income taxes and cumulative effect of change in accounting principle	$ 9,227	$ 29,322	$ 25,393	$ 73,561
Provision for income taxes	(4,151)	(13,922)	(11,292)	(27,162)
Cumulative effect of change in accounting principle for asset retirement obligations			(1,484)	
Income from discontinued operations	$ 5,076	$ 15,400	$ 12,617	$ 46,399

4. Goodwill and Other Intangible Assets

As of December 31, 2003 and September 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).

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:

	Nine Months Ended September 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		(1,389)	(1,389)
Balance at end of period	$ 30,005	$ (16,042)	$ 13,963
Estimated aggregate annual amortization expense:			
Years ending December 31, 2004 through 2008		$ 1,852	

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

5. Long-term Debt

Long-term debt consists of the following:

	December 31, 2003	September 30, 2004
	(In thousands of dollars)	
2000 Credit Facility	$ 1,289,750	$
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	10,700
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	1,898,847
Less: current maturities	(267,142)	
	$ 3,182,850	$ 1,898,847

2000 Credit Facility

On June 28, 2004, the Company signed a definitive agreement to sell CCUK to an affiliate of National Grid. On August 31, 2004, the Company completed the sale of CCUK. In accordance with the terms of the 2000 Credit Facility, the Company was required to use $1,286,568,000 of the proceeds from the transaction to fully repay the outstanding borrowings under the 2000 Credit Facility, including accrued interest and fees of $11,183,000. The repayment of the 2000 Credit Facility resulted in a loss of $13,886,000, consisting of the write-off of unamortized deferred financing costs. Such loss is included in interest and other income (expense) on the Company s consolidated statement of operations. 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 nine months ended September 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.

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 9½% 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 9½% 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 9½% 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 9½% 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

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

($10,010,000). Such losses are included in interest and other income (expense) on the Company s consolidated statement of operations for the nine months ended September 30, 2004. The 9% Senior Notes and 9½% 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 11 $^{1}/4$% 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 nine months ended September 30, 2004.

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 (see Note 3). On September 10, 2004, in order to satisfy these requirements under the indentures, the Company voluntarily commenced an offer to purchase for cash up to $216,412,000 of its 10 $^{3}/4$% Senior Notes, $205,574,000 of its 9 $^{3}/8$% Senior Notes, $151,445,000 of its 7.5% Senior Notes and $151,445,000 of its 7.5% Series B Senior Notes in advance of the one year time period. The offer to purchase these securities expired on October 8, 2004, at which time the Company accepted an aggregate of $465,000 in notes that had been tendered. On October 12, 2004, the Company utilized $475,000 of its cash to purchase the $465,000 in outstanding principal amount of the tendered notes, including accrued interest thereon of $10,000. The purchase of the tendered notes will result in a loss of $10,000 for the fourth quarter of 2004, consisting of the write-off of unamortized deferred financing costs. Such loss will be included in interest and other income (expense) on the Company s consolidated statement of operations for the year ending December 31, 2004.

The Company anticipates that it may purchase additional debt securities using a portion of the proceeds from the sale of CCUK. See Notes 3 and 12.

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:

	September 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	$ 684,497	$ 72,508	$	$ 757,005
Other current assets	224,759	6,942		231,701
Property and equipment, net	2,761,646	633,674		3,395,320
Investments in Unrestricted Subsidiaries	433,311		(433,311)	
Goodwill	215,061	55,377		270,438
Deferred site rental receivable	80,578	3,088		83,666
Other assets, net	52,575	32,908		85,483
	$ 4,452,427	$ 804,497	$ (433,311)	$ 4,823,613
Current liabilities	$ 161,411	$ 18,403	$	$ 179,814
Long-term debt, less current maturities	1,718,847	180,000		1,898,847
Deferred ground lease payable	88,426	22,949		111,375
Other liabilities	40,224	3,187		43,411
Minority interests	29,715	146,647		176,362
Redeemable preferred stock	507,706			507,706
Stockholders equity	1,906,098	433,311	(433,311)	1,906,098
	$ 4,452,427	$ 804,497	$ (433,311)	$ 4,823,613

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended September 30, 2004			Nine Months Ended September 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	$ 119,809	$ 30,376	$ 150,185	$ 355,993	$ 90,095	$ 446,088
Costs of operations (exclusive of depreciation, amortization and accretion)	44,364	12,176	56,540	133,965	35,771	169,736
General and administrative	19,181	3,460	22,641	57,881	9,055	66,936
Corporate development	211		211	1,021		1,021
Restructuring charges (credits)	(428)	(17)	(445)	(461)	(17)	(478)
Asset write-down charges				2,772	1,044	3,816
Non-cash general and administrative compensation charges	1,296	146	1,442	8,907	953	9,860
Depreciation, amortization and accretion	57,409	12,621	70,030	173,838	37,611	211,449
Operating income (loss)	(2,224)	1,990	(234)	(21,930)	5,678	(16,252)
Interest and other income (expense)	(12,381)	(1,209)	(13,590)	(36,732)	(3,621)	(40,353)
Interest expense and amortization of deferred financing costs	(49,765)	(2,516)	(52,281)	(158,515)	(7,656)	(166,171)
Credit for income taxes	6,856		6,856	5,519		5,519
Minority interests	1,356	(1,900)	(544)	4,033	(4,985)	(952)
Income (loss) from discontinued operations	510,450	(1)	510,449	541,617	(169)	541,448
Net income (loss)	$ 454,292	$ (3,636)	$ 450,656	$ 333,992	$ (10,753)	$ 323,239

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 10 3/4% 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 September 30, 2004	$ 99,346
Consolidated Cash Flow, for the twelve months ended September 30, 2004	$ 397,946
Less: Tower Cash Flow, for the twelve months ended September 30, 2004	(425,092)

Plus: four times Tower Cash Flow, for the three months ended September 30, 2004		397,384
Adjusted Consolidated Cash Flow, for the twelve months ended September 30, 2004	$	370,238

The amounts presented above for Tower Cash Flow, Consolidated Cash Flow and Adjusted Consolidated Cash Flow include the operating results from CCUK through August 31, 2004 (the date of sale). 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 $6,391,000 and expire on various dates through October 2005.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Redeemable Preferred Stock

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

	December 31, 2003	September 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	$ 196,922
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	310,784
	$ 506,702	$ 507,706

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 purchased 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 issuances and purchases of stock in the future in order to offset dilution caused by the issuance of common stock as dividends on its preferred stock. See Note 7.

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.

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 were modified upon the closing of the sale of CCUK (see Notes 3 and 12).

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

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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.

In August of 2004, the Company began purchasing its common stock in public market transactions. Through September 3, 2004, the Company purchased a total of 2,666,400 shares of common stock. The Company utilized $35,981,000 in cash from an Unrestricted investment subsidiary to effect these common stock purchases. The Company may choose to continue purchases of common stock in the future. See Note 6.

8. 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 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 September 30,		Nine Months Ended September 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	$ (124,057)	$ (59,793)	$ (304,711)	$ (218,209)
Dividends on preferred stock	(9,496)	(9,836)	(44,297)	(28,864)
Gains (losses) on purchases of preferred stock			(1,603)	
Loss from continuing operations before cumulative effect of change in accounting principle applicable to common stock for basic and diluted computations	(133,553)	(69,629)	(350,611)	(247,073)
Income from discontinued operations	5,076	510,449	12,617	541,448
Cumulative effect of change in accounting principle			(551)	
Net income (loss) applicable to common stock for basic and diluted computations	$ (128,477)	$ 440,820	$ (338,545)	$ 294,375
Weighted-average number of common shares outstanding during the period for basic and diluted computations (in thousands)	216,621	222,841	216,516	221,329

Per common share basic and diluted:				
Loss from continuing operations before cumulative effect of change in accounting principle	$ (0.62)	$ (0.31)	$ (1.62)	$ (1.12)
Income from discontinued operations	0.03	2.29	0.06	2.45
Cumulative effect of change in accounting principle			(0.01)	
Net income (loss)	$ (0.59)	$ 1.98	$ (1.57)	$ 1.33

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

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 from continuing operations for all periods presented.

