shaping the wireless world℠

Crown Castle International 1999 Annual Report

Corporate Profile

Crown Castle International Corp. engineers, deploys, owns and operates technologically advanced shared wireless infrastructure, including extensive networks of towers and rooftops as well as analog and digital audio and television broadcast transmission systems.

We offer near–universal broadcast coverage in the United Kingdom and significant wireless communications coverage to 68 of the top 100 United States markets, to more than 95% of the UK population and to more than 92% of the Australian population.

With more than 75 years of experience in engineering and operating broadcast transmission networks, and over 20 years of experience in the ownership, leasing, design and deployment of wireless communications sites and systems, Crown Castle is recognized as the technology leader in our sector.

Crown Castle is headquartered in Houston, Texas, with operating companies in the United States, UK and Australia.

1999 Acquisition Highlights

Bell Atlantic — We continued to integrate the 1,427 towers associated with our first major wireless carrier acquisition in the United States, announced in December 1998.

BellSouth — Crown Castle announced an agreement to acquire the complete economic rights to 1,850 towers from BellSouth through a master sublease agreement in March 1999.

Powertel — Also in March 1999, the Company announced and later closed on an agreement to acquire 620 towers from Powertel with an additional 31 build-to-suits since completed, representing our first PCS carrier transaction in the United States.

One 2 One (Deutsche Telekom) — Also in March 1999, the Company announced and later closed on an agreement to acquire 821 towers in the UK, effectively doubling our tower portfolio there.

BellSouth DCS — In July 1999, Crown Castle announced an agreement to acquire the complete economic rights to 773 towers in the United States through a master sublease agreement, our second PCS carrier transaction.

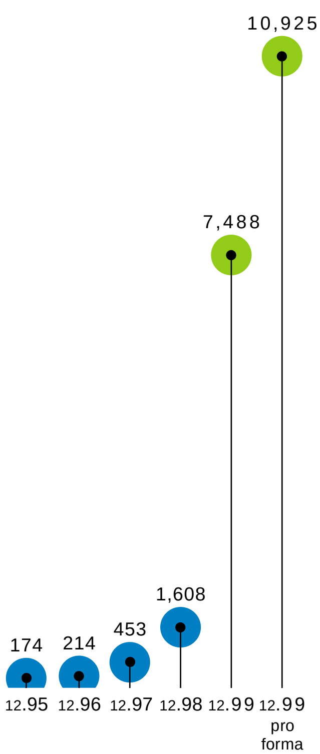
GTE — In November 1999, the Company announced the world’s largest tower transaction, encompassing 2,300 towers in the United States.

Cable & Wireless Optus — In March 2000, the Company announced an agreement to acquire 700 towers from Cable & Wireless Optus that positions Crown Castle as the largest independent tower operator in Australia, with a strategic presence in all of Australia’s licensed regions.

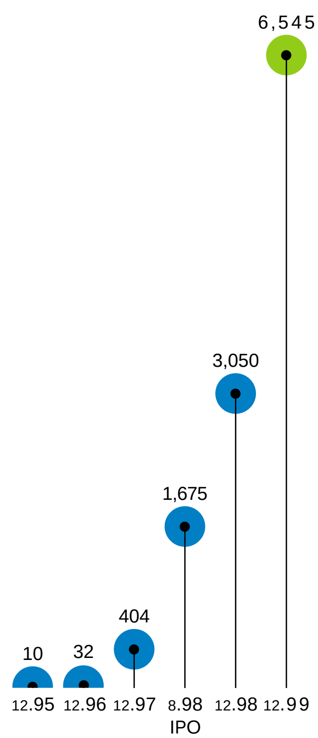
financial highlights

	Years Ended December 31, 1997	1998	1999
	(thousands of dollars)		
Net Revenues:			
Site rental and broadcast transmission	$ 11,010	$ 75,028	$ 267,894
Network services and other	20,395	38,050	77,865
	$ 31,405	$ 113,078	$ 345,759
EBITDA:			
Site rental and broadcast transmission	$ 7,682	$ 44,661	$ 139,966
Network services and other	(4,182)	(7,597)	(181)
	$ 3,500	$ 37,064	$ 139,785
Total sites owned and managed	453	1,608	7,488
Capital expenditures	$ 18,035	$ 138,759	$ 293,801
Total assets	371,391	1,523,230	3,836,650
Total debt	156,293	429,710	1,542,343
Redeemable preferred stock	160,749	201,063	422,923
Total stockholders' equity	41,792	737,562	1,617,747

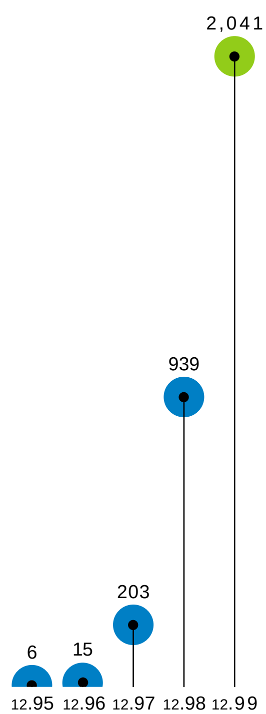
Acquisition History
(number of sites)



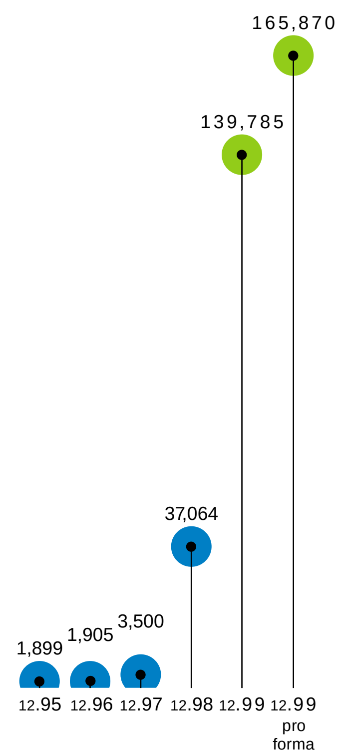
Market Capitalization
(millions of dollars)



Net Worth History
(millions of dollars)

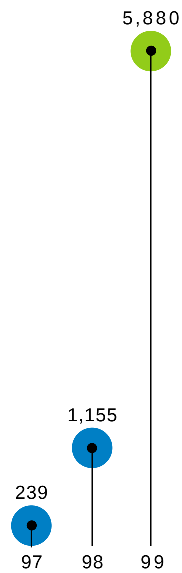


EBITDA
(thousands of dollars)



letter to shareholders

Towers Integrated



Crown Castle integrated almost 6,000 towers into its networks in 1999.

I am pleased to report that 1999 was an exciting year for Crown Castle International and our industry, a year that reflected our continued leadership in shaping the wireless world[SM]. In our second year as a publicly traded company, we continued to transform our industry while also achieving record performance results.

A History of Achievement

Since our inception we have focused on a simple mission: To be the leading independent owner and operator of technologically advanced, shared communications infrastructure. At our first strategy session in November 1994, there was no independent wireless infrastructure industry. There simply was an idea that owning towers was a potentially profitable, high-growth opportunity. At that session, we set out to build the driving force of the tower industry. We optimistically hoped that by 1999 we could build a public company with 2,500 towers, $75 million in cash flow, $500 million in market value and a reputation as a well-run company. We launched the company in 1995 with three employees. So, five years later, how have we done?

Ted Miller
Chairman & Chief Executive Officer, Crown Castle International

Pro forma for announced and completed transactions, including our agreement in March of this year to acquire 700 towers from Cable & Wireless Optus in Australia, Crown Castle today effectively owns almost 11,000 tower sites. In 1999, we generated EBITDA of $139.8 million and ended the year with market capitalization in excess of $6.5 billion, far exceeding the goals we set five years ago. Since our IPO in August 1998, through March 15th of this year, our stock price had appreciated 208%. In a vote of confidence by Wall Street analysts, Crown Castle was one of the 25 most highly recommended companies in 1999 (*Wall Street Journal*, February 24, 2000). We're proud of these historical achievements and excited by the opportunities that lie ahead.

A Strong Presence in Three Global Markets

From our early days with only a few hundred wireless communications towers in the United States, Crown Castle has expanded rapidly in size and geographic scope. Today, the Company's unparalleled engineered footprint of strategic tower clusters reaches three continents. We offer near-universal broadcast coverage in the UK and significant wireless communications coverage to 68 of the top 100 United States markets, to more than 95% of the UK population and to more than 92% of the Australian population, reaching a total of more than 170 million people globally.

The value to our customers of our strategic clusters of towers and broadcast sites clearly sets us apart. Our footprint, based on networks originally designed and engineered by wireless carriers and broadcasters, offers comprehensive coverage and key advantages both to existing carriers and broadcasters and to new companies wishing to enter the market. Our customers benefit from:

- rapid speed to market by using our "equity in the field;"
- cost-effective network infill and expansion; and
- a full range of strategic solutions that extend far beyond leasing space on our towers.

Optus through a majority owned venture. Many of these transactions include significant build-to-suit agreements. This brings our total of owned, managed or committed towers and sites to more than 12,600 (pro forma for announced transactions and including forecasted build-to-suits). (A summary of these transactions can be found on the inside front cover of this report.)

Scope. Crown Castle has evolved from an owner of shared communications infrastructure to a provider of advanced solutions for the wireless telecom and broadcast industries. Our watershed agreement with One 2 One for the turnkey engineering, build-out, deployment and management of its new network in Northern Ireland represents the first transaction of its kind for an independent infrastructure company. Under this agreement, we will engineer, build and maintain the entire network, including physically maintaining the switch and transmission electronics, while owning and operating all shareable infrastructure. This extends our successful broadcast model to the wireless domain. 1999 also saw us significantly increase our range of service offerings as we focused on increasing our total revenue per tower site. Our success rate in selling installation, maintenance and other services continues to rise.

Wall Street analysts ranked Crown Castle as one of the 25 most highly recommended companies in 1999.

Achieving Significant Milestones

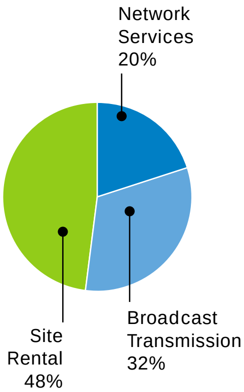
The tremendous momentum we continued to enjoy in 1999 enabled us to achieve a number of significant milestones in size, scope, scale, technology and financial performance.

Size. By year-end, Crown Castle was the largest independent shared communications infrastructure owner in the world. Our portfolio of owned and managed sites increased from 1,608 at year-end 1998 to 7,488 at year-end 1999, an increase of 366%. We closed significant transactions with Bell Atlantic, BellSouth, One 2 One (Deutsche Telekom) and Powertel and announced the world's largest tower acquisition deal with GTE. Since year-end, we announced an agreement to acquire 700 towers in Australia from Cable & Wireless

Scale. Effective site integration is one of the most complex issues facing our industry, and Crown Castle clearly is the acknowledged leader in this area. During 1999, we integrated into our organization almost 6,000 acquired and built sites. Our industry-leading information technology (IT) systems, our ability to absorb rapid growth in sites successfully and our expertise in efficiently managing the real estate, maintenance, build-out, marketing and operations of our ever-expanding infrastructure portfolio continue to distinguish Crown Castle.

New towers built increased 369% in 1999.

Pro Forma
Revenues by Type



Non-broadcast revenue continues to increase as a percentage of total revenues.

Technology. In 1999, Crown Castle completed the initial build-out of its shared Digital Terrestrial Television (DTT) network, which commenced in 1998, and now is delivering 30 digital channels for four of the six national multiplexes in the UK. We also completed the initial build-out of our Digital Audio Broadcast (DAB) network and today reach more than 99% of the UK with our digital and analog broadcast signals. We own and operate 17 broadcast transmission networks, delivering radio and television signals for the BBC, ONdigital, Virgin Radio and others. We are also a leading candidate to deploy the next generation of wireless networks - called third generation, or 3G. This will combine voice, video, multimedia, data and fast Internet access, all delivered via wireless networks to people on the move or at fixed locations.

By year-end, Crown Castle was the largest independent shared communications infrastructure owner in the world.

Performance. In 1999, Crown Castle achieved record revenues of $345.8 million, up 206%, and record EBITDA of $139.8 million, up 277% from the year before. We continue to improve our balance of revenues between our broadcast transmission management, telecom site sharing and network services businesses.