	September 30,	
	2003	2004
	(In thousands)	
Options to purchase shares of common stock	20,659	15,403
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 8 1/4% Cumulative Convertible Redeemable Preferred Stock which are convertible into shares of common stock at a conversion price of $26.875 per share	7,442	7,442
Shares of 6.25% Convertible Preferred Stock which are convertible into shares of common stock at a conversion price of $36.875 per share	8,625	8,625
Shares of restricted common stock	1,890	1,389
4% Convertible Senior Notes which are convertible into shares of common stock at a conversion price of $10.83 per share	21,237	21,237
Total potential common shares	61,493	55,736

As of September 30, 2004, outstanding stock options include (1) 7,223,000 options at exercise prices ranging from $-0- to $14.81 per share and a weighted-average exercise price of $8.68 per share, and (2) 8,180,000 options at exercise prices ranging from $15.13 to $39.75 per share and a weighted-average exercise price of $23.51 per share.

9. 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 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.

10. 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.

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

As a result of the 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 September 30, 2004					
	CCUSA	CCUK	CCAL	Crown Atlantic	Corporate Office and Other	Consolidated Total
	(As restated)	(As restated)	(As restated)	(As restated)		(As restated)
	(In thousands of dollars)					
Net revenues:						
Site rental	$ 97,039	$	$ 9,683	$ 28,507	$	$ 135,229
Network services and other	12,112		975	1,869		14,956
	109,151		10,658	30,376		150,185
Costs of operations (exclusive of depreciation, amortization and accretion)	40,140		4,319	12,081		56,540
General and administrative	13,069		2,508	1,289	5,775	22,641
Corporate development					211	211
Adjusted EBITDA	55,942		3,831	17,006	(5,986)	70,793
Restructuring charges (credits)	(428)			(17)		(445)
Non-cash general and administrative compensation charges	725		9	144	564	1,442
Depreciation, amortization and accretion	50,674		6,741	12,516	99	70,030
Operating income (loss)	4,971		(2,919)	4,363	(6,649)	(234)
Interest and other income (expense)	(11,852)		(368)	45	(1,415)	(13,590)
Interest expense and amortization of deferred financing costs	(11,661)		(978)	(2,516)	(37,126)	(52,281)
Credit (provision) for income taxes	7,000		(144)			6,856
Minority interests			1,356	(1,900)		(544)
Income from discontinued operations		510,449				510,449
Net income (loss)	$ (11,542)	$ 510,449	$ (3,053)	$ (8)	$ (45,190)	$ 450,656
Capital expenditures	$ 7,058		$ 576	$ 2,086	$ 38	$ 9,758
Total assets (at period end)	$ 2,968,864	$	$ 269,662	$ 733,746	$ 851,341	$ 4,823,613

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Nine Months Ended September 30, 2004					
	CCUSA	CCUK	CCAL	Crown Atlantic	Corporate Office and Other	Consolidated Total
	(As restated)	(As restated)	(As restated)	(As restated)		(As restated)
	(In thousands of dollars)					
Net revenues:						
Site rental	$ 283,232	$	$ 30,386	$ 84,298	$	$ 397,916
Network services and other	39,338		3,302	5,532		48,172
	322,570		33,688	89,830		446,088
Costs of operations (exclusive of depreciation, amortization and accretion)	120,603		13,775	35,358		169,736
General and administrative	39,417		7,518	4,015	15,986	66,936
Corporate development					1,021	1,021
Adjusted EBITDA	162,550		12,395	50,457	(17,007)	208,395
Restructuring charges (credits)	(428)			(17)	(33)	(478)
Asset write-down charges	2,772			1,044		3,816
Non-cash general and administrative compensation charges	4,372		50	949	4,489	9,860
Depreciation, amortization and accretion	152,973		20,723	37,303	450	211,449
Operating income (loss)	2,861		(8,378)	11,178	(21,913)	(16,252)
Interest and other income (expense)	(11,682)		(689)	(235)	(27,747)	(40,353)
Interest expense and amortization of deferred financing costs	(43,328)		(3,438)	(7,656)	(111,749)	(166,171)
Credit (provision) for income taxes	6,000		(481)			5,519
Minority interests			4,033	(4,985)		(952)
Income from discontinued operations		541,448				541,448
Net income (loss)	$ (46,149)	$ 541,448	$ (8,953)	$ (1,698)	$ (161,409)	$ 323,239
Capital expenditures	$ 23,230		$ 1,161	$ 4,565	$ 259	$ 29,215

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Three Months Ended September 30, 2003					
	CCUSA	CCUK	CCAL	Crown Atlantic	Corporate Office and Other	Consolidated Total
	(As restated)		(As restated)	(As restated)	(As restated)	(As restated)
	(In thousands of dollars)					
Net revenues:						
Site rental	$ 88,490	$	$ 7,786	$ 25,509	$	$ 121,785
Network services and other	12,999		1,035	3,362		17,396
	101,489		8,821	28,871		139,181
Costs of operations (exclusive of depreciation, amortization and accretion)	40,078		3,751	10,509		54,338
General and administrative	11,985		2,037	1,445	5,955	21,422
Corporate development					1,039	1,039
Adjusted EBITDA	49,426		3,033	16,917	(6,994)	62,382
Restructuring charges (credits)	(734)			(324)		(1,058)
Asset write-down charges	1,991			4,146		6,137
Non-cash general and administrative compensation charges	2,798			656	2,751	6,205
Depreciation, amortization and accretion	50,492		6,776	12,572	436	70,276
Operating income (loss)	(5,121)		(3,743)	(133)	(10,181)	(19,178)
Interest and other income (expense)	(168)		218	145	(43,577)	(43,382)
Interest expense, amortization of deferred financing costs and dividends on preferred stock	(7,852)		(922)	(3,809)	(49,825)	(62,408)
Provision for income taxes	(500)		(85)			(585)
Minority interests			1,342	154		1,496
Income from discontinued operations		5,076				5,076
Net income (loss)	$ (13,641)	$ 5,076	$ (3,190)	$ (3,643)	$ (103,583)	$ (118,981)
Capital expenditures	$ 3,164		$ 735	$ 2,165	$ 28	$ 6,092

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Nine Months Ended September 30, 2003					
	CCUSA	CCUK	CCAL	Crown Atlantic	Corporate Office and Other	Consolidated Total
	(As restated)		(As restated)	(As restated)	(As restated)	(As restated)
	(In thousands of dollars)					
Net revenues:						
Site rental	$ 257,811	$	$ 21,875	$ 75,765	$	$ 355,451
Network services and other	41,149		2,677	10,118		53,944
	298,960		24,552	85,883		409,395
Costs of operations (exclusive of depreciation, amortization and accretion)	121,965		10,570	34,961		167,496
General and administrative	38,048		5,385	4,569	16,158	64,160
Corporate development					3,577	3,577
Adjusted EBITDA	138,947		8,597	46,353	(19,735)	174,162
Restructuring charges (credits)	1,580			(289)		1,291
Asset write-down charges	3,352			4,165		7,517
Non-cash general and administrative compensation charges	6,675			1,348	5,910	13,933
Depreciation, amortization and accretion	152,633		19,441	37,452	1,416	210,942
Operating income (loss)	(25,293)		(10,844)	3,677	(27,061)	(59,521)
Interest and other income (expense)	353		615	(11,083)	(47,227)	(57,342)
Interest expense, amortization of deferred financing costs and dividends on preferred stock	(24,774)		(2,757)	(11,574)	(150,823)	(189,928)
Provision for income taxes	(1,500)		(328)			(1,828)
Minority interests	866		3,944	(902)		3,908
Income from discontinued operations		12,617				12,617
Cumulative effect of change in accounting principle for asset retirement obligations	(394)		(57)	(100)		(551)
Net income (loss)	$ (50,742)	$ 12,617	$ (9,427)	$ (19,982)	$ (225,111)	$ (292,645)
Capital expenditures	$ 11,233		$ 1,995	$ 7,357	$ 117	$ 20,702

11. Restructuring Charges and Asset Write-Down Charges

At December 31, 2003 and September 30, 2004, other accrued liabilities includes $2,716,000 and $1,487,000, respectively, related to restructuring charges. A summary of the restructuring charges by operating segment is as follows:

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CROWN CASTLE INTERNATIONAL CORP. AND SUBSIDIARIES

CONDENSED NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

	Nine Months Ended September 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	(428)	(17)		(445)
Total restructuring charges (credits)	(428)	(17)	(33)	(478)
Amounts paid:				
Employee severance	(492)			(492)
Costs of office closures and other	(228)	(31)		(259)
	(720)	(31)		(751)
Amounts accrued at end of period:				
Employee severance				
Costs of office closures and other	1,487			1,487
	$ 1,487	$	$	$ 1,487

During the nine months ended September 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.