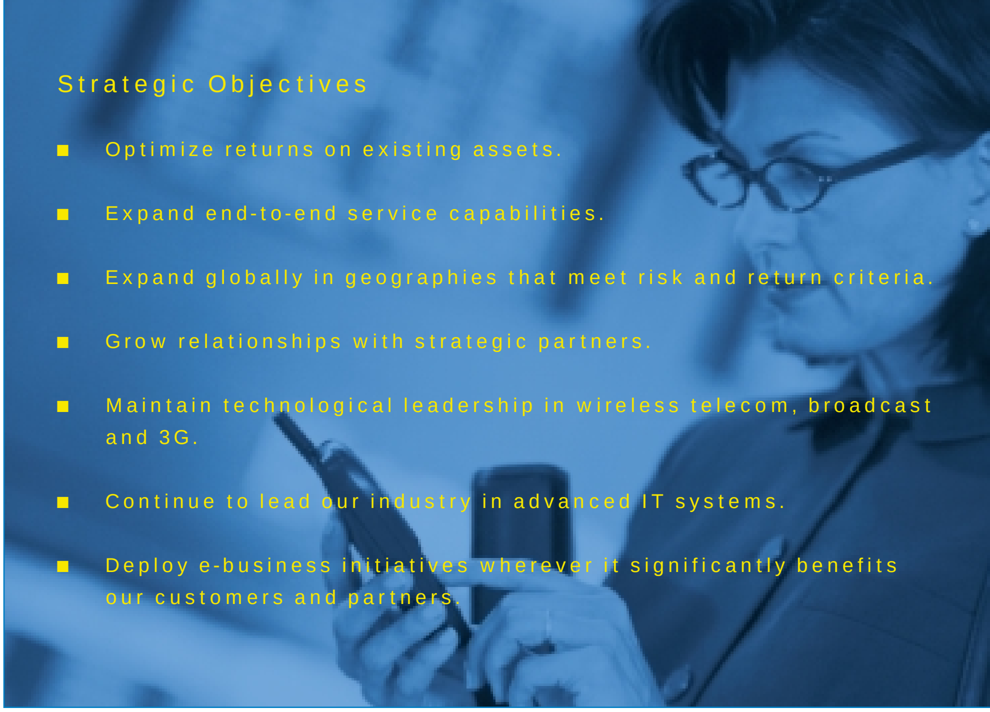
Raising Capital. Our business requires substantial amounts of capital to fund network expansion, and in 1999 Crown Castle raised more money than in any year in our history, setting a record for the industry. Reflecting the capital markets' support for Crown Castle, we raised or negotiated more than $4 billion in new or more attractive capital, including:

- significant investments from a number of carriers whose portfolios we acquired, as these carriers demonstrated their confidence in Crown Castle;
- a strategic investment from GE Capital/NBC of $200 million along with a commitment to explore opportunities with the GE family of companies;
- a $1.2 billion revolving credit agreement with a banking syndicate, completed slightly outside the reporting period, that positions us to grow our business without having to rely on day-to-day capital market conditions; and
- a number of additional public and private debt and equity offerings.

Positioned for the Future

Looking forward, I am pleased to report that your Company is well-positioned in an exciting, rapidly growing global industry. A number of positive trends are impacting our industry, including:

- rapid consolidation and globalization of both the wireless and broadcast industries;
- the upcoming auction of new spectrum for third generation wireless voice, data and mobile multimedia networks in the UK, United States and Europe;
- planned privatizations of national broadcast networks in several countries throughout Europe;
- a growing willingness of carriers and broadcasters to outsource the ownership, management, maintenance and operation of larger parts of their networks; and
- increasing demand for traditional and new wireless services.



Together these represent significant opportunities for Crown Castle, both in its traditional site sharing and broadcast transmission management businesses and in the area of value-added services and solutions. Nontraditional providers are entering the market in the upcoming deployment of 3G as well as in the traditional wireless arena. These new entrants provide opportunities for Crown Castle to offer turnkey network engineering, deployment, operation and management services as new wireless products are introduced and new markets opened.

Our strategy for meeting these opportunities is simple:

- optimize returns on our existing assets;
- expand our already significant end-to-end service capabilities, allowing us to build, own and operate wireless communications networks in addition to managing towers;
- expand internationally in those geographies that meet our risk and opportunity profiles;
- grow our relationships with partners such as Bell Atlantic, BellSouth, the BBC, GTE, One 2 One (Deutsche Telekom), GE Capital/NBC, Cable & Wireless Optus and others, building on these relationships as we move into new world markets;
- maintain our technological leadership in the wireless and broadcast worlds and in upcoming 3G technologies;
- continue to lead the industry in the deployment of the advanced IT systems required to integrate and manage shared infrastructure and networks effectively; and
- deploy e-business initiatives wherever we can make it significantly easier for customers, vendors and partners to work with Crown Castle.

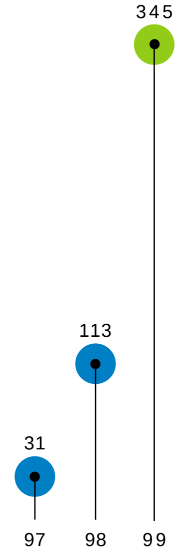
Our future success depends in large part on the quality and dedication of your management team and of our employees, and I want to express my sincere appreciation for their hard work. We recently announced enhancements to our senior management team that will strengthen further our ability to thrive in the years ahead. This information can be accessed on our web site at www.crowncastle.com.

On behalf of the Board of Directors, I offer our most sincere appreciation to Crown Castle's dedicated employees, loyal customers and supportive shareholders. I look forward to reporting future developments and exciting achievements in coming periods.

Respectfully,

Ted B. Miller, Jr.
Chairman & Chief Executive Officer

Revenues
(millions of dollars)



Revenues for 1999 were more than triple those for 1998.


shaping
wireless telecom

Crown Castle Delivers

- Speed to market.
- Advanced solutions for carriers.
- 68 of top 100 United States markets.
- More than 95% of UK population.
- More than 92% of Australian population.

Delivering prime markets and total turnkey solutions for wireless operators

Crown Castle has transformed the industry twice — first with precedent-setting deals for carriers to outsource their tower networks and now with the first contract ever awarded to an independent infrastructure owner for the engineering, build-out and operation of a turnkey wireless network. Carriers worldwide realize the smart move is to outsource to Crown Castle.

Expanding globally	Engineered coverage		Delivering value

Crown Castle Offers

- More than 75 years of broadcast experience.
- Technological leadership.
- Reliable operation.
- Turnkey engineering, deployment and network management.

Leading the world's conversion to digital terrestrial television and radio

Crown Castle owns and operates 17 analog and digital broadcast networks for the BBC, ONdigital and others, providing near-universal coverage in the UK. Commercial broadcasters embracing the favorable economics of outsourcing their networks, the privatization of national broadcast networks and the introduction of digital television all represent tremendous growth opportunities for Crown Castle.

First in digital	Outsource leaders		Global opportunity


shaping
digital broadcast


shaping
third generation

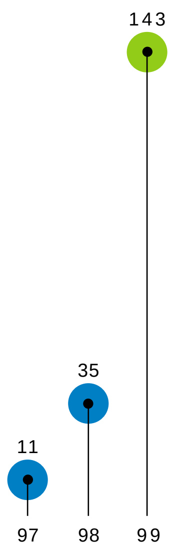
Crown Castle Offers

- Rapid deployment.
- Turnkey design and build-out.
- Extensive engineered coverage.
- Total outsource for new entrants.

Revolutionizing the @Now/@Anywhere society with 3G technology

As the United States, UK, Europe and other countries auction spectrum for 3rd Generation wireless voice, video and data, consumers and business professionals will see new freedom in their ability to connect to the people, information and entertainment they want, @Now/@Anywhere. Crown Castle will help auction winners deploy this exciting technology. 3G wireless technology - Internet on the go - a compelling global dynamic - Crown Castle is ready.

Site Rental Revenues
(millions of dollars)



Site rental revenue increased over 300% in 1999.

In 1999, led by Crown Castle,

the wireless telecom industry discovered what the broadcast industry already understood — that outsourcing is an economically savvy business decision. Carriers and broadcasters are recognizing that outsourcing their transmission networks:

- frees them from non-core functions;
- monetizes their significant investments in tower and transmission assets; and
- frees up capital and management attention to focus on other aspects of their businesses.

Crown Castle led the industry metamorphosis in the United States wireless communications industry, winning five of the seven major carrier portfolios that changed hands. In the UK, Crown Castle announced the country's first telecom carrier tower acquisition and the world's first outsourcing of a turnkey network to an independent infrastructure company, both with One 2 One. Together, these watershed agreements mark the further evolution of Crown Castle from a shared site/broadcast transmission management company into a total solutions provider to the wireless telecom and broadcast industries.

Third Generation (3G) Technology. In anticipation of 3G spectrum auctions in the United States and UK, Crown Castle expanded its 3G team to prepare for the deployment of the new wireless networks that will be required to deliver the high speed data, voice, multimedia and mobile Internet access that 3G technology promises. Crown Castle sees opportunity both in engineering, deploying and operating carrier networks for 3G, and in providing many of the new sites that will be required when the auction winners roll out 3G services.

Crown Castle presented several 3G showcases in 1999. Our 3G Reality showcase featured an operating demonstration of a 3G network at our UK headquarters, created in concert with equipment providers.

Our IT Advantage

Integration Excellence. Our unprecedented network growth resulted in the huge integration of almost 6,000 towers, substantially more than any other independent infrastructure company. To assimilate rapidly the massive amount of information this integration required, we introduced Intrasite™, an award-winning site management information system. Intrasite pulls together in a single tool the extensive customer- and tower-related lease, real estate, contract, legal, operational and financial information for each of our sites, resulting in more efficient operations and in improved ability to lease our sites and towers.

During the year, the Company continued to standardize key systems and processes to enable us to easily expand our service offerings and geographic coverage. By packaging the Crown Castle business model, systems infrastructure and business processes into the equivalent of a turnkey "company in a box," Crown Castle can now begin operations in a new market within 30 days in the United States and can go live within 90 days in a new country.

E-business @Now/@Anywhere. Speed to market and access to information are two capabilities of vital importance to our customers. In 1999 Crown Castle launched an e-business initiative designed to enable our customers to find the information they need on site and service availability via the Internet and to complete a substantial part of the process for collocating on one of our towers online. Working closely with our key customers, we expect to launch our pilot in the summer of 2000.

In addition, Crown Castle's superior IT capabilities cost-effectively enable us to:

- absorb new acquisitions of towers and sites rapidly and bring them to market quickly;
- reduce application-to-installation time through automated radio frequency (RF) and interference planning;
- identify fertile markets for expansion and process thou-

Crown Castle's 1999 operations were characterized by several noteworthy developments, as we:

- proved our ability to integrate towers;
- achieved record lease-up, broadcast and services results;
- expanded our value-added offerings to the wireless telecom industry;
- added operations in Europe and Australia;
- increased our 3G efforts in preparation for spectrum auctions;
- launched e-business initiatives to serve the @Now/@Anywhere economy;
- completed our initial build-out of the world's first commercial digital terrestrial television and audio broadcast networks; and
- implemented a global rebranding, uniting our operating companies under a single brand name.

sands of search rings to identify prime new site locations;

- provide the financial and operational information managers require to operate our business efficiently and to maximize yield on our tower assets; and
- expand the full range of engineering, system integration and broadcast and wireless telecom network design, deployment and management services we offer our customers.

United States

1999 was a landmark year for our United States operations.

At the close of 1999, as a result of new builds and acquisitions, our United States/Puerto Rico portfolio of strategic clusters of towers increased to more than 5,400 (with more than 8,000 committed), up 685% from 690 at year-end 1998. As a result, Crown Castle entered into a range of master lease agreements in the United States as wireless operators recognized the ability of these engineered footprints to help solve their capacity and market expansion needs. Master site-leasing arrangements with Nextel and Metricom, totaling 1,264 and 500 sites respectively, demonstrate the attractiveness of our strategic tower clusters. Existing carriers and new market entrants find that our engineered footprints offer a rapid way to improve coverage or deploy new services.

Network Operations Center Expanded. Crown Castle recently completed the expansion of its Network Operations Center in Pittsburgh, Pennsylvania, to reinforce our industry-leading capability for 24-hour, seven-day-a-week central monitoring of our sites. We also introduced Crown Castle's "Towers that Talk™," a program in which our towers communicate wirelessly via our Network Operations Center to our field service personnel when there is an operational issue. Through the use of sophisticated pocket devices, our field personnel can diagnose the problem and then wirelessly initiate a preprogrammed series of corrective actions. The bottom line: we avoid disruptions in service to carriers and their customers, often without going to the actual tower site.

Together, these technologies enable us to offer an expanded range of monitoring, maintenance and network operations services to our customers, increasing our ability to generate revenue from our tower sites.

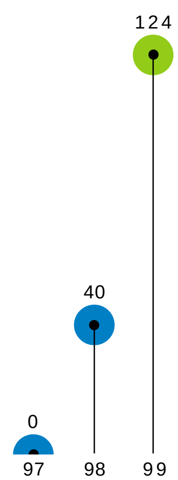
United Kingdom

Wireless Telecommunications. The UK continues to represent a vigorous market, requiring continued build-out to accommodate second-generation capacity and quality demands and the approaching rollout of 3G. Our acquisitions of Millennium and of One 2 One's communications sites strengthened Crown Castle's position in the UK's telecommunications market. We ended the year with a portfolio of 2,071 towers and sites, including those acquired from the BBC, Millennium and One 2 One as well as new builds, an increase of 126% from the year before.

Broadcasting. Following our launch in 1998 of the world's first commercial Digital Terrestrial Television and

Crown Castle acquired six of the eight major wireless carrier portfolios that changed hands in the United States and UK.

Broadcast Transmission Revenues
(millions of dollars)



With 17 networks in operation, broadcast revenues increased over 200% in 1999.

Digital Audio Broadcast transmission networks, Crown Castle completed the initial phase of its digital rollout in 1999. Crown Castle now owns and operates 17 digital and analog broadcast transmission networks that reach more than 99% of the UK population. Our networks met or exceeded all contractual performance standards for reliable operations during the year. Our more than 75 years of broadcast experience position Crown Castle to compete successfully as more countries privatize their national networks and convert from analog to spectrum-efficient digital television over the next several years.

Value–Added Solutions. In December 1999, Crown Castle was awarded the turnkey contract to design, build and operate the wireless network being rolled out in Northern Ireland by One 2 One. Under this industry-first contract, Crown Castle will maintain the telephone switch and transmission electronics for the carrier, as well as own and operate the signal distribution and backhaul network, towers and other shareable infrastructure. This represents a substantial expansion in the breadth of value-added services we are able to provide to the wireless community.

International

From a global perspective, Crown Castle is pursuing opportunities in the European Union and Australasia (Australia and New Zealand) and investigating potential opportunities in Latin America. We are looking to expand the Company's success in these markets by replicating our UK and United States models around three broad themes:

- purchasing existing portfolios of wireless carrier towers;
- pursuing additional privatization of government television broadcast networks, similar to our transaction with the BBC; and
- proactively moving into a market we want to enter prior to an acquisition, obtaining knowledge about the local environment and establishing a local presence. This

Crown Castle's Network

Our engineered tower networks reach 68 of the top 100 United States markets, more than 95% (wireless) and 99% (broadcast) of the UK's population and more than 92% of the Australian population. Pro forma for announced transactions, our network of almost 11,000 towers reaches more than 170 million people.

type of "greenfield work" has served us well in Australia, Europe and South America as we have developed relationships with local partners, gained a better understanding of the local environment and positioned the Company to recognize opportunities as they unfold in the marketplace.

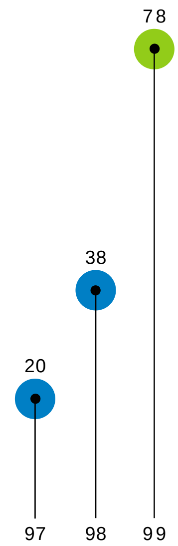
As part of our greenfield efforts, in 1999 we established a joint operation in the Benelux (Belgium, Netherlands, Luxembourg) region with Detron Group NV. Detron is a leading supplier of services to the fixed line and wireless industries in Benelux and other European countries and contributed an established site acquisition business to the joint operation.

As a result of prior greenfield efforts in Australasia, in March 2000 we announced our first acquisition outside the United States and the UK of 700 towers from Cable & Wireless Optus in Australia. Crown Castle is the majority shareholder of this venture, with a group led by local investment manager Fay, Richwhite as minority shareholders.

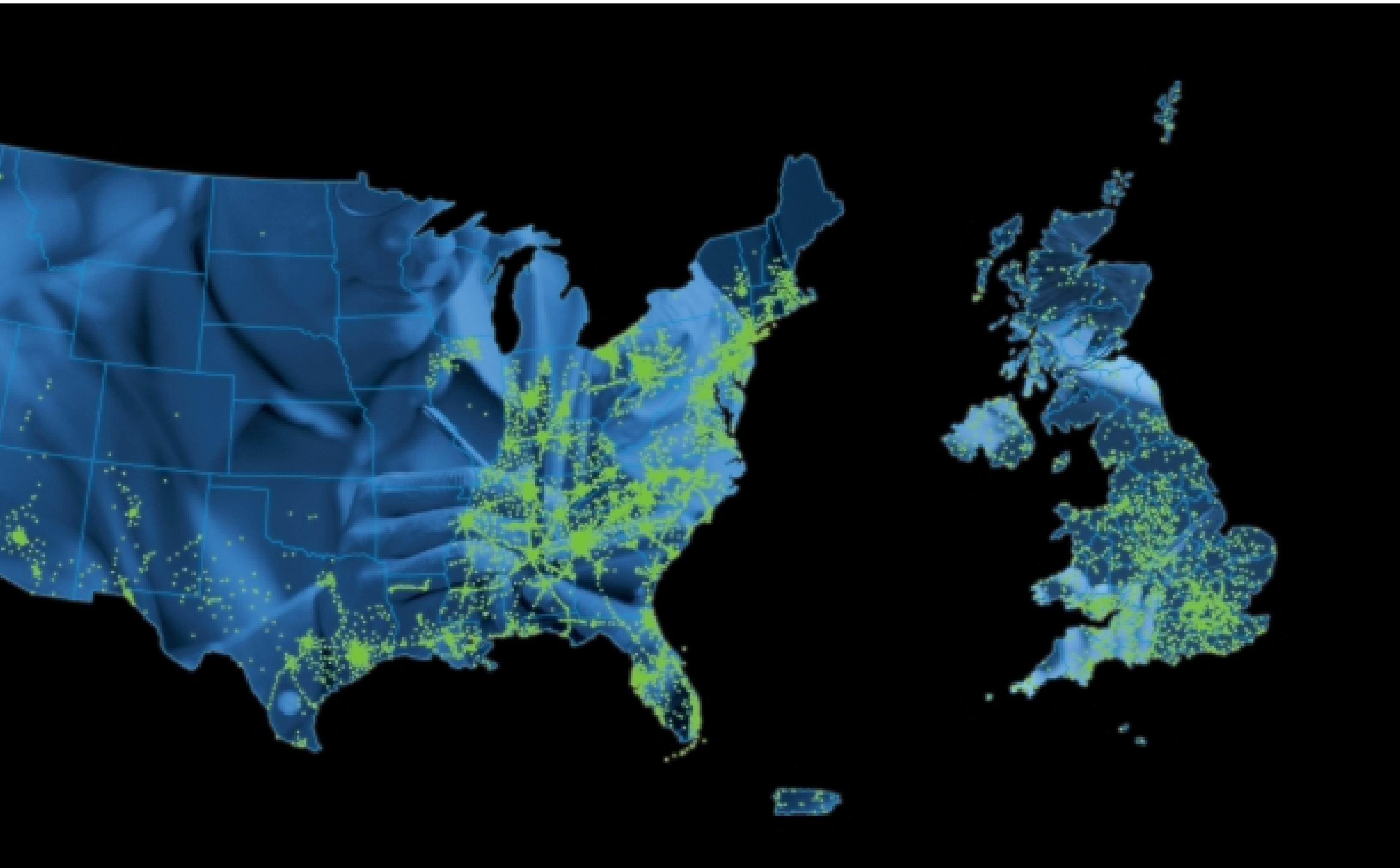
As we continue to identify markets ripe for outsourcing of broadcast or wireless voice and data networks, our international efforts will prudently exploit the expertise Crown Castle has gained in acquiring large portfolios and infrastructure assets from carriers and broadcasters.

Superior performance. Service excellence.
Smart growth. Strategic clustered footprints.
In a world where more subscribers, lower prices, higher usages rates and the rapid introduction of new voice, digital television, radio and 3G multimedia/data services are creating an explosion in demand for wireless and broadcast services, Crown Castle will continue to shape the wireless world by offering unparalleled coverage, operational excellence and a broad range of solutions for the wireless and broadcast industries.

Network Services Revenues
(millions of dollars)



Network services revenues more than doubled in 1999 as volume and penetration rates increased.



at a glance

Crown Castle offers full end-to-end wireless and broadcast network engineering, deployment and management, using its extensive network of almost 11,000 towers and rooftops offering coverage throughout the United States, the UK and Australia. Headquartered in Houston, Texas, Crown Castle provides a wide range of services to the broadcast, wireless communications and data industries:

Turnkey Solutions for Broadcasters and Wireless Providers

- Engineering, Developing and Operating Analog and Digital Terrestrial Television and Audio Broadcast Networks.
- Engineering, Developing and Operating Wireless Communications Networks (Second Generation Voice and 3G Wireless Voice, Video and Data).

Value–Added Services

- Site Acquisition, Development and Construction.
- Broadcast and Wireless Network Operations and Maintenance.
- Antenna and Equipment Installation.
- Radio Frequency Engineering.
- Backhaul.

Basic Services

- Leasing Antenna Space on Wireless and Broadcast Multi-Tenant Towers and Rooftops.
- Build-to-Suit.

Key Statistics as of 12/31/99

Number of Towers Effectively Owned*	10,925
Number of Employees	1,236
Estimated Population Reached by Networks	170 Million+
United States Wireless Coverage	68 of Top 100 Markets
UK Coverage (% of Population)	99% Broadcast, 95%+ Wireless
Australian Wireless Coverage (% of Population)	92%+
Revenues	$345.8 Million
EBITDA	$139.8 Million
Number of Towers Integrated During Year	5,880
Number of Team Bases/ Regional Offices	43
Market Capitalization	$6.5 Billion

We serve many types of customers, including:

- Cellular, Personal Communications Services (PCS) and Personal Communications Network (PCN) Carriers.
- Television and Radio Broadcasters.
- Specialized Mobile Radio (SMR)/Enhanced SMR/ PMR/TETRA Operators.
- Government Agencies.
- Private Industrial Users.
- Wireless Data Networks.
- Traditional and Two-Way Paging System Operators.
- Utilities.
- Public Telecommunications Companies.
- Fixed Wireless and Wireless Local Loop System Operators.

Major Operating and Services Companies

- Crown Castle USA Inc.
- Crown Castle Atlantic LLC
- Crown Castle UK Limited
- Crown Castle Australia Limited
- Crown Castle International Corp. de Puerto Rico
- TEA Group Incorporated (Site Acquisition and Development)
- Spectrum Site Management Corporation (Rooftops and Risers)

* Owned, operated and managed (pro forma for announced transactions including Optus).

Table of Contents

The results of operations for the years ended December 31, 1995, 1996, 1997, 1998 and 1999 are not comparable as a result of business acquisitions. Results of operations of these acquired businesses are included in the Company's consolidated financial statements for the periods after the respective dates of acquisition. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and the Company's consolidated financial statements.