12. Subsequent Events

On October 27, 2004, the market performance of the Company s common stock reached the first target level for accelerated vesting of the restricted common shares that had been issued during March, April and May of 2004 (see Note 7). This first target level was reached when the market price of the Company s common stock closed at or above $14.81 per share (125% of the base price of $11.85 per share) for twenty consecutive trading days. As a result, the restrictions expired with respect to the first third of such outstanding shares during the fourth quarter of

2004. The acceleration of the vesting for these shares will result in the recognition of non-cash general and administrative compensation charges of approximately $3,133,000 for the three months ending December 31, 2004, of which $2,495,000 will be recorded in continuing operations and $638,000 will be charged to the net gain on disposal of CCUK (see Note 3). Most of the executives and employees sold 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 153,100 of such shares of common stock (at a price of $15.52 per share) for a total of $2,376,000 in cash. The Company utilized cash from an Unrestricted investment subsidiary to effect the stock purchase.

On November 4, 2004, the Company entered into an agreement with a subsidiary of Verizon Communications (Verizon) to acquire Verizon s 37.245% equity interest in the Crown Castle Atlantic venture (Crown Atlantic). On that date, the Company acquired such equity interest for $295,000,000 in cash, inclusive of approximately $15,000,000 of net working capital. Following the transaction, the Company owns 100% of Crown Atlantic. The Company will account for the acquisition of the minority interest in Crown Atlantic using the purchase method. Following this transaction, the Company intends to combine the Crown Atlantic operating segment with the CCUSA operating segment (see Note 10). This change in reportable segments will be made in the Company s consolidated financial statements for the year ending December 31, 2004, and segment information for all prior periods presented will be restated at that time.

On November 8, 2004, the Company commenced a cash tender offer for all of its outstanding 4% Convertible Senior Notes. In accordance with the terms of the tender offer, the purchase price for the tendered notes will be determined on December 3, 2004. The tender offer will expire on December 7, 2004.

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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 September 30, 2004 and our consolidated results of operations for the three- and nine-month periods ended September 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 non-historical 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. On August 31, 2004, we completed the sale of CCUK. See Liquidity and Capital Resources .

Restatement of Previously Issued Financial Statements

Our consolidated results of operations for the three and nine months ended September 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 adjustments for depreciation expense also effected the discontinued operations of CCUK, resulting in a change to the net gain on disposal. The cumulative effects of these adjustments on our consolidated statements of operations from inception through September 30, 2004 are as follows: an increase in site rental revenues of $34.3 million; an increase in site rental costs of operations of $98.8 million; an increase in depreciation expense of $180.7 million; an increase in operating losses of $245.3 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 $43.1 million; a decrease in income from operations of CCUK, and a corresponding increase in the net gain on disposal of CCUK, of $4.8 million; and an increase in net losses of $205.3 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 and the estimated tax on the sale of CCUK. 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 September 30, 2003		Three Months Ended September 30, 2004		Nine Months Ended September 30, 2003		Nine Months Ended September 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	$ 121,785	87.5%	$ 135,229	90.0%	$ 355,451	86.8%	$ 397,916	89.2%
Network services and other	17,396	12.5	14,956	10.0	53,944	13.2	48,172	10.8
Total net revenues	139,181	100.0	150,185	100.0	409,395	100.0	446,088	100.0
Operating expenses:								
Costs of operations:								
Site rental	44,160	36.3	45,754	33.8	132,888	37.4	135,682	34.1
Network services and other	10,178	58.5	10,786	72.1	34,608	64.2	34,054	70.7
Total costs of operations	54,338	39.0	56,540	37.6	167,496	40.9	169,736	38.0
General and administrative	21,422	15.4	22,641	15.1	64,160	15.7	66,936	15.0
Corporate development	1,039	0.8	211	0.2	3,577	0.9	1,021	0.2
Restructuring charges (credits)	(1,058)	(0.8)	(445)	(0.3)	1,291	0.3	(478)	(0.1)
Asset write-down charges	6,137	4.4			7,517	1.8	3,816	0.9
Non-cash general and administrative compensation charges	6,205	4.5	1,442	1.0	13,933	3.4	9,860	2.2
Depreciation, amortization and accretion	70,276	50.5	70,030	46.6	210,942	51.5	211,449	47.4
Operating income (loss)	(19,178)	(13.8)	(234)	(0.2)	(59,521)	(14.5)	(16,252)	(3.6)
Other income (expense):								
Interest and other income (expense)	(43,382)	(31.2)	(13,590)	(9.0)	(57,342)	(14.0)	(40,353)	(9.0)
Interest expense and amortization of deferred financing costs	(62,408)	(44.8)	(52,281)	(34.8)	(189,928)	(46.4)	(166,171)	(37.3)
Loss from continuing operations before income taxes, minority interests and cumulative effect of change in accounting principle	(124,968)	(89.8)	(66,105)	(44.0)	(306,791)	(74.9)	(222,776)	(49.9)
Credit (provision) for income taxes	(585)	(0.4)	6,856	4.6	(1,828)	(0.5)	5,519	1.2
Minority interests	1,496	1.1	(544)	(0.4)	3,908	1.0	(952)	(0.2)
Loss from continuing operations before cumulative effect of change in accounting principle	(124,057)	(89.1)	(59,793)	(39.8)	(304,711)	(74.4)	(218,209)	(48.9)
Discontinued operations:								
Income from operations of CCUK, net of tax	5,076	3.6	15,400	10.3	12,617	3.1	46,399	10.4
Net gain on disposal of CCUK, net of tax			495,049	329.6			495,049	111.0

Income from discontinued operations, net of tax	5,076	3.6	510,449	339.9	12,617	3.1	541,448	121.4
Income (loss) before cumulative effect of change in accounting principle	(118,981)	(85.5)	450,656	300.1	(292,094)	(71.3)	323,239	72.5
Cumulative effect of change in accounting principle for asset retirement obligations					(551)	(0.2)		
Net income (loss)	$ (118,981)	(85.5)%	$ 450,656	300.1%	$ (292,645)	(71.5)%	$ 323,239	72.5%

Comparison of Three Months Ended September 30, 2004 and 2003

Site rental revenues for the three months ended September 30, 2004 were $135.2 million, an increase of $13.4 million, or 11.0%, from the three months ended September 30, 2003. Of this increase, $8.5 million was attributable to CCUSA, $1.9 million was attributable to CCAL and $3.0 million was attributable to Crown Atlantic. Network services and other revenues for the three months ended September 30, 2004 were $15.0 million, a decrease of $2.4 million from the three months ended September 30, 2003. This decrease was primarily attributable to a $1.5 million decrease from Crown Atlantic and a $0.9 million decrease from CCUSA.

Total revenues for the three months ended September 30, 2004 were $150.2 million, a net increase of $11.0 million from the three months ended September 30, 2003. The increases in site rental revenues reflect the new tenant additions on our tower sites and contractual escalations on existing leases. In 2004, the rate of new tenant additions on our US tower sites has been approximately 25% greater than the comparable periods in 2003. The decreases in network services and other revenues reflect our efforts to de-emphasize this area of our business and increased competition. We expect that network services and other revenues may continue to decline as a percentage of total revenues for CCUSA and Crown Atlantic.