	Years Ended December 31,				
	1995	1996	1997	1998	1999
Consolidated Statement of Operations Data:	*(In thousands of dollars, except per share amounts)*				
Net revenues:					
Site rental and broadcast transmission	$ 4,052	$ 5,615	$ 11,010	$ 75,028	$ 267,894
Network services and other	6	592	20,395	38,050	77,865
Total net revenues	4,058	6,207	31,405	113,078	345,759
Costs of operations:					
Site rental and broadcast transmission	1,226	1,292	2,213	26,254	114,436
Network services and other	—	8	13,137	21,564	42,312
Total costs of operations	1,226	1,300	15,350	47,818	156,748
General and administrative	729	1,678	6,824	23,571	43,823
Corporate development	204	1,324	5,731	4,625	5,403
Restructuring charges	—	—	—	—	5,645
Non-cash compensation charges	—	—	—	12,758	2,173
Depreciation and amortization	836	1,242	6,952	37,239	130,106
Operating income (loss)	1,063	663	(3,452)	(12,933)	1,861
Equity in earnings (losses) of unconsolidated affiliate	—	—	(1,138)	2,055	—
Interest and other income (expense)	53	193	1,951	4,220	17,731
Interest expense and amortization of deferred financing costs	(1,137)	(1,803)	(9,254)	(29,089)	(110,908)
Loss before income taxes, minority interests and cumulative effect of change in accounting principle	(21)	(947)	(11,893)	(35,747)	(91,316)
Provision for income taxes	—	(10)	(49)	(374)	(275)
Minority interests	—	—	—	(1,654)	(2,756)
Loss before cumulative effect of change in accounting principle	(21)	(957)	(11,942)	(37,775)	(94,347)
Cumulative effect of change in accounting principle for costs of start-up activities	—	—	—	—	(2,414)
Net loss	(21)	(957)	(11,942)	(37,775)	(96,761)
Dividends on preferred stock	—	—	(2,199)	(5,411)	(28,881)
Net loss after deduction of dividends on preferred stock	$ (21)	$ (957)	$ (14,141)	$ (43,186)	$ (125,642)
Per common share — basic and diluted:					
Loss before cumulative effect of change in accounting principle	$ (0.01)	$ (0.27)	$ (2.27)	$ (1.02)	$ (0.94)
Cumulative effect of change in accounting principle	—	—	—	—	(0.02)
Net loss	$ (0.01)	$ (0.27)	$ (2.27)	$ (1.02)	$ (0.96)
Common shares outstanding — basic and diluted (in thousands)	3,316	3,503	6,238	42,518	131,466
Other Consolidated Data:					
EBITDA*	$ 1,899	$ 1,905	$ 3,500	$ 37,064	$ 139,785
Summary cash flow information:					
Net cash provided by (used for) operating activities	1,672	(530)	(624)	44,976	92,608
Net cash used for investing activities	(16,673)	(13,916)	(111,484)	(149,248)	(1,509,146)
Net cash provided by financing activities	15,597	21,193	159,843	345,248	1,670,402
Cash dividends declared	—	—	—	—	—
Consolidated Balance Sheet Data (at period end):					
Cash and cash equivalents	$ 596	$ 7,343	$ 55,078	$ 296,450	$ 549,328
Property and equipment, net	16,003	26,753	81,968	592,594	2,468,101
Total assets	19,875	41,226	371,391	1,523,230	3,836,650
Total debt	11,182	22,052	156,293	429,710	1,542,343
Redeemable preferred stock	5,175	15,550	160,749	201,063	422,923
Total stockholders' equity (deficit)	619	(210)	41,792	737,562	1,617,747

** EBITDA is defined as operating income (loss) plus depreciation and amortization, non-cash compensation charges and restructuring charges. EBITDA is presented as additional information because management believes it to be a useful indicator of our ability to meet debt service and capital expenditure requirements. It is not, however, intended as an alternative measure of operating results or cash flow from operations (as determined in accordance with generally accepted accounting principles). Furthermore, our measure of EBITDA may not be comparable to similarly titled measures of other companies.*

The following discussion is intended to assist in understanding our consolidated financial condition as of December 31, 1999 and our consolidated results of operations for each year in the three-year period ended December 31, 1999. The statements in this discussion regarding the industry outlook, our expectations regarding the future performance of our businesses and the other nonhistorical statements in this discussion are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including but not limited to the uncertainties relating to decisions on capital expenditures to be made in the future by wireless carriers and broadcasters. This discussion should be read in conjunction with "Selected Financial Data" and the consolidated financial statements and related notes included elsewhere in this document. Results of operations of the acquired businesses that are wholly and majority owned are included in our consolidated financial statements for the periods subsequent to the respective dates of acquisition. As such, our results of operations for the year ended December 31, 1999 are not comparable to the year ended December 31, 1998, and the results for the year ended December 31, 1998 are not comparable to the year ended December 31, 1997.

Overview

The continued growth of our business depends substantially on the condition of the wireless communications and broadcast industries. We believe that the demand for communications sites will continue to grow and expect that, due to increased competition, wireless carriers will continue to seek operating and capital efficiencies by (1) outsourcing certain network services and the build-out and operation of new and existing infrastructure; and (2) planning to use a tower site as a common location, or "co-locating", for the placement of their antennas and transmission equipment alongside the equipment of other communications providers. In addition, we believe that more wireless carriers will seek to sell their wireless communications infrastructure to, or establish joint ventures with, experienced infrastructure providers, such as the Company, that have the ability to manage networks.

Further, we believe that wireless carriers and broadcasters will continue to seek to outsource the operation of their towers and, eventually, their transmission networks, including the transmission of their signals. Management believes that our ability to manage towers and transmission networks and our proven track record of providing services addressing all aspects of signaling systems from the originating station to the terminating receiver, or "end-to-end" services, to the wireless communications and broadcasting industries position our company to capture such business.

The willingness of wireless carriers to utilize our infrastructure and related services is affected by numerous factors, including:

- consumer demand for wireless services;
- interest rates;
- cost of capital;
- availability of capital to wireless carriers;
- tax policies;
- willingness to co-locate equipment;
- local restrictions on the proliferation of towers;
- cost of building towers; and
- technological changes affecting the number of communications sites needed to provide wireless communications services to a given geographic area.

Our revenues that are derived from the provision of transmission services to the broadcasting industry will be affected by:

- the timing of the roll-out of digital television broadcasts from tower-mounted antenna systems, or "digital terrestrial television broadcasts", in the United Kingdom, as well as in the United States and other countries around the world;
- consumer demand for digital terrestrial broadcasting;
- interest rates;
- cost of capital;
- zoning restrictions on towers; and
- the cost of building towers.

As an important part of our business strategy, we will seek:

(1) to maximize utilization of our tower capacity,

(2) to utilize the expertise of U.S. and U.K. personnel to capture global growth opportunities,

(3) to partner with wireless carriers to assume ownership of their existing towers, and

(4) to acquire existing transmission networks globally as opportunities arise.

Results of Operations

Our primary sources of revenues are from:

(1) renting antenna space on towers and rooftops sites,

(2) providing analog and digital broadcast transmission services, and

(3) providing network services.

Site rental revenues in the U.S. are received primarily from wireless communications companies, including those operating in the following categories of wireless communications:

- microwave;
- cellular;
- personal communications services, a digital service operating at a higher frequency range than cellular and is provided by companies such as Sprint PCS, OmniPoint and PrimeCo;
- paging;
- specialized mobile radio, a service operating in the frequency range used for two-way radio communication by public safety, trucking companies, and other dispatch service users; and
- enhanced specialized mobile radio, a service operating in the frequency range typically used for digital communications and provided by Nextel and others.

Site rental revenues are generally recognized on a monthly basis under lease agreements, which typically have original terms of five years (with three or four optional renewal periods of five years each). Average revenues for our managed rooftop sites are significantly less than for the owned and managed towers because a substantial portion of the revenues from the tenants at rooftop sites is remitted to the building owner or manager.

Broadcast transmission services revenues in the U.K. are received for both analog and digital transmission services. Monthly analog transmission revenues are principally received from the BBC under a contract with an initial 10-year term through March 31, 2007. Digital transmission services revenues from the BBC and ONdigital are recognized under contracts with initial terms of 12 years through November 15, 2010. Monthly revenues from these digital transmission contracts increase over time as the network rollout progresses.

Site rental revenues in the U.K. are received from other broadcast transmission service providers (primarily NTL) and wireless communications companies, including all four U.K. cellular operators (Cellnet, Vodafone, One 2 One and Orange). Site rental revenues are generally recognized on a monthly basis under lease agreements with original terms of three to 12 years. Such lease agreements generally require annual payments in advance, and include rental rate adjustment provisions between one and three years from the commencement of the lease. Site rental revenues are expected to become an increasing portion of CCUK's total U.K. revenue base, and we believe that the demand for site rental from communication service providers will increase in line with the expected growth of these communication services in the United Kingdom.

Network services revenues in the U.S. consist of revenues from:

(1) network design and site selection,

(2) site acquisition,

(3) site development and construction,

(4) antenna installation, and

(5) other services.

Network services revenues are received primarily from wireless communications companies. Network services revenues in the U.S. are recognized under service contracts which provide for billings on either a fixed price basis or a time and materials basis. Demand for our network services fluctuates from period to period and within periods. Consequently, the operating results of our network services businesses for any particular period may vary significantly, and should not be considered as indicative of longer-term results. We also derive revenues from the ownership and operation of microwave radio and specialized mobile radio networks in Puerto Rico where we own radio wave spectrum in the 2,000 MHz and 6,000 MHz range (for microwave radio) and the 800 MHz range (for specialized mobile radio). These revenues are generally recognized under monthly management or service agreements.

Network services revenues in the U.K. consist of (1) network design and site selection, site acquisition, site development and antenna installation and (2) site management and other services. Network design and development and related services are provided to:

(1) a number of broadcasting and related organizations, both in the United Kingdom and other countries,

(2) all four U.K. cellular operators, and

(3) a number of other wireless communications companies, including Dolphin and Highway One.

These services are usually subject to a competitive bid, although a significant proportion result from an operator coming onto an existing CCUK site. Revenues from such services are recognized on either a fixed price or a time and materials basis. Site management and other services, consisting of both network monitoring and equipment maintenance, are carried out in the United Kingdom for a number of emergency service organizations. CCUK receives revenues for such services under contracts with original terms of between three and five years. Such contracts provide fixed prices for network monitoring and variable pricing dependent on the level of equipment maintenance carried out in a given period.

Costs of operations for site rental in the U.S. primarily consist of:

- land leases;
- repairs and maintenance;
- utilities;
- insurance;
- property taxes;
- monitoring costs; and
- in the case of managed sites, rental payments.

For any given tower, such costs are relatively fixed over a monthly or an annual time period. As such, operating costs for owned towers do not generally increase significantly as additional customers are added. However, rental expenses at certain managed towers increase as additional customer antennas are added, resulting in higher incremental revenues but lower incremental margins than on owned towers.

Costs of operations for broadcast transmission services in the U.K. consist primarily of employee compensation and related benefits costs, utilities, rental payments under the Site-Sharing Agreement with NTL, circuit costs and repairs and maintenance on both transmission equipment and structures. Site rental operating costs in the U.K. consist primarily of employee compensation and related benefits costs, utilities and repairs and maintenance. The majority of such costs are relatively fixed in nature, with increases in revenue from new installations on existing sites generally being achieved without a corresponding increase in costs.

Costs of operations for network services consist primarily of employee compensation and related benefits costs, subcontractor services, consulting fees, and other on-site construction and materials costs. We incur these network services costs (1) to support our internal operations, including construction and maintenance of our owned towers, and (2) to maintain the employees necessary to provide end-to-end services to third parties regardless of the level of such business at any time. We believe that our experienced staff enables us to provide the type of end-to-end services that enhance our ability to acquire access to the infrastructure of wireless carriers and to attract significant build-to-suit contracts.

General and administrative expenses consist primarily of:

- employee compensation, training, recruitment and related benefits costs;
- advertising;
- professional and consulting fees;
- office rent and related expenses; and
- travel costs.

Corporate development expenses represent costs incurred in connection with acquisitions and development of new business initiatives. These expenses consist primarily of:

- allocated compensation and external professional fees;
- benefits; and
- overhead costs that are not directly related to the administration or management of existing towers.

Depreciation and amortization charges relate to our property and equipment (which consists primarily of towers, broadcast transmission equipment, associated buildings, construction equipment and vehicles), goodwill and other intangible assets recorded in connection with business acquisitions. Depreciation of towers, broadcast transmission equipment and amortization of goodwill are computed with a useful life of 20 years. Amortization of other intangible assets (principally the value of existing site rental contracts at Crown Communication) is computed with a useful life of 10 years. Depreciation of buildings is computed with useful lives ranging from 20 to 50 years. Depreciation of construction equipment and vehicles are generally computed with useful lives of 10 years and 5 years, respectively.

In May 1997, we completed the acquisition of TEA and the acquisition of TeleStructures. In August 1997, we completed the acquisition of Crown Communication. In August 1998, we completed a share exchange with the shareholders of CCUK, under which our ownership of CCUK increased from approximately 34.3% to 80%. In October 1998, CCUK completed the acquisition of Millennium. In March 1999, we completed the formation of Crown Atlantic. In June and December of 1999, we completed the acquisition of towers from Powertel. Finally, during 1999 we completed the substantial portions of the transactions with BellSouth and BellSouth DCS. Results of operations of these acquired businesses and towers are included in our consolidated financial statements for the periods subsequent to the respective dates of acquisition. As such, our results of operations for the year ended December 31, 1999 are not comparable to the year ended December 31, 1998, and the results for the year ended December 31, 1998 are not comparable to the year ended December 31, 1997.