Site rental costs of operations for the three months ended September 30, 2004 were $45.8 million, an increase of $1.6 million from the three months ended September 30, 2003. This increase was primarily attributable to cost increases of $0.8 million for CCUSA, $0.2 million for CCAL and $0.6 million for Crown Atlantic. Such cost increases relate to normal and customary increases in ground rentals on leases with variable escalations, repairs and maintenance and property taxes. Network services and other costs of operations for the three months ended September 30, 2004 were $10.8 million, an increase of $0.6 million from the three months ended September 30, 2003. This increase was primarily attributable to a $1.0 million increase in costs from Crown Atlantic and a $0.4 million increase in costs at CCAL, partially offset by a $0.8 million decrease in costs from CCUSA.

Total costs of operations for the three months ended September 30, 2004 were $56.5 million, a net increase of $2.2 million from the three months ended September 30, 2003. Gross margins (net revenues less costs of operations) for site rental as a percentage of site rental revenues increased to 66.2% for the three months ended September 30, 2004 from 63.7% for the three months ended September 30, 2003, because of higher margins from the CCUSA, CCAL and Crown Atlantic operations. Gross margins for network services and other as a percentage of network services and other revenues decreased to 27.9% for the three months ended September 30, 2004 from 41.5% for the three months ended September 30, 2003 because of lower margins from the Crown Atlantic operations, partially offset by higher margins from the CCUSA operations.

General and administrative expenses for the three months ended September 30, 2004 were $22.6 million, an increase of $1.2 million from the three months ended September 30, 2003. This increase was primarily attributable to:

(1) a $0.5 million increase in expenses at CCAL (attributable to increased employee and other costs associated with increased business activity), and

(2) a $1.1 million increase in expenses at CCUSA (primarily attributable to the transfer of a strategic business unit from the corporate office segment to CCUSA), partially offset by

(3) a $0.2 million decrease in expenses at our corporate office segment (partially attributable to the transfer of such strategic business unit from the corporate office segment to CCUSA), and

(4) a $0.2 million decrease in expenses at Crown Atlantic.

General and administrative expenses as a percentage of revenues decreased to 15.1% for the three months ended September 30, 2004 from 15.4% for the three months ended September 30, 2003, primarily due to stable overhead costs as compared to increasing revenues for CCUSA and Crown Atlantic.

Corporate development expenses for the three months ended September 30, 2004 were $0.2 million, compared to $1.0 million for the three months ended September 30, 2003. This decrease was primarily attributable to a decrease in salary costs related to corporate activities.

For the three months ended September 30, 2004, we recorded non-cash general and administrative compensation charges of $1.4 million related to the issuance of stock and stock options to certain employees and executives, compared to $6.2 million for the three months ended September 30, 2003. On October 27, 2004, the market performance of our common stock reached the first target level for accelerated vesting of the restricted common shares that had been issued during March, April and May of 2004. This first target level was reached when the market price of our common stock closed at or above $14.81 per share (125% of the base price of $11.85 per share) for twenty consecutive trading days. As a result, the restrictions expired with respect to the first third of such outstanding shares during the fourth quarter of 2004. The acceleration of the vesting for these shares will result in the recognition of non-cash general and administrative compensation charges of approximately $3.1 million for the three months ending December 31, 2004, of which $2.5 million will be recorded in continuing operations and $0.6 million will be charged to the net gain on disposal of CCUK.

Depreciation, amortization and accretion for the three months ended September 30, 2004 was $70.0 million, a decrease of $0.2 million from the three months ended September 30, 2003. This decrease was primarily attributable to:

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(1) a $0.1 million decrease in depreciation from Crown Atlantic, and

(2) a $0.3 million decrease in depreciation at our corporate office segment, partially offset by

(3) a $0.2 million increase in depreciation from CCUSA.

Interest and other income (expense) for the three months ended September 30, 2004 resulted primarily from:

(1) a loss of $13.9 million from the repayment of our 2000 credit facility (see Liquidity and Capital Resources), and

(2) $1.4 million from our share of losses incurred by unconsolidated affiliates, partially offset by

(3) interest income from invested cash balances.

Interest expense and amortization of deferred financing costs for the three months ended September 30, 2004 was $52.3 million, a decrease of $10.1 million, or 16.2%, from the three months ended September 30, 2003. This decrease was primarily attributable to:

(1) purchases and redemptions of our debt securities in 2003 and 2004 (see Liquidity and Capital Resources), and

(2) reductions in outstanding bank indebtedness at Crown Atlantic, partially offset by

(3) the issuance of the 4% senior notes, the 7.5% senior notes and the 7.5% Series B senior notes in 2003, and

(4) an increase in outstanding bank indebtedness at CCUSA in 2003, the proceeds of which were used to retire CCUK s indebtedness and purchase certain of our public debt and preferred stock.

The credit for income taxes of $6.9 million for the three months ended September 30, 2004 consists primarily of a non-cash deferred tax asset resulting from an alternative minimum tax carryforward, partially offset by a non-cash deferred tax liability resulting from a difference between the book and tax basis of CCUSA s goodwill.

Minority interests represent the minority partner s 37.245% interest in Crown Atlantic s operations and the minority shareholder s 22.4% interest in the CCAL operations.

Comparison of Nine Months Ended September 30, 2004 and 2003

Site rental revenues for the nine months ended September 30, 2004 were $397.9 million, an increase of $42.5 million, or 11.9%, from the nine months ended September 30, 2003. Of this increase, $25.4 million was attributable to CCUSA, $8.5 million was attributable to CCAL and $8.5 million was attributable to Crown Atlantic. Network services and other revenues for the nine months ended September 30, 2004 were $48.2 million, a decrease of $5.8 million from the nine months ended September 30, 2003. This decrease was primarily attributable to a $1.8 million decrease from CCUSA and a $4.6 million decrease from Crown Atlantic, partially offset by a $0.6 million increase from CCAL.

Total revenues for the nine months ended September 30, 2004 were $446.1 million, a net increase of $36.7 million from the nine months ended September 30, 2003. The increases in site rental revenues reflect the new tenant additions on our tower sites and contractual escalations on existing leases. In 2004, the rate of new tenant additions on our US tower sites has been approximately 25% greater than the comparable periods in 2003. In addition, CCAL s site rental revenues for the nine months ended September 30, 2004 include a nonrecurring contractual payment of $2.1 million related to a site commitment agreement with one of its customers. The decreases in network services and other revenues reflect our efforts to de-emphasize this area of our business and increased competition. We expect that network services and other revenues may continue to decline as a percentage of total revenues for CCUSA and Crown Atlantic.

Site rental costs of operations for the nine months ended September 30, 2004 were $135.7 million, an increase of $2.8 million from the nine months ended September 30, 2003. This increase was primarily attributable to cost increases of $2.6 million for CCAL, $0.1 million for CCUSA and $0.2 million for Crown Atlantic. Such cost increases relate to normal and customary increases in ground rentals on leases with variable escalations, repairs and maintenance and property taxes.

Network services and other costs of operations for the nine months ended September 30, 2004 were $34.1 million, a decrease of $0.6 million from the nine months ended September 30, 2003. This decrease was primarily attributable to a $1.4 million decrease in costs from CCUSA, partially offset by a $0.2 million increase in costs from Crown Atlantic and a $0.6 million increase in costs from CCAL.

Total costs of operations for the nine months ended September 30, 2004 were $169.7 million, a net increase of $2.2 million from the nine months ended September 30, 2003. Gross margins (net revenues less costs of operations) for site rental as a percentage of site rental revenues increased to 65.9% for the nine months ended September 30, 2004 from 62.6% for the nine months ended September 30, 2003, because of higher margins from the CCUSA, CCAL and Crown Atlantic operations. Gross margins for network services and other as a percentage of network services and other revenues decreased to 29.3% for the nine months ended September 30, 2004 from 35.8% for the nine months ended September 30, 2003 because of lower margins from the Crown Atlantic operations.

General and administrative expenses for the nine months ended September 30, 2004 were $66.9 million, an increase of $2.8 million from the nine months ended September 30, 2003. This increase was primarily attributable to:

(1) a $2.1 million increase in expenses at CCAL (attributable to increased employee and other costs associated with increased business activity), and

(2) a $1.4 million increase in expenses at CCUSA (primarily attributable to the transfer of a strategic business unit from the corporate office segment to CCUSA), partially offset by

(3) a $0.2 million decrease in expenses at our corporate office segment (partially attributable to the transfer of such strategic business unit from the corporate office segment to CCUSA), and

(4) a $0.6 million decrease in expenses at Crown Atlantic.

General and administrative expenses as a percentage of revenues decreased to 15.0% for the nine months ended September 30, 2004 from 15.7% for the nine months ended September 30, 2003, primarily due to stable overhead costs as compared to increasing revenues for CCUSA and Crown Atlantic.

Corporate development expenses for the nine months ended September 30, 2004 were $1.0 million, compared to $3.6 million for the nine months ended September 30, 2003. This decrease was primarily attributable to a decrease in salary costs related to corporate activities.

During the nine months ended September 30, 2004, we recorded asset write-down charges of $3.8 million for CCUSA and Crown Atlantic. Such non-cash charges related to the abandonment or disposal of certain tower sites and sites in development.

For the nine months ended September 30, 2004, we recorded non-cash general and administrative compensation charges of $9.9 million related to the issuance of stock and stock options to certain employees and executives, compared to $13.9 million for the nine months ended September 30, 2003. On April 27, 2004, the market performance of our 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 our 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 $5.4 million for the second quarter of 2004. The restricted common shares that were issued during the first quarter of 2003 were granted to approximately 350 employees, while the restricted common shares that were issued in March through May of 2004 were granted to approximately 500 employees (including approximately 175 employees of CCUK).

On October 27, 2004, the market performance of our common stock reached the first target level for accelerated vesting of the restricted common shares that had been issued during March, April and May of 2004. This first target level was reached when the market price of our common stock closed at or above $14.81 per share (125% of the base price of $11.85 per share) for twenty consecutive trading days. As a result, the restrictions expired with respect to the first third of such outstanding shares during the fourth quarter of 2004. The acceleration of the vesting for these shares will result in the recognition of non-cash general and administrative compensation charges of approximately $3.1 million for the three months ending December 31, 2004, of which $2.5 million will be recorded in continuing operations and $0.6 million will be charged to the net gain on disposal of CCUK.

Depreciation, amortization and accretion for the nine months ended September 30, 2004 was $211.4 million, an increase of $0.5 million from the nine months ended September 30, 2003. This increase was primarily attributable to:

(1) a $1.3 million increase in depreciation at CCAL, and

(2) a $0.3 million increase in depreciation from CCUSA, partially offset by

(3) a $0.1 million decrease in depreciation from Crown Atlantic, and

(4) a $1.0 million decrease in depreciation at our corporate office segment.

Interest and other income (expense) for the nine months ended September 30, 2004 resulted primarily from:

(1) losses of $24.4 million from purchases of our debt securities (see Liquidity and Capital Resources),

(2) a loss of $13.9 million from the repayment of our 2000 credit facility (see Liquidity and Capital Resources), and

(3) $4.0 million from our share of losses incurred by unconsolidated affiliates, partially offset by

(4) interest income from invested cash balances.

Interest expense and amortization of deferred financing costs for the nine months ended September 30, 2004 was $166.2 million, a decrease of $23.8 million, or 12.5%, from the nine months ended September 30, 2003. This decrease was primarily attributable to:

(1) purchases and redemptions of our debt securities in 2003 and 2004 (see Liquidity and Capital Resources), and

(2) reductions in outstanding bank indebtedness at Crown Atlantic, partially offset by

(3) the issuance of the 4% senior notes, the 7.5% senior notes and the 7.5% Series B senior notes in 2003, and

(4) an increase in outstanding bank indebtedness at CCUSA in 2003, the proceeds of which were used to retire CCUK s indebtedness and purchase certain of our public debt and preferred stock.

The credit for income taxes of $5.5 million for the nine months ended September 30, 2004 consists primarily of a non-cash deferred tax asset resulting from an alternative minimum tax carryforward, partially offset by a non-cash deferred tax liability resulting from a difference between the book and tax basis of CCUSA s goodwill.

Minority interests represent the minority partner s interest in Crown Atlantic s operations (43.1% through April 30, 2003 and 37.245% since May 1, 2003), the minority partner s interest in the operations of the Crown Castle GT joint venture (17.8% through April 30, 2003 and none thereafter) and the minority shareholder s 22.4% interest in the CCAL operations.

Liquidity and Capital Resources

We seek to allocate our available capital among the investment alternatives that provide the greatest risk-adjusted returns given current market conditions. As such, we may continue to (1) acquire sites, build new towers and make improvements to existing towers and (2) make investments in emerging businesses that are complementary to our core site leasing business when the expected returns from such investments meet our investment return criteria. In addition, we may continue to utilize a portion of our available cash balances to purchase our own stock (either common or preferred) or debt securities from time to time as market prices make such investments attractive.

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On June 28, 2004, we signed a definitive agreement to sell CCUK to an affiliate of National Grid for $2.035 billion in cash, subject to certain working capital type adjustments. On August 31, 2004, we completed the sale of CCUK. The proceeds for the transaction amounted to $2.028 billion, after taking into account preliminary working capital type adjustments. In accordance with the terms of our 2000 credit facility, we were required to use $1.275 billion of the proceeds from the transaction to fully repay the outstanding borrowings under the 2000 credit facility. The remaining proceeds from the transaction will be used for general corporate purposes, which could include the repayment of outstanding indebtedness (including any required tender premiums) and/or investments in new business opportunities. Under the terms of the indentures governing our 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 our bondholders at the outstanding principal amount plus accrued interest. On September 10, 2004, in order to satisfy these requirements under the indentures, we voluntarily commenced an offer to purchase certain of our outstanding public debt securities in advance of the one year time period (as further discussed below). As a result of the sale of CCUK, 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.

After having closed the sale of CCUK and repaid the outstanding borrowings under the 2000 credit facility, we anticipate replacing such facility with new senior indebtedness. We currently expect that the principal amount of such new senior indebtedness would range from $1.3 billion to $1.9 billion. In addition, we anticipate that we may purchase additional debt and preferred securities with the proceeds from such new senior indebtedness and the remaining proceeds from the CCUK sale. Such purchases would likely be of our outstanding public debt securities, the 8 $^{1}/4$% convertible preferred stock or outstanding borrowings under Crown Atlantic s credit facility, and could involve public market purchases, contractual redemptions or tender offers.

Our goal is to maximize net cash from operating activities and fund all capital spending and debt service from our operating cash flow, without reliance on additional borrowing or the use of our cash. However, due to the risk factors outlined below (see Factors that Could Affect Future Results), there can be no assurance that this will be possible. As part of our strategy to achieve increases in net cash from operating activities, we seek to lower our interest expense by reducing outstanding debt balances or lowering interest rates. Such reductions can be made either by using a portion of our existing cash balances to purchase our debt securities, or with attractive refinancing opportunities.

Our business strategy contemplates substantial discretionary capital expenditures, although significantly reduced from previous years levels, in connection with the further improvement and selective expansion of our existing tower portfolios. During 2004, we expect that the majority of our discretionary capital expenditures will occur in connection with additional site improvements.