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

	Year Ended December 31, 1997		Year Ended December 31, 1998		Year Ended December 31, 1999	
	Amount	Percent of Net Revenues	Amount	Percent of Net Revenues	Amount	Percent of Net Revenues
			(In thousands of dollars)			
Net revenues:						
Site rental and broadcast transmission	$ 11,010	35.1%	$ 75,028	66.4%	$ 267,894	77.5%
Network services and other	20,395	64.9	38,050	33.6	77,865	22.5
Total net revenues	31,405	100.0	113,078	100.0	345,759	100.0
Operating expenses:						
Costs of operations:						
Site rental and broadcast transmission	2,213	20.1	26,254	35.0	114,436	42.7
Network services and other	13,137	64.4	21,564	56.7	42,312	54.3
Total costs of operations	15,350	48.9	47,818	42.3	156,748	45.4
General and administrative	6,824	21.7	23,571	20.8	43,823	12.7
Corporate development	5,731	18.3	4,625	4.1	5,403	1.6
Restructuring charges	—	—	—	—	5,645	1.6
Non-cash compensation charges	—	—	12,758	11.3	2,173	0.6
Depreciation and amortization	6,952	22.1	37,239	32.9	130,106	37.6
Operating income (loss)	(3,452)	(11.0)	(12,933)	(11.4)	1,861	0.5
Other income (expense):						
Equity in earnings (losses) of unconsolidated affiliate	(1,138)	(3.6)	2,055	1.8	—	—
Interest and other income (expense)	1,951	6.2	4,220	3.7	17,731	5.1
Interest expense and amortization of deferred financing costs	(9,254)	(29.5)	(29,089)	(25.7)	(110,908)	(32.0)
Loss before income taxes, minority interests and cumulative effect of change in accounting principle	(11,893)	(37.9)	(35,747)	(31.6)	(91,316)	(26.4)
Provision for income taxes	(49)	(0.1)	(374)	(0.3)	(275)	(0.1)
Minority interests	—	—	(1,654)	(1.5)	(2,756)	(0.8)
Loss before cumulative effect of change in accounting principle	(11,942)	(38.0)	(37,775)	(33.4)	(94,347)	(27.3)
Cumulative effect of change in accounting principle for costs of start-up activities	—	—	—	—	(2,414)	(0.7)
Net loss	$ (11,942)	(38.0)%	$ (37,775)	(33.4)%	$ (96,761)	(28.0)%

Comparison of Years Ended December 31, 1999 and 1998

Consolidated revenues for 1999 were $345.8 million, an increase of $232.7 million from 1998. This increase was primarily attributable to:

(1) a $192.9 million, or 257.1%, increase in site rental and broadcast transmission revenues, of which $119.5 million was attributable to CCUK, $37.6 million was attributable to Crown Atlantic and $35.8 million was attributable to CCUSA,

(2) a $12.9 million increase in network services and other revenues from CCUSA,

(3) a $16.1 million increase in network services and other revenues from CCUK, and

(4) $10.3 million in network services and other revenues from Crown Atlantic.

Costs of operations for 1999 were $156.7 million, an increase of $108.9 million from 1998. This increase was primarily attributable to:

(1) an $88.2 million increase in site rental and broadcast transmission costs, of which $57.3 million was attributable to CCUK, $16.3 million was attributable to Crown Atlantic and $14.6 million was attributable to CCUSA,

(2) a $4.0 million increase in network services costs related to CCUSA,

(3) an $11.4 million increase in network services costs from CCUK, and

(4) $4.7 million in network services costs from Crown Atlantic.

Costs of operations for site rental and broadcast transmission as a percentage of site rental and broadcast transmission revenues increased to 42.7% for 1999 from 35.0% for 1998 because of higher costs attributable to the CCUK, Crown Atlantic and CCUSA operations. Costs of operations for network services and other as a percentage of network services and other revenues decreased to 54.3% for 1999 from 56.7% for 1998, primarily due to higher margins from the CCUK, Crown Atlantic and CCUSA operations.

General and administrative expenses for 1999 were $43.8 million, an increase of $20.3 million from 1998. This increase was primarily attributable to:

(1) a $10.1 million increase in expenses related to the CCUSA operations,

(2) a $1.8 million increase in expenses at our corporate office,

(3) a $3.2 million increase in expenses at CCUK, and

(4) $5.1 million in expenses at Crown Atlantic.

General and administrative expenses as a percentage of revenues decreased for 1999 to 12.7% from 20.8% for 1998 because of lower overhead costs as a percentage of revenues for CCUK, Crown Atlantic and CCUSA.

Corporate development expenses for 1999 were $5.4 million, compared to $4.6 million for 1998. This increase was attributable to $0.8 million in expenses at CCUK. Corporate development expenses for 1998 include discretionary bonuses related to our performance totaling approximately $0.8 million for certain members of our management.

In connection with the formation of Crown Atlantic, we completed a restructuring of our United States operations during the first quarter of 1999. The objective of this restructuring was to transition from a centralized organization to a regionally-based organization in the United States. In the first quarter of 1999, we recorded one-time charges of $1.8 million related to severance payments for staff reductions, as well as costs related to non-cancelable leases of excess office space.

We completed a restructuring of our TeleStructures, Inc. operations in December 1999. The objective of this restructuring was to reduce the size of the TeleStructures, Inc. staff to a level which could be justified by its current operating volume. In the fourth quarter of 1999, we recorded one-time charges totaling $3.8 million related to severance payments for the staff reductions, the recognition of an impairment loss for the remaining goodwill from the acquisition and other related costs.

For 1999, we recorded non-cash compensation charges of $2.2 million related to the issuance of stock options to certain employees and executives, compared to $12.8 million for 1998. See "—Compensation Charges Related to Stock Option Grants".

Depreciation and amortization for 1999 was $130.1 million, an increase of $92.9 million from 1998. This increase was primarily attributable to:

(1) a $43.3 million increase in depreciation and amortization related to the property and equipment and goodwill from CCUK,

(2) $24.2 million of depreciation and amortization related to the property and equipment and goodwill from Crown Atlantic, and

(3) a $25.0 million increase in depreciation and amortization related to the property and equipment, goodwill and other intangible assets related to the CCUSA operations.

The equity in earnings (losses) of unconsolidated affiliate represents our 34.3% share of CCUK's net earnings (losses) for the periods prior to August 1998, at which time the share exchange with CCUK's shareholders was completed. For the eight months ended August 31, 1998, after making appropriate adjustments to CCUK's results of operations for such period to conform to generally accepted accounting principles of the United States, CCUK had net revenues, operating income, interest expense (including amortization of deferred financing costs) and net income of $97.2 million, $18.6 million, $13.4 million and $6.0 million, respectively. Included in CCUK's results of operations for such period are non-cash compensation charges for approximately $3.8 million related to the issuance of stock options to certain members of CCUK's management.

Interest and other income (expense) for 1999 resulted primarily from:

(1) the investment of the net proceeds from our initial public offering of common stock in August 1998,

(2) the investment of the excess proceeds from the sale of our 12¾% senior exchangeable preferred stock in December 1998,

(3) the investment of the excess proceeds from the sale of our common stock, 10⅜% discount notes and 9% senior notes in May 1999,

(4) the investment of the proceeds from the sale of our common stock to TdF in June and July of 1999,

(5) the investment of the net proceeds from the sale of our 11¼% discount notes and 9½% senior notes in July 1999, and

(6) the investment of the net proceeds from the sale of our 8¼% convertible preferred stock in November 1999, partially offset by costs incurred in connection with unsuccessful acquisition attempts, costs incurred in connection with an offering of common stock by one of our shareholders, a loss incurred upon the disposition of an investment in an affiliate and costs incurred in connection with a solicitation of consents from certain of our bond and preferred stock holders.

Interest and other income (expense) for 1998 resulted primarily from (1) the investment of the excess proceeds from the sale of the 10⅝% discount notes in November 1997; and (2) the investment of the net proceeds from the initial public offering in August 1998. See "—Liquidity and Capital Resources".

Interest expense and amortization of deferred financing costs for 1999 was $110.9 million, an increase of $81.8 million, or 281.3%, from 1998. This increase was primarily attributable to interest on indebtedness at CCUK and Crown Atlantic, amortization of the original issue discount on the 10⅜% discount notes and the 11¼% discount notes, interest on the 9% senior notes and the 9½% senior notes, and interest and fees on the term loans used to finance the BellSouth and Powertel escrow payments.

Minority interests represent the minority shareholder's 20% interest in CCUK's operations and the minority partner's 38.5% interest in Crown Atlantic's operations.

The cumulative effect of the change in accounting principle for costs of start-up activities represents the charge we recorded upon the adoption of SOP 98-5 on January 1, 1999.

Comparison of Years Ended December 31, 1998 and 1997

Consolidated revenues for 1998 were $113.1 million, an increase of $81.7 million from 1997. This increase was primarily attributable to:

(1) a $64.0 million, or 581.5%, increase in site rental and broadcast transmission revenues, of which $52.5 million was attributable to CCUK and $11.5 million was attributable to the CCUSA operations,

(2) an $11.4 million increase in network services revenues from the CCUSA operations, and

(3) $5.6 million in network services revenues from CCUK.

Costs of operations for 1998 were $47.8 million, an increase of $32.5 million from 1997. This increase was primarily attributable to:

(1) a $24.0 million increase in site rental and broadcast transmission costs, of which $20.1 million was attributable to CCUK and $3.9 million was attributable to the CCUSA operations,

(2) a $3.8 million increase in network services costs related to the CCUSA operations, and

(3) $4.2 million in network services costs from CCUK.

Costs of operations for site rental and broadcast transmission as a percentage of site rental and broadcast transmission revenues increased to 35.0% for 1998 from 20.1% for 1997, primarily due to (1) higher costs attributable to the CCUK operations which are inherent with CCUK's broadcast transmission business, and (2) higher costs for the CCUSA operations. Costs of operations for network services as a percentage of network services revenues decreased to 56.7% for 1998 from 64.4% for 1997, primarily due to improved margins from the CCUSA operations. Margins from the CCUSA network services operations vary from period to period, often as a result of increasingly competitive market conditions.

General and administrative expenses for 1998 were $23.6 million, an increase of $16.7 million from 1997. This increase was primarily attributable to:

(1) an $11.3 million increase in expenses related to the CCUSA operations,

(2) a $2.8 million increase in expenses at our corporate office, and

(3) $2.4 million in expenses at CCUK.

General and administrative expenses as a percentage of revenues decreased for 1998 to 20.8% from 21.7% for 1997 because of lower overhead costs as a percentage of revenues for CCUK, partially offset by higher overhead costs as a percentage of revenues for CCUSA and the increase in costs at our corporate office.

Corporate development expenses for 1998 were $4.6 million, a decrease of $1.1 million from 1997. Corporate development expenses for 1997 included nonrecurring compensation charges associated with the CCUK investment of (1) $0.9 million for certain executive bonuses and (2) the repurchase of shares of our common stock from a member of our board of directors, which resulted in compensation charges of $1.3 million. Corporate development expenses for 1998 included discretionary bonuses related to our performance totaling approximately $1.8 million for certain members of our management.

We have recorded non-cash compensation charges of $12.8 million related to the issuance of stock options to certain employees and executives. Such charges are expected to amount to approximately $1.6 million per year through 2002 and approximately $0.8 million in 2003. See "—Compensation Charges Related to Stock Option Grants".

Depreciation and amortization for 1998 was $37.2 million, an increase of $30.3 million from 1997. This increase was primarily attributable to (1) a $9.5 million increase in depreciation and amortization related to the property and equipment, goodwill and other intangible assets acquired in the Crown Communication acquisition; and (2) $20.3 million of depreciation and amortization related to the property and equipment and goodwill from CCUK.

The equity in earnings (losses) of unconsolidated affiliate represents our 34.3% share of CCUK's net earnings (losses) for the periods from March 1997 through August 1998, at which time the share exchange with CCUK's shareholders was completed. For the period from March through December 1997, after making appropriate adjustments to CCUK's results of operations for such period to conform to generally accepted accounting principles of the United States, CCUK had net revenues, operating income, interest expense (including amortization of deferred financing costs) and net losses of $103.5 million, $16.5 million, $20.4 million and $3.3 million, respectively.