A summary of our net cash provided by operating activities and capital expenditures (both amounts from our consolidated statement of cash flows) is as follows:

	Nine Months Ended September 30,	
	2003	2004
	(In thousands of dollars)	
Net cash provided by operating activities	$ 30,635	$ 41,209
Capital expenditures	20,702	29,215

The increase in net cash from operating activities for the nine months ended September 30, 2004 as compared to the nine months ended September 30, 2003 is largely due to growth in our core site leasing business, partially offset by an increase in cash interest paid and the continued decline in our network services business. Changes in working capital, and particularly changes in accrued interest, have a dramatic impact on our net cash from operating activities for interim periods, largely due to the timing of interest payments on our various senior notes issues. In addition, the debt refinancing transactions we completed in 2003 and 2004 have impacted the timing of our interest payments as compared to prior periods. Cash interest payments for the nine months ended September 30, 2004, as compared to the comparable prior year period, were increased by payments related to the 4% senior notes, the 7.5% senior notes and the 7.5% Series B senior notes. The proceeds from these three debt issues were used in 2003 to retire the $10\,^{5}/8\%$ discount notes (which required cash interest payments beginning on May 15, 2003) and a portion of the $10\,^{3}/8\%$

discount notes and the 11 1/4% discount notes (which were not going to require cash interest payments until November 15, 2004 and February 1, 2005, respectively). Cash interest payments for the nine months ended September 30, 2004 were also impacted by increased borrowings under the amended 2000 credit facility, a portion of which were used to retire CCUK s outstanding indebtedness in 2003. For the year ending December 31, 2004, we expect that our net cash from operating activities will be positively impacted by continued growth in our core site leasing business, but we do not expect to benefit from improvements in working capital to the same extent as in 2003. Further repayment or refinancing of existing indebtedness with lower cost senior debt is expected to reduce interest expense levels beginning in late 2004 or early 2005.

Our capital expenditures can be separated into two general categories: (1) maintenance (which includes maintenance activities on our sites, vehicles, information technology equipment and office equipment), and (2) revenue generating (which includes tower improvements, enhancements to the structural capacity of our towers in order to support additional leasing and the construction of new towers and rooftop sites). For the third quarter of 2004, total capital expenditures were $9.8 million, of which $1.6 million were for maintenance activities and $8.2 million were for revenue generating activities.

Capital expenditures were $29.2 million for the nine months ended September 30, 2004, of which $23.2 million were for CCUSA, $1.2 million were for CCAL, $4.6 million were for Crown Atlantic and $0.2 million were for CCIC. For the year ending December 31, 2004, we currently expect that our total capital expenditures will be between approximately $44.0 million and $47.0 million, of which approximately $37.0 million to $38.0 million will be for revenue generating activities and approximately $7.0 million to $9.0 million will be for maintenance activities. As such, we expect that our capital expenditures for this period will be fully funded by net cash from operating activities, as discussed above. Our decisions regarding the construction of new towers and structural enhancements are discretionary, and depend upon expectations of achieving acceptable rates of return given current market conditions. Such decisions are influenced by the availability of capital and expected returns on alternative investments.

To fund the execution of our business strategy, we expect to use our available cash balances and cash provided by future operations. We may have additional cash needs to fund our operations in the future should our financial performance deteriorate. We may also have additional cash needs in the future if additional tower acquisitions, build-to-suit or other opportunities arise. If we do not otherwise have cash available, or borrowings under our credit facilities have otherwise been utilized, when our cash need arises, we would be forced to seek additional debt or equity financing or to forego the opportunity. In the event we determine to seek additional debt or equity financing, there can be no assurance that any such financing will be available, on commercially acceptable terms or at all, or permitted by the terms of our existing indebtedness.

As of September 30, 2004, we had consolidated cash and cash equivalents of $757.0 million (including $22.7 million at CCUSA, $12.8 million at CCAL, $36.9 million at Crown Atlantic, $35.0 million in an unrestricted investment subsidiary and $649.6 million at restricted group companies in our corporate segment), consolidated long-term debt of $1,898.8 million, consolidated redeemable preferred stock of $507.7 million and consolidated stockholders equity of $1,906.1 million.

For the nine months ended September 30, 2003 and 2004, our net cash used for financing activities was $350.7 million and $1,595.5 million, respectively. The amount for 2004 is largely due to financing transactions we have completed in an effort to lower our future cash interest payments and simplify our capital structure. Following is a summary of significant financing transactions completed in 2004.

On December 5, 2003, we commenced cash tender offers and consent solicitations for all of our outstanding 9% senior notes and 9½% 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 9½% 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, we (1) utilized $147.0 million of our cash to purchase the $135.6 million in outstanding principal amount of the tendered 9% senior notes, including accrued interest thereon of $1.8 million, and (2) utilized $124.0 million of our cash to purchase the $109.5 million in outstanding principal amount of the tendered 9½% senior notes, including accrued interest thereon of $4.5 million. The purchase

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of the tendered 9% senior notes resulted in a loss of $12.5 million for the first quarter of 2004, consisting of the write-off of unamortized deferred financing costs ($2.8 million) and the excess of the total purchase price over the carrying value of the tendered notes ($9.7 million). The purchase of the tendered 9½% senior notes resulted in a loss of $11.7 million for the first quarter of 2004, consisting of the write-off of unamortized deferred financing costs ($1.7 million) and the excess of the total purchase price over the carrying value of the tendered notes ($10.0 million). Such losses are included in interest and other income (expense) on our consolidated statement of operations for the nine months ended September 30, 2004. The 9% senior notes and 9½% senior notes that were tendered through December 31, 2003 have been classified as current maturities of long-term debt on our consolidated balance sheet as of December 31, 2003. Upon completion of these tender offers, the outstanding balances for the 9% senior notes and the 9½% senior notes were $26.1 million and $4.8 million, respectively.

In January of 2004, we (1) utilized $1.6 million of our cash to purchase $1.5 million in outstanding principal amount at maturity of our 10 3/8% discount notes and (2) utilized $1.0 million of our cash to purchase $1.0 million in outstanding principal amount at maturity of our 11¼% discount notes, both in public market transactions. The debt purchases resulted in losses of $0.2 million that are included in interest and other income (expense) on our consolidated statement of operations for the nine months ended September 30, 2004.

During the nine months ended September 30, 2004, Crown Atlantic repaid $15.0 million in outstanding borrowings under its credit facility. Crown Atlantic utilized cash provided by its operations to effect this repayment. In February of 2004, Crown Atlantic amended its credit facility to reduce the available borrowings from $301.1 million to $250.0 million.

Under the terms of the indentures governing our 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 our bondholders at the outstanding principal amount plus accrued interest. On September 10, 2004, in order to satisfy these requirements under the indentures, we voluntarily commenced an offer to purchase for cash up to $216.4 million of our 10¾% senior notes, $205.6 million of our 9 3/8% senior notes, $151.4 million of our 7.5% senior notes and $151.4 million of our 7.5% Series B senior notes in advance of the one year time period. The offer to purchase these securities expired on October 8, 2004, at which time we accepted an aggregate of $0.5 million in notes that had been tendered. On October 12, 2004, we utilized $0.5 million of our cash to purchase the $0.5 million in outstanding principal amount of the tendered notes, including accrued interest thereon.

In March and June of 2004, we paid our quarterly dividends on the 8¼% convertible preferred stock by issuing a total of 0.6 million shares of our common stock. As allowed by the Deposit Agreement relating to dividend payments on the 8¼% convertible preferred stock, we purchased the 0.6 million shares of common stock from the dividend paying agent for a total of $8.2 million in cash. We utilized cash from an unrestricted investment subsidiary to effect the stock purchases. We may choose to continue issuances and purchases of stock in the future in order to offset dilution caused by the issuance of common stock as dividends on our preferred stock. Such purchases could amount to $36.4 million annually if we were to choose to offset all of the dividends on our preferred stock through continued share purchases.

In April of 2004, the restrictions expired with respect to the final third of the outstanding restricted common shares that had been issued during the first quarter of 2003 (see *Results of Operations*). 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 we arranged to purchase these shares in order to facilitate the stock sales. We purchased 0.6 million of such shares of common stock (at a price of $14.92 per share) for a total of $8.8 million in cash. We utilized cash from an unrestricted investment subsidiary to effect the stock purchase.

In August of 2004, we began purchasing our common stock in public market transactions. Through September 3, 2004, we purchased a total of 2.7 million shares of common stock. We utilized $36.0 million in cash from an unrestricted investment subsidiary to effect these common stock purchases. We may choose to continue purchases of common stock in the future.

In October of 2004, the restrictions expired with respect to the first third of the outstanding restricted common shares that had been issued during March, April and May of 2004 (see Results of Operations). Most of the executives and employees sold a portion of their vested shares in order to pay their respective minimum withholding

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tax liabilities, and we arranged to purchase these shares in order to facilitate the stock sales. We purchased 0.2 million of such shares of common stock (at a price of $15.52 per share) for a total of $2.4 million in cash. We utilized cash from an unrestricted investment subsidiary to effect the stock purchase.

On November 4, 2004, we entered into an agreement with a subsidiary of Verizon Communications (Verizon) to acquire Verizon s 37.245% equity interest in the Crown Castle Atlantic venture (Crown Atlantic). On that date, we acquired such equity interest for $295.0 million in cash, inclusive of approximately $15.0 million of net working capital. Following the transaction, we own 100% of Crown Atlantic. We will account for the acquisition of the minority interest in Crown Atlantic using the purchase method. Following this transaction, we intend to combine the Crown Atlantic operating segment with the CCUSA operating segment. This change in reportable segments will be made in our consolidated financial statements for the year ending December 31, 2004, and segment information for all prior periods presented will be restated at that time. As permitted by the indentures governing our public debt securities, in order to designate Crown Atlantic as a restricted group subsidiary (as defined in the indentures) we transferred an additional $118.8 million of the remaining proceeds from the CCUK sale to an unrestricted investment subsidiary in exchange for a 15% ownership interest in Crown Atlantic. As a result, approximately 52% of Crown Atlantic is now held by our restricted group and the remaining approximately 48% is held by the unrestricted subsidiary. In addition, the $180.0 million in outstanding borrowings under Crown Atlantic s credit facility are now indebtedness of our restricted group per the covenants in our bond indentures. From time to time, we may choose to use funds from our restricted group to purchase additional interests in Crown Atlantic from our unrestricted subsidiary, subject to satisfying the conditions imposed by our bond indentures.

On November 8, 2004, we commenced a cash tender offer for all of our outstanding 4% senior notes. In accordance with the terms of the tender offer, the purchase price for the tendered notes will be determined on December 3, 2004. The tender offer will expire on December 7, 2004.

As of October 31, 2004, Crown Atlantic had unused borrowing availability under its amended credit facility of approximately $19.8 million. This credit facility requires Crown Atlantic to maintain certain financial covenants and places restrictions on the ability of Crown Atlantic to, among other things, incur debt and liens, pay dividends, make capital expenditures, undertake transactions with affiliates and make investments. This facility also currently limits the ability of Crown Atlantic to pay dividends.

The primary factors that are likely to determine our subsidiaries ability to comply with their current and future debt covenants are (1) their current financial performance, (2) their levels of indebtedness and (3) their debt service requirements. Given the levels of indebtedness that we anticipate for our subsidiaries, the primary risk of a debt covenant violation would result from a deterioration of a subsidiary s financial performance. In addition, the current and future credit facilities are likely to require that financial performance increase in future years as covenant calculations become more restrictive. Should a covenant violation occur in the future as a result of a shortfall in financial performance (or for any other reason), we might be required to make principal payments earlier than currently scheduled and may not have access to additional borrowings under these facilities as long as the covenant violation continues. Any such early principal payments would have to be made from our existing cash balances.

As a holding company, CCIC will require distributions or dividends from its subsidiaries, or will be forced to use its remaining cash balances, to fund its debt obligations, including interest payments on the notes. The terms of the current and future indebtedness of our subsidiaries are likely to limit their ability to distribute cash to CCIC. In addition, there can be no assurance that our subsidiaries will generate sufficient cash from their operations to make any permitted distributions. As a result, we could be required to apply a portion of our remaining cash to fund interest payments on the notes. If we do not retain sufficient funds or raise additional funds from any future financing, we may not be able to make our interest payments on the notes.

If we are unable to refinance our indebtedness or renegotiate the terms of such debt prior to maturity, we may not be able to meet our debt service requirements, including interest payments on the notes, in the future. Our 4% senior notes, our 10 $^{3}/_{8}$% discount notes, our 9% senior notes, our 11 $^{1}/4$% discount notes, our 9 $^{1}/2$% senior notes, our 10 $^{3}/4$% senior notes, our 9 $^{3}/8$% senior notes, our 7.5% senior notes and our 7.5% Series B senior notes require annual cash interest payments of $9.2 million, $1.2 million, $2.4 million, $1.2 million, $0.5 million, $46.1 million, $38.2 million, $22.5 million and $22.5 million, respectively.

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We have 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 $6.4 million and expire on various dates through October 2005.

Our ability to make scheduled payments of principal of, or to pay interest on, our debt obligations, and our ability to refinance any such debt obligations, will depend on our future performance, which, to a certain extent, is subject to general economic, financial, competitive, legislative, regulatory and other factors that are beyond our control. We anticipate that we may need to refinance a substantial portion of our indebtedness on or prior to its scheduled maturity. There can be no assurance that we will be able to effect any required refinancings of our indebtedness on commercially reasonable terms or at all.

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, our measure of the following information may not be comparable to similarly titled measures of other companies.

Summarized financial information for (1) CCIC and our Restricted Subsidiaries and (2) our Unrestricted Subsidiaries is as follows:

	September 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	$ 684,497	$ 72,508	$	$ 757,005
Other current assets	224,759	6,942		231,701
Property and equipment, net	2,761,646	633,674		3,395,320
Investments in Unrestricted Subsidiaries	433,311		(433,311)	
Goodwill	215,061	55,377		270,438
Deferred site rental receivable	80,578	3,088		83,666
Other assets, net	52,575	32,908		85,483
	$ 4,452,427	$ 804,497	$ (433,311)	$ 4,823,613
Current liabilities	$ 161,411	$ 18,403	$	$ 179,814
Long-term debt, less current maturities	1,718,847	180,000		1,898,847
Deferred ground lease payable	88,426	22,949		111,375
Other liabilities	40,224	3,187		43,411
Minority interests	29,715	146,647		176,362
Redeemable preferred stock	507,706			507,706
Stockholders equity	1,906,098	433,311	(433,311)	1,906,098

	$ 4,452,427	$ 804,497	$ (433,311)	$ 4,823,613

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	Three Months Ended September 30, 2004			Nine Months Ended September 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	$ 119,809	$ 30,376	$ 150,185	$ 355,993	$ 90,095	$ 446,088
Costs of operations (exclusive of depreciation, amortization and accretion)	44,364	12,176	56,540	133,965	35,771	169,736
General and administrative	19,181	3,460	22,641	57,881	9,055	66,936
Corporate development	211		211	1,021		1,021
Restructuring charges (credits)	(428)	(17)	(445)	(461)	(17)	(478)
Asset write-down charges				2,772	1,044	3,816
Non-cash general and administrative compensation charges	1,296	146	1,442	8,907	953	9,860
Depreciation, amortization and accretion	57,409	12,621	70,030	173,838	37,611	211,449
Operating income (loss)	(2,224)	1,990	(234)	(21,930)	5,678	(16,252)
Interest and other income (expense)	(12,381)	(1,209)	(13,590)	(36,732)	(3,621)	(40,353)
Interest expense and amortization of deferred financing costs	(49,765)	(2,516)	(52,281)	(158,515)	(7,656)	(166,171)
Credit for income taxes	6,856		6,856	5,519		5,519
Minority interests	1,356	(1,900)	(544)	4,033	(4,985)	(952)
Income (loss) from discontinued operations	510,450	(1)	510,449	541,617	(169)	541,448
Net income (loss)	$ 454,292	$ (3,636)	$ 450,656	$ 333,992	$ (10,753)	$ 323,239

Tower Cash Flow and Adjusted Consolidated Cash Flow for CCIC and our Restricted Subsidiaries is as follows under the indentures governing the 4% senior notes, the 10 3/4% 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 September 30, 2004	$ 99,346
Consolidated Cash Flow, for the twelve months ended September 30, 2004	$ 397,946
Less: Tower Cash Flow, for the twelve months ended September 30, 2004	(425,092)
Plus: four times Tower Cash Flow, for the three months ended September 30, 2004	397,384
Adjusted Consolidated Cash Flow, for the twelve months ended September 30, 2004	$ 370,238

The amounts presented above for Tower Cash Flow, Consolidated Cash Flow and Adjusted Consolidated Cash Flow include the operating results from CCUK through August 31, 2004 (the date of sale). See Liquidity and Capital Resources .