Interest and other income for 1997 includes a $1.2 million fee received in March 1997 as compensation for leading the investment consortium which provided the equity financing for CCUK. Interest income for 1998 resulted primarily from (1) the investment of excess proceeds from the sale of the 10⅝% discount notes in November 1997; and (2) the investment of the net proceeds from the initial public offering in August 1998. See "—Liquidity and Capital Resources".

Interest expense and amortization of deferred financing costs for 1998 was $29.1 million, an increase of $19.8 million, or 214.3%, from 1997. This increase was primarily attributable to amortization of the original issue discount on the 10⅝% discount notes and interest on CCUK's indebtedness.

Minority interests represent the minority shareholder's 20% interest in CCUK's operations.

Liquidity and Capital Resources

Our business strategy contemplates substantial capital expenditures:

(1) in connection with the expansion of our tower portfolios by partnering with wireless carriers to assume ownership or control of their existing towers, by pursuing build-to-suit opportunities, and by pursuing other tower acquisition opportunities, and

(2) to acquire existing transmission networks globally as opportunities arise.

Since its inception, CCIC has generally funded its activities, other than acquisitions and investments, through excess proceeds from contributions of equity capital and cash provided by operations. CCIC has financed acquisitions and investments with the proceeds from equity contributions, borrowings under our senior credit facilities, issuances of debt securities and the issuance of promissory notes to sellers. Since its inception, CCUK has generally funded its activities, other than the acquisition of the BBC home service transmission business, through cash provided by operations and borrowings under CCUK's credit facility. CCUK financed the acquisition of the BBC home service transmission business with the proceeds from equity contributions and the issuance of the CCUK bonds.

For the years ended December 31, 1997, 1998 and 1999, our net cash provided by (used for) operating activities was ($0.6 million), $45.0 million and $92.6 million, respectively. For the years ended December 31, 1997, 1998 and 1999, our net cash provided by financing activities was $159.8 million, $345.2 million and $1,670.4 million, respectively. Our primary financing-related activities in 1999 and the first quarter of 2000 included the following:

May Offerings

On May 12, 1999, we completed public offerings of debt and equity securities. We sold (1) 21,000,000 shares of our common stock at a price of $17.50 per share and received proceeds of $352.8 million (after underwriting discounts of $14.7 million), (2) $500.0 million aggregate principal amount at maturity of our 10⅜% discount notes for proceeds of $292.6 million (net of original issue discount of $198.3 million and after underwriting discounts of $9.1 million), and (3) $180.0 million aggregate principal amount of our 9% senior notes for proceeds of $174.6 million (after underwriting discounts of $5.4 million). We had granted the underwriters for the offerings an over-allotment option to purchase an additional 3,150,000 shares of our common stock. On May 13, 1999, the underwriters exercised this over-allotment option in full. As a result, we received additional proceeds of $52.9 million (after underwriting discounts of $2.2 million). A portion of the proceeds from these offerings was used to repay amounts drawn under the term loans in connection with the BellSouth and Powertel transactions. The remaining proceeds will be used to pay the remaining purchase price for the BellSouth and Powertel transactions, to fund our initial interest payments on the 9% senior notes and for general corporate purposes.

Sales of Common Stock to TdF

On June 15, 1999, we sold shares of our common stock to a subsidiary of TdF pursuant to TdF's preemptive rights related to two recent acquisitions. We sold 5,395,539 shares at $12.63 per share and 125,066 shares at $13.00 per share. The aggregate proceeds of approximately $69.8 million will be used for general corporate purposes. On July 20, 1999, we sold shares of our common stock to a subsidiary of TdF pursuant to TdF's preemptive rights related to the May offerings. We sold 8,351,791 shares at $16.80 per share. The aggregate proceeds of approximately $140.3 million will be used for general corporate purposes.

July Offerings

On July 27, 1999, we sold debt securities in a private placement. We sold (1) $260.0 million aggregate principal amount at maturity of our 11¼% discount notes for proceeds of $147.5 million (net of original issue discount of $109.5 million and after underwriting discounts of $3.0 million) and (2) $125.0 million aggregate principal amount of our 9½% senior notes for proceeds of $122.5 million (after underwriting discounts of $2.5 million). The proceeds from the sale of these securities will be used to pay the remaining purchase price for the BellSouth DCS transaction, to fund our initial interest payments on the 9½% senior notes and for general corporate purposes.

Sale of Preferred Stock to GECC

On November 19, 1999, we issued 200,000 shares of our 81/4% convertible preferred stock at a price of $1,000 per share (the liquidation preference per share) to GECC. We received net proceeds of approximately $191.5 million (after structuring and underwriting fees of $8.5 million but before other expenses of the transaction). The net proceeds will be used to pay a portion of the purchase price for the GTE joint venture. GECC also received warrants to purchase 1.0 million shares of our common stock at an exercise price of $26.875 per share. The warrants are exercisable, in whole or in part, at any time for a period of five years following the issue date.

2000 Credit Facility

In March 2000, a subsidiary of CCIC entered into a credit agreement with a syndicate of banks which consists of two term loan facilities and a revolving line of credit aggregating $1,200.0 million. Available borrowings under the 2000 credit facility are generally to be used for the construction and purchase of towers and for general corporate purposes of CCUSA, Crown Castle GT and CCAL. The amount of available borrowings will be determined based on the current financial performance (as defined) of those subsidiaries' assets. In addition, up to $25.0 million of borrowing availability under the 2000 credit facility can be used for letters of credit. On March 15, 2000, we used $83.4 million in borrowings under the 2000 credit facility to repay outstanding borrowings and accrued interest under the Crown Communication senior credit facility. The net proceeds from $316.6 million in additional borrowings will be used to fund a portion of the purchase price for the GTE joint venture and for general corporate purposes. In the first quarter of 2000, Crown Communication will record an extraordinary loss of approximately $1.7 million consisting of the write-off of unamortized deferred financing costs related to the senior credit facility.

Capital expenditures were $293.8 million for the year ended December 31, 1999, of which $1.0 million were for CCIC, $119.0 million were for CCUSA, $23.3 million were for Crown Atlantic and $150.5 million were for CCUK. We anticipate that we will build, through the end of 2000, approximately 900 towers in the United States at a cost of approximately $225.0 million and approximately 270 towers in the United Kingdom at a cost of approximately $45.0 million. We also expect that the capital expenditure requirements related to the roll-out of digital broadcast transmission in the United Kingdom will be approximately £17.5 million ($28.0 million).

In addition to capital expenditures in connection with build-to-suits, we expect to apply a significant amount of capital to finance the remaining cash portion of the consideration being paid in connection with the recent and agreed to transactions discussed below.

In connection with the Bell Atlantic joint venture, we issued approximately 15.6 million shares of our common stock and contributed $250.0 million in cash to the joint venture. The joint venture borrowed approximately $180.0 million under the Crown Atlantic credit facility, following which the joint venture made a $380.0 million cash distribution to Bell Atlantic.

In connection with the BellSouth transaction, through February 2, 2000, we have issued approximately 8.2 million shares of our common stock and paid BellSouth $390.6 million in cash. We expect to (1) issue an additional 0.9 million shares of our common stock and (2) use a portion of the net proceeds from our recent offerings to finance the remaining $39.4 million cash purchase price for this transaction.

In connection with the Powertel acquisition, we paid Powertel $275.0 million in cash.

In connection with the BellSouth DCS transaction, through February 2, 2000, we have paid BellSouth DCS $277.5 million in cash. We expect to use a portion of the net proceeds from our recent offerings to finance the remaining $39.4 million cash purchase price for this transaction.

On November 7, 1999, we entered into an agreement with GTE to form a joint venture to own and operate a significant majority of GTE's towers. Upon formation of the GTE joint venture (which will occur in multiple closings during 2000), (1) we will contribute approximately $825.0 million (of which up to $100.0 million can be in shares of our common stock, with the balance in cash) in exchange for a majority ownership interest in the joint venture, and (2) GTE will contribute approximately 2,300 towers in exchange for a cash distribution of approximately $800.0 million (less any amount contributed in the form of our common stock) from the joint venture and a minority ownership interest in the joint venture. Upon dissolution of the joint venture, GTE would receive (1) any shares of our common stock contributed to the joint venture and (2) a payment equal to approximately 11.4% of the fair market value of the joint venture's other net assets; we would then receive the remaining assets and liabilities of the joint venture. We will account for our investment in the GTE joint venture as a purchase of tower assets, and will include the joint venture's results of operations and cash flows in our consolidated financial statements for periods subsequent to formation. Upon entering into this agreement, we placed $50.0 million into an escrow account; such funds would be forfeited if we failed to close this transaction because we were unable to obtain adequate financing. On January 31, 2000, the formation of the GTE joint venture took place with the first closing of towers. We contributed $223.9 million in cash to the joint venture, and GTE contributed 637 towers in exchange for a cash distribution of $198.9 million from the joint venture. We expect to use borrowings under our 2000 credit facility to finance most of the remaining $601.1 million purchase price for this transaction.

In March 2000, CCAL (our 66.7% owned subsidiary) entered into an agreement to purchase approximately 700 towers in Australia from Cable & Wireless Optus. The total purchase price for the towers will be approximately $135.0 million in cash (Australian $220.0 million), and the purchase is expected to close in the second quarter of 2000. We will account for our investment in CCAL as a purchase of tower assets, and will include CCAL's results of operations and cash flows in our consolidated financial statements for periods subsequent to the purchase date. We expect to use borrowings under our 2000 credit facility to finance the cash purchase price for this transaction.

We expect that the completion of the recent and agreed to transactions and the execution of our new tower build, or build-to-suit program, will have a material impact on our liquidity. We expect that once integrated, these transactions will have a positive impact on liquidity, but will require some period of time to offset the initial adverse impact on liquidity. In addition, we believe that as new towers become operational and we begin to add tenants, they should result in a long-term increase in liquidity.

Our liquidity may also be materially impacted if we fail to complete the GTE joint venture transaction. We expect to finance most of the purchase price for this transaction with borrowings under the 2000 credit facility, and we are currently investigating various financing alternatives for the remaining amount. There can be no assurance, however, that we will be able to obtain any such financing, and we may be forced to forego a portion of the towers included in this transaction. If that were to occur, we would likely be forced to forfeit all or part of the related escrow payment. If we were to fail to complete this transaction and forfeit all or any significant portion of the $50.0 million escrow payment made in connection with the transaction, it would have a material adverse effect on our financial condition, including our ability to implement our current business strategy.

To fund the execution of our business strategy, including the recent and agreed to transactions described above and the construction of new towers that we have agreed to build, we expect to use the net proceeds of our recent offerings and borrowings available under our U.S. and U.K. credit facilities. We will have additional cash needs to fund our operations in the future. We may also have additional cash needs in the near term if additional tower acquisitions or build-to-suit opportunities arise. Some of the opportunities that we are currently pursuing could require significant additional capital. 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. We expect to raise additional funds in the near term with bank loans, debt or equity financing.

As of December 31, 1999, we had consolidated cash and cash equivalents of $549.3 million (including $14.6 million at CCUK and $40.0 million at Crown Atlantic), consolidated long-term debt of $1,542.3 million, consolidated redeemable preferred stock of $422.9 million and consolidated stockholders' equity of $1,617.7 million.

As of March 1, 2000, Crown Atlantic had unused borrowing availability under its credit facility of approximately $70.0 million, and CCUK had unused borrowing availability under its credit facility of approximately £65.0 million ($102.6 million). As of March 15, 2000, our subsidiaries had approximately $100.0 million of unused borrowing availability under the 2000 credit facility. Our various credit facilities require our subsidiaries to maintain certain financial covenants and place restrictions on the ability of our subsidiaries to, among other things, incur debt and liens, pay dividends, make capital expenditures, undertake transactions with affiliates and make investments. These facilities also limit the ability of the borrowing subsidiaries to pay dividends to CCIC.

If we are unable to refinance our subsidiary debt or renegotiate the terms of such debt, we may not be able to meet our debt service requirements, including interest payments on the notes, in the future. Our 9% senior notes and our 9½% senior notes will require annual cash interest payments of approximately $16.2 million and $11.9 million, respectively. Prior to November 15, 2002, May 15, 2004 and August 1, 2004, the interest expense on our 10⅝% discount notes, our 10⅜% discount notes and our 11¼% discount notes, respectively, will be comprised solely of the amortization of original issue discount. Thereafter, the 10⅝% discount notes, the 10⅜% discount notes and the 11¼% discount notes will require annual cash interest payments of approximately $26.7 million, $51.9 million and $29.3 million, respectively. Prior to December 15, 2003, we do not expect to pay cash dividends on our exchangeable preferred stock or, if issued, cash interest on the exchange debentures. Thereafter, assuming all dividends or interest have been paid-in-kind, our exchangeable preferred stock or, if issued, the exchange debentures will require annual cash dividend or interest payments of approximately $47.8 million. Annual cash interest payments on the CCUK bonds are £11.25 million ($18.2 million). In addition, our various credit facilities will require periodic interest payments on amounts borrowed thereunder.

As a holding company, CCIC will require distributions or dividends from its subsidiaries, or will be forced to use capital raised in debt and equity offerings, to fund its debt obligations, including interest payments on the cash-pay notes and eventually the 10⅝% discount notes, the 10⅜% discount notes and the 11¼% discount notes. The terms of the indebtedness of our subsidiaries significantly limit their ability to distribute cash to CCIC. As a result, we will be required to apply a portion of the net proceeds from the recent debt offerings to fund interest payments on the cash-pay notes. If we do not retain sufficient funds from the offerings or any future financing, we may not be able to make our interest payments on the cash-pay notes.

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 all or a 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.

Compensation Charges Related to Stock Option Grants

During the period from April 24, 1998 through July 15, 1998, we granted options to employees and executives for the purchase of 3,236,980 shares of our common stock at an exercise price of $7.50 per share. Of such options, options for 1,810,730 shares vested upon consummation of the IPO and the remaining options for 1,426,250 shares will vest at 20% per year over five years, beginning one year from the date of grant. In addition, we have assigned our right to repurchase shares of our common stock from a stockholder (at a price of $6.26 per share) to two individuals (including a newly-elected director) with respect to 100,000 of such shares. Since the granting of these options and the assignment of these rights to repurchase shares occurred subsequent to the date of the share exchange agreement with CCUK's shareholders and at prices substantially below the price to the public in the IPO, we have recorded a non-cash compensation charge related to these options and shares based upon the difference between the respective exercise and purchase prices and the price to the public in the IPO. Such compensation charge will total approximately $18.4 million, of which approximately $10.6 million was recognized upon consummation of the IPO (for such options and shares which vested upon consummation of the IPO), and the remaining $7.8 million is being recognized over five years (approximately $1.6 million per year) through the second quarter of 2003. An additional $1.6 million in non-cash compensation charges will be recognized through the third quarter of 2001 for stock options issued to certain members of CCUK's management prior to the consummation of the share exchange.

Impact of Recently Issued Accounting Standards

In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, *Reporting on the Costs of Start-Up Activities* ("SOP 98-5"). SOP 98-5 requires that costs of start-up activities be charged to expense as incurred and broadly defines such costs. We have deferred certain costs incurred in connection with potential business initiatives and new geographic markets, and SOP 98-5 requires that such deferred costs be charged to results of operations upon its adoption. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. We have adopted the requirements of SOP 98-5 as of January 1, 1999. The cumulative effect of the change in accounting principle for the adoption of SOP 98-5 resulted in a charge to results of operations for $2.4 million in our financial statements for the three months ended March 31, 1999.

In June 1998, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). SFAS 133 requires that derivative instruments be recognized as either assets or liabilities in the consolidated balance sheet based on their fair values. Changes in the fair values of such derivative instruments will be recorded either in results of operations or in other comprehensive income, depending on the intended use of the derivative instrument. The initial application of SFAS 133 will be reported as the effect of a change in accounting principle. SFAS 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. We will adopt the requirements of SFAS 133 in our financial statements for the three months ending March 31, 2001. We have not yet determined the effect that the adoption of SFAS 133 will have on our consolidated financial statements.

Year 2000 Compliance

The year 2000 problem is the result of computer programs having been written using two digits (rather than four) to define the applicable year. Any of our computer programs that have date-sensitive software might have recognized a date using "00" as 1900 rather than the year 2000, or might not have recognized the date at all. This could have resulted in a system failure or miscalculations causing disruption of operations including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

In 1997 we established a year 2000 project to ensure that the issue received appropriate priority and that necessary resources were made available. This project included the replacement of our worldwide business computer systems with systems that use programs primarily from J.D. Edwards, Inc. The new systems made approximately 90% of our business computer systems year 2000 compliant and are in production today. Remaining business software programs, including those supplied by vendors, were made year 2000 compliant through the year 2000 project or they were retired. None of our other information technology projects were delayed due to the implementation of the year 2000 project.

Our year 2000 project was divided into the following phases: (1) inventorying year 2000 items; (2) assigning priorities to identified items; (3) assessing the year 2000 compliance of items determined to be material to us; (4) repairing or replacing material items that are determined not to be year 2000 compliant; (5) testing material items; and (6) designing and implementing contingency and business continuation plans for each organization and company location. We completed all such phases prior to the end of 1999. All critical broadcast equipment and non-information technology related equipment was tested and was either year 2000 compliant or was designated as year 2000 ready. A year 2000 ready designation implies the equipment or system will function without adverse effects beyond year 2000 but may not be aware of the century. All critical information technology systems were designated year 2000 compliant or were retired or remediated by the end of 1999.

We expended approximately $7.6 million on the year 2000 project through December 31, 1999, of which approximately $6.8 million related to the implementation of the J.D. Edwards Systems and related hardware.

The failure to correct a material year 2000 problem could have resulted in an interruption in, or a failure of, certain normal business activities or operations. However, we believe that our efforts to ensure year 2000 compliance have been successful. To date, we have not suffered any significant year 2000 problems, but we continue to monitor our various computer systems.

Qualitative and Quantitative 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 seeking to minimize the risks and/or costs associated with such activities, we manage exposure to changes in interest rates and foreign currency exchange rates.

Certain financial instruments used to obtain capital are subject to market risks from fluctuations in market rates. The majority of our financial instruments, however, are long-term fixed interest rate notes and debentures. Therefore, fluctuations in market interest rates of 1% in 2000 would not have a material effect on our consolidated financial results.

The majority of our foreign currency transactions are denominated in the British pound sterling, which is the functional currency of CCUK. As CCUK's transactions are denominated and settled in the functional currency, risks associated with currency fluctuations are minimized to foreign currency translation adjustments. We do not currently hedge against foreign currency translation risks and believe that foreign currency exchange risk is not significant to our operations.

To the Board of Directors and Stockholders of
Crown Castle International Corp.:

We have audited the accompanying consolidated balance sheets of Crown Castle International Corp. and subsidiaries as of December 31, 1998 and 1999, and the related consolidated statements of operations and comprehensive loss, cash flows and stockholders' equity (deficit) for each of the years in the three-year period ended December 31, 1999. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Crown Castle International Corp. and subsidiaries as of December 31, 1998 and 1999, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 1999, in conformity with generally accepted accounting principles.

KPMG LLP

Houston, Texas
February 22, 2000

Consolidated Balance Sheet

(IN THOUSANDS OF DOLLARS, EXCEPT SHARE AMOUNTS)

	December 31, 1998	December 31, 1999
Assets		
Current assets:		
Cash and cash equivalents	$ 296,450	$ 549,328
Receivables:		
Trade, net of allowance for doubtful accounts of $1,535 and $3,218 at December 31, 1998 and 1999, respectively	32,130	74,290
Other	4,290	4,327
Inventories	6,599	19,178
Prepaid expenses and other current assets	2,647	14,922
Total current assets	342,116	662,045
Property and equipment, net	592,594	2,468,101
Escrow deposit for acquisition	—	50,000
Goodwill and other intangible assets, net of accumulated amortization of $20,419 and $53,437 at December 31, 1998 and 1999, respectively	569,740	596,147
Deferred financing costs and other assets, net of accumulated amortization of $1,722 and $4,245 at December 31, 1998 and 1999, respectively	18,780	60,357
	$ 1,523,230	$ 3,836,650
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 46,020	$ 45,998
Accrued interest	15,677	20,912
Accrued compensation and related benefits	5,188	4,005
Deferred rental revenues and other accrued liabilities	26,002	60,366
Total current liabilities	92,887	131,281
Long-term debt	429,710	1,542,343
Other liabilities	22,823	67,064
Total liabilities	545,420	1,740,688
Commitments and contingencies (Note 12)		
Minority interests	39,185	55,292
Redeemable preferred stock	201,063	422,923
Stockholders' equity:		
Common stock, $.01 par value; 690,000,000 shares authorized:		
Common Stock; shares issued: December 31, 1998 - 83,123,873 and December 31, 1999 - 146,074,905	831	1,461
Class A Common Stock; shares issued: 11,340,000	113	113
Additional paid-in capital	795,153	1,805,053
Cumulative foreign currency translation adjustment	1,690	(3,013)
Accumulated deficit	(60,225)	(185,867)
Total stockholders' equity	737,562	1,617,747
	$ 1,523,230	$ 3,836,650

See notes to consolidated financial statements.

(IN THOUSANDS OF DOLLARS, EXCEPT PER SHARE AMOUNTS)

	Years Ended December 31,		
	1997	1998	1999
Net revenues:			
Site rental and broadcast transmission	$ 11,010	$ 75,028	$ 267,894
Network services and other	20,395	38,050	77,865
	31,405	113,078	345,759
Operating expenses:			
Costs of operations (exclusive of depreciation and amortization):			
Site rental and broadcast transmission	2,213	26,254	114,436
Network services and other	13,137	21,564	42,312
General and administrative	6,824	23,571	43,823
Corporate development	5,731	4,625	5,403
Restructuring charges	—	—	5,645
Non-cash compensation charges	—	12,758	2,173
Depreciation and amortization	6,952	37,239	130,106
	34,857	126,011	343,898
Operating income (loss)	(3,452)	(12,933)	1,861
Other income (expense):			
Equity in earnings (losses) of unconsolidated affiliate	(1,138)	2,055	—
Interest and other income (expense)	1,951	4,220	17,731
Interest expense and amortization of deferred financing costs	(9,254)	(29,089)	(110,908)
Loss before income taxes, minority interests and cumulative effect of change in accounting principle	(11,893)	(35,747)	(91,316)
Provision for income taxes	(49)	(374)	(275)
Minority interests	—	(1,654)	(2,756)
Loss before cumulative effect of change in accounting principle	(11,942)	(37,775)	(94,347)
Cumulative effect of change in accounting principle for costs of start-up activities	—	—	(2,414)
Net loss	(11,942)	(37,775)	(96,761)
Dividends on preferred stock	(2,199)	(5,411)	(28,881)
Net loss after deduction of dividends on preferred stock	$ (14,141)	$ (43,186)	$ (125,642)
Net loss	$ (11,942)	$ (37,775)	$ (96,761)
Other comprehensive income:			
Foreign currency translation adjustments	562	1,128	(4,703)
Comprehensive loss	$ (11,380)	$ (36,647)	$ (101,464)
Per common share — basic and diluted:			
Loss before cumulative effect of change in accounting principle	$ (2.27)	$ (1.02)	$ (0.94)
Cumulative effect of change in accounting principle	—	—	(0.02)
Net loss	$ (2.27)	$ (1.02)	$ (0.96)
Common shares outstanding — basic and diluted (in thousands)	6,238	42,518	131,466

See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

(IN THOUSANDS OF DOLLARS)