Impact of Recently Issued Accounting Standards

In January 2003, the Financial Accounting Standards Board (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. We adopted the provisions of FIN 46 as of March 31, 2004, and such adoption did not have a significant effect on our consolidated financial statements.

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Factors That Could Affect Future Results

The following factors could affect our future results or cause actual results to vary materially from those described in our forward-looking statements:

Our business depends on the demand for wireless communications and towers, and we may be adversely affected by any slowdown in such demand.

The loss, consolidation, network sharing or financial instability of any of our limited number of customers may materially decrease revenues.

An economic or wireless telecommunications industry slowdown may materially and adversely affect our business and the business of our customers.

Restrictive covenants on our debt instruments may limit our ability to take actions that may be in our best interests.

Our substantial level of indebtedness may adversely affect our ability to react to changes in our business and limit our ability to use debt to fund future capital needs.

We operate in a competitive industry and some of our competitors have significantly more resources or less debt than we do.

Technology changes may significantly reduce the demand for site leases and negatively impact the growth in our revenues.

2.5G/3G and other technologies may not deploy or be adopted by customers as rapidly or in the manner projected.

We generally lease or sublease the land under our sites and towers and may not be able to extend these leases.

We may need additional financing, which may not be available, for strategic growth opportunities or contractual obligations.

Laws and regulations, which may change at any time and with which we may fail to comply, regulate our business.

Our network services business has historically experienced significant volatility in demand, which reduces the predictability of our results.

We are heavily dependent on our senior management.

We may suffer from future claims if radio frequency emissions from wireless handsets or equipment on our sites and towers are demonstrated to cause negative health effects.

Certain provisions of our certificate of incorporation, bylaws and operative agreements and domestic and international competition laws may make it more difficult for a third party to acquire control of us or for us to acquire control of a third party, even if such a change in control would be beneficial to our stockholders.

Sales or issuances of a substantial number of shares of our common stock may adversely affect the market price of our common stock.

Disputes with customers and suppliers may adversely affect results.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those expected. More information about potential factors which could affect our results is included in the Risk Factors sections of our filings with the Securities and Exchange Commission.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As a result of our international operating, investing and financing activities, we are exposed to market risks, which include changes in foreign currency exchange rates and interest rates which may adversely affect our results of operations and financial position. In attempting to minimize the risks and/or costs associated with such activities, we seek to manage exposure to changes in interest rates and foreign currency exchange rates where economically prudent to do so.

Certain of the financial instruments we have used to obtain capital are subject to market risks from fluctuations in market interest rates. The majority of our financial instruments, however, are long-term fixed interest rate notes

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and debentures. As of September 30, 2004, we have $180.0 million of floating rate indebtedness, of which $59.4 million has been effectively converted to fixed rate indebtedness through the use of an interest rate swap agreement. As a result, a fluctuation in market interest rates of one percentage point over the next twelve months would impact our interest expense by approximately $1.3 million.

The majority of our foreign currency transactions are denominated in the British pound sterling or the Australian dollar, which are the functional currencies of CCUK and CCAL, respectively. As a result of CCUK s and CCAL s transactions being denominated and settled in such functional currencies, the risks associated with currency fluctuations are primarily associated with foreign currency translation adjustments. We do not currently hedge against foreign currency translation risks and do not currently believe that foreign currency exchange risk is significant to our operations. The sale of CCUK generally eliminated our foreign currency risks related to the British pound sterling. In addition, substantially all of the cash consideration for the CCUK sale was denominated in United States dollars, so we had no significant foreign currency risk related to that transaction.

The foreign currency exchange rates used to translate the 2003 and 2004 financial statements for CCAL were as follows:

	CCAL (Australian dollar)
Average exchange rate for:	
January 2003	$ 0.5829
February 2003	0.5956
March 2003	0.6015
April 2003	0.6100
May 2003	0.6468
June 2003	0.6652
July 2003	0.6607
August 2003	0.6518
September 2003	0.6635
January 2004	0.7717
February 2004	0.7770
March 2004	0.7496
April 2004	0.7443
May 2004	0.7039
June 2004	0.6937
July 2004	0.7161
August 2004	0.7111
September 2004	0.7028
Ending exchange rate for:	
December 2003	0.7520
September 2004	0.7244

ITEM 4. CONTROLS AND PROCEDURES

The Company conducted an evaluation, under the supervision and with the participation of the Company s management, including the Company s Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company s disclosure controls and procedures as of the end of the period covered by this report. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were effective in alerting them in a timely manner to material information relating to the Company required to be included in the Company s periodic reports under the Securities Exchange Act of 1934.

Subsequent to the period covered by this report, management concluded that the Company s previously established lease accounting practices were not appropriate under U.S. generally accepted accounting principles and determined that the Company s annual site rental revenue, ground rent, and depreciation expense over the last several years had been understated. Accordingly, on February 15, 2005, the Company determined to restate certain of its previously issued financial statements to reflect the correction in the Company s lease accounting practices. The restatement is further described in note 1 to the unaudited condensed consolidated financial statements included in this quarterly report on Form 10-Q/A. These corrections were attributed to a material weakness in the Company s internal control relative to the selection, monitoring, and review of assumptions and factors affecting lease and depreciation accounting practices as of December 31, 2004, resulting in an error in the Company s application of U.S. generally accepted accounting principles. Based on that evaluation, the Company s Chief Executive Officer and Chief Financial Officer concluded that the Company s disclosure controls and procedures were not effective as of September 30, 2004 to provide reasonable assurance that information required to be disclosed by the Company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission s rules and forms.

There have been no changes in the Company s internal control over financial reporting during the fiscal quarter covered by this report that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting. However, since December 31, 2004, the Company remediated the material weakness in the Company s disclosure controls by implementing additional review procedures over the selection and monitoring of the appropriate assumptions and factors affecting lease accounting.

PART II OTHER INFORMATION

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Purchases of Equity Securities

The following table summarizes information with respect to purchases of our equity securities during the third quarter of 2004:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs
July 1 July 31, 2004		$		
August 1 August 31, 2004 (1)	2,538,400	13.45		
September 1 September 30, 2004 (1)	128,000	14.35		
Total	2,666,400			

(1) In August of 2004, we began purchasing our common stock in open-market transactions. Through September 3, 2004, we purchased a total of 2,666,400 shares of common stock. We utilized $36.0 million in cash from an unrestricted investment subsidiary to effect these common stock purchases. We may choose to continue purchases of common stock in the future.

ITEM 6. EXHIBITS

Number	Description
11.1	Computation of Net Loss Per Common Share
12.1	Computation of Ratios of Earnings to Fixed Charges and Earnings to Combined Fixed Charges and Preferred Stock Dividends
31.1	Certification of Chief Executive Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
31.2	Certification of Chief Financial Officer pursuant to Section 302 of Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of Sarbanes-Oxley Act of 2002

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SIGNATURES

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

CROWN CASTLE INTERNATIONAL CORP.

Date: May 6, 2005	By: /s/ W. Benjamin Moreland **W. Benjamin Moreland** **Executive Vice President and Chief Financial Officer** **(Principal Financial Officer)**
Date: May 6, 2005	By: /s/ Rob A. Fisher **Rob A. Fisher** **Vice President and Controller** **(Principal Accounting Officer)**