	Years Ended December 31, 1997	1998	1999
Cash flows from operating activities:			
Net loss	$ (11,942)	$ (37,775)	$ (96,761)
Adjustments to reconcile net loss to net cash provided by (used for) operating activities:			
Depreciation and amortization	6,952	37,239	130,106
Amortization of deferred financing costs and discounts on long-term debt	2,159	17,910	49,937
Minority interests	—	1,654	2,756
Cumulative effect of change in accounting principle	—	—	2,414
Non-cash compensation charges	—	12,758	2,173
Equity in losses (earnings) of unconsolidated affiliate	1,138	(2,055)	—
Changes in assets and liabilities, excluding the effects of acquisitions:			
Increase (decrease) in deferred rental revenues and other liabilities	(240)	5,847	75,277
Increase (decrease) in accrued interest	(396)	5,835	5,518
Increase in accounts payable	1,824	15,373	889
Decrease (increase) in receivables	1,353	(7,450)	(42,913)
Increase in inventories, prepaid expenses and other assets	(1,472)	(4,360)	(36,788)
Net cash provided by (used for) operating activities	(624)	44,976	92,608
Cash flows from investing activities:			
Acquisitions of businesses, net of cash acquired	(33,962)	(10,489)	(1,208,466)
Capital expenditures	(18,035)	(138,759)	(293,801)
Investments in affiliates	(59,487)	—	(6,879)
Net cash used for investing activities	(111,484)	(149,248)	(1,509,146)
Cash flows from financing activities:			
Proceeds from issuance of capital stock	139,867	339,929	805,771
Proceeds from issuance of long-term debt	150,010	—	757,206
Net borrowings (payments) under revolving credit agreements	(6,223)	9,212	136,993
Incurrence of financing costs	(7,798)	(3,010)	(28,330)
Dividends on preferred stock	—	—	(1,238)
Purchase of capital stock	(2,132)	(883)	—
Principal payments on long-term debt	(113,881)	—	—
Net cash provided by financing activities	159,843	345,248	1,670,402
Effect of exchange rate changes on cash	—	396	(986)
Net increase in cash and cash equivalents	47,735	241,372	252,878
Cash and cash equivalents at beginning of year	7,343	55,078	296,450
Cash and cash equivalents at end of year	$ 55,078	$ 296,450	$ 549,328
Supplementary schedule of non-cash investing and financing activities:			
Conversion of stockholder's Convertible Secured Subordinated Notes to Series A Convertible Preferred Stock	$ 3,657	$ —	$ —
Amounts recorded in connection with acquisitions (see Note 2):			
Fair value of net assets acquired, including goodwill and other intangible assets	197,235	431,453	1,750,506
Escrow deposit for acquisition	—	—	50,000
Issuance of common stock	57,189	420,964	397,710
Issuance of long-term debt	78,102	—	180,000
Minority interests	—	—	14,330
Assumption of long-term debt	27,982	—	—
Supplemental disclosure of cash flow information:			
Interest paid	$ 7,533	$ 6,276	$ 54,514
Income taxes paid	26	446	301

See notes to consolidated financial statements.

(IN THOUSANDS OF DOLLARS, EXCEPT SHARE AMOUNTS)

	Class A Common Stock		Class B Common Stock		Common Stock		Class A Common Stock		Additional Paid-In Capital	Cumulative Foreign Currency Translation Adjustment	Accumulated Deficit	Total
	Shares	($.01 Par)	Shares	($.01 Par)	Shares	($.01 Par)	Shares	($.01 Par)				
Balance, January 1, 1997	1,350,000	$ 3	1,488,330	$ 3	—	$ —	—	$ —	$ 762	$ —	$ (978)	$ (210)
Issuances of capital stock	—	—	8,228,835	17	—	—	—	—	57,696	—	—	57,713
Purchase of capital stock	(308,435)	(1)	(350,000)	(1)	—	—	—	—	(210)	—	(1,920)	(2,132)
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	562	—	562
Dividends on preferred stock	—	—	—	—	—	—	—	—	—	—	(2,199)	(2,199)
Net loss	—	—	—	—	—	—	—	—	—	—	(11,942)	(11,942)
Balance, December 31, 1997	1,041,565	2	9,367,165	19	—	—	—	—	58,248	562	(17,039)	41,792
Conversion of preferred stock to Common Stock	—	—	—	—	38,517,865	385	—	—	164,712	—	—	165,097
Conversion of Class A Common Stock and Class B Common Stock to Common Stock	(1,041,565)	(2)	(9,367,165)	(19)	10,953,625	109	—	—	(88)	—	—	—
Issuances of capital stock	—	—	—	—	33,793,453	338	11,340,000	113	560,779	—	—	561,230
Purchase of capital stock	—	—	—	—	(141,070)	(1)	—	—	(882)	—	—	(883)
Non-cash compensation charges	—	—	—	—	—	—	—	—	12,384	—	—	12,384
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	1,128	—	1,128
Dividends on preferred stock	—	—	—	—	—	—	—	—	—	—	(5,411)	(5,411)
Net loss	—	—	—	—	—	—	—	—	—	—	(37,775)	(37,775)
Balance, December 31, 1998	—	—	—	—	83,123,873	831	11,340,000	113	795,153	1,690	(60,225)	737,562
Issuances of capital stock and warrants	—	—	—	—	62,951,032	630	—	—	1,007,947	—	—	1,008,577
Non-cash compensation charges	—	—	—	—	—	—	—	—	1,953	—	—	1,953
Foreign currency translation adjustments	—	—	—	—	—	—	—	—	—	(4,703)	—	(4,703)
Dividends on preferred stock	—	—	—	—	—	—	—	—	—	—	(28,881)	(28,881)
Net loss	—	—	—	—	—	—	—	—	—	—	(96,761)	(96,761)
Balance, December 31, 1999	—	$ —	—	$ —	146,074,905	$1,461	11,340,000	$ 113	$1,805,053	$ (3,013)	$(185,867)	$1,617,747

See notes to consolidated financial statements.

1. Basis of Presentation and Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Crown Castle International Corp. ("CCIC") and its majority and wholly owned subsidiaries, collectively referred to herein as the "Company". All significant intercompany balances and transactions have been eliminated in consolidation. Certain reclassifications have been made to the prior year's financial statements to be consistent with the presentation in the current year.

The Company owns, operates and manages wireless communications sites and broadcast transmission networks. The Company also provides complementary services to its customers, including network design, radio frequency engineering, site acquisition, site development and construction, antenna installation and network management and maintenance. The Company's communications sites are located throughout the United States, in Puerto Rico and in the United Kingdom. In the United States and Puerto Rico, the Company's primary business is the leasing of antenna space to wireless operators under long-term contracts. In the United Kingdom, the Company's primary businesses are the operation of television and radio broadcast transmission networks and the leasing of antenna space to wireless operators in the United Kingdom.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities as of the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Summary of Significant Accounting Policies

CASH EQUIVALENTS

Cash equivalents consist of highly liquid investments with original maturities of three months or less.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

PROPERTY AND EQUIPMENT

Property and equipment is stated at cost, net of accumulated depreciation. Depreciation is computed utilizing the straight-line method at rates based upon the estimated useful lives of the various classes of assets. Additions, renewals and improvements are capitalized, while maintenance and repairs are expensed. Upon the sale or retirement of an asset, the related cost and accumulated depreciation are removed from the accounts and any gain or loss is recognized. The carrying value of property and equipment and other long-lived assets will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. If the sum of the estimated future cash flows (undiscounted) expected to result from the use and eventual disposition of an asset is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss is based on the fair value of the asset.

GOODWILL AND OTHER INTANGIBLE ASSETS

Goodwill and other intangible assets represents the excess of the purchase price for an acquired business over the allocated value of the related net assets (see Note 2). Goodwill is amortized on a straight-line basis over a 20 year life. Other intangible assets (principally the value of existing site rental contracts at Crown Communications) are amortized on a straight-line basis over a 10 year life. The carrying value of goodwill and other intangible assets will be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the acquired assets may not be recoverable. If the sum of the estimated future cash flows (undiscounted) expected to result from the use and eventual disposition of an asset is less than the carrying amount of the asset, an impairment loss is recognized. Measurement of an impairment loss is based on the fair value of the asset.

DEFERRED FINANCING COSTS

Costs incurred to obtain financing are deferred and amortized over the estimated term of the related borrowing.

REVENUE RECOGNITION

Site rental revenues are recognized on a monthly basis under lease or management agreements with terms ranging from 12 months to 25 years. Broadcast transmission revenues are recognized on a monthly basis under transmission contracts with terms ranging from 8 years to 12 years.

Network services revenues from site development, construction and antenna installation activities are recognized under a method which approximates the completed contract method. This method is used because these services are typically completed in three months or less and financial position and results of operations do not vary significantly from those which would result from use of the percentage-of-completion method. These services are considered complete when the terms and conditions of the contract or agreement have been substantially completed. Costs and revenues associated with installations not complete at the end of a period are deferred and recognized when the installation becomes operational. Any losses on contracts are recognized at such time as they become known.

Network services revenues from design, engineering, site acquisition, and network management and maintenance activities are recognized under service contracts with customers which provide for billings on a time and materials, cost plus profit, or fixed price basis. Such contracts typically have terms from six months to two years. Revenues are recognized as services are performed with respect to the time and materials contracts. Revenues are recognized using the percentage-of-completion method for cost plus profit and fixed price contracts, measured by the percentage of contract costs incurred to date compared to estimated total contract costs. Provisions for estimated losses on uncompleted contracts are made in the period in which such losses are determined.

CORPORATE DEVELOPMENT EXPENSES

Corporate development expenses represent costs incurred in connection with acquisitions and development of new business initiatives.

INCOME TAXES

The Company accounts for income taxes using an asset and liability approach, which requires the recognition of deferred income tax assets and liabilities for the expected future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Deferred income tax assets and liabilities are determined based on the temporary differences between the financial statement and tax bases of assets and liabilities using enacted tax rates.

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 and convertible preferred stock for the diluted computation.

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

	Years Ended December 31,		
	1997	1998	1999
		(In thousands of dollars, except per share amounts)	
Loss before cumulative effect of change in accounting principle	$ (11,942)	$ (37,775)	$ (94,347)
Dividends on preferred stock	(2,199)	(5,411)	(28,881)
Loss before cumulative effect of change in accounting principle applicable to common stock for basic and diluted computations	(14,141)	(43,186)	(123,228)
Cumulative effect of change in accounting principle	—	—	(2,414)
Net loss applicable to common stock for basic and diluted computations	$ (14,141)	$ (43,186)	$ (125,642)
Weighted-average number of common shares outstanding during the period for basic and diluted computations (in thousands)	6,238	42,518	131,466
Per common share - basic and diluted:			
Loss before cumulative effect of change in accounting principle	$ (2.27)	$ (1.02)	$ (0.94)
Cumulative effect of change in accounting principle	—	—	(0.02)
Net loss	$ (2.27)	$ (1.02)	$ (0.96)

The calculations of common shares outstanding for the diluted computations exclude the following potential common shares as of December 31, 1999: (1) options to purchase 19,226,076 shares of common stock at exercise prices ranging from $-0- to $25.62 per share; (2) warrants to purchase 1,194,990 shares of common stock at an exercise price of $7.50 per share; (3) warrants to purchase 1,000,000 shares of common stock at an exercise price of $26.875 per share; (4) shares of Crown Castle UK Holdings Limited ("CCUK", formerly Castle Transmission Services (Holdings) Ltd) stock which are convertible into 17,443,500 shares of common stock; and (5) shares of the Company's 8¼% Cumulative Convertible Redeemable Preferred Stock (see Note 8) which are convertible into 7,441,860 shares of common stock. The inclusion of such potential common shares in the diluted per share computations would be antidilutive since the Company incurred net losses for each of the three years in the period ended December 31, 1999.

FOREIGN CURRENCY TRANSLATION

CCUK uses the British pound sterling as the functional currency for its operations. The Company translates CCUK's results of operations using the average exchange rate for the period, and translates CCUK's assets and liabilities using the exchange rate at the end of the period. The cumulative effect of changes in the exchange rate is recorded as a translation adjustment in stockholders' equity.

FINANCIAL INSTRUMENTS

The carrying amount of cash and cash equivalents approximates fair value for these instruments. The estimated fair value of the Company's public debt securities is based on quoted market prices, and the estimated fair value of the other long-term debt is determined based on the current rates offered for similar borrowings. The estimated fair value of the interest rate swap agreement is based on the amount that the Company would receive or pay to terminate the agreement at the balance sheet date. The estimated fair values of the Company's financial instruments, along with the carrying amounts of the related assets (liabilities), are as follows:

	December 31, 1998		December 31, 1999	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
	(In thousands of dollars)			
Cash and cash equivalents	$ 296,450	$ 296,450	$ 549,328	$ 549,328
Long-term debt	(429,710)	(443,379)	(1,542,343)	(1,542,500)
Interest rate swap agreement	—	(47)	—	5,415

The Company's interest rate swap agreement is used to manage interest rate risk. The net settlement amount resulting from this agreement is recognized as an adjustment to interest expense. The Company does not currently hold or issue derivative financial instruments for trading purposes.

STOCK OPTIONS

In October 1995, the Financial Accounting Standards Board (the "FASB") issued Statement of Financial Accounting Standards No. 123, *Accounting for Stock-Based Compensation* ("SFAS 123"). SFAS 123 establishes alternative methods of accounting and disclosure for employee stock-based compensation arrangements. The Company has elected to continue the use of the "intrinsic value based method" of accounting for its employee stock option plans (see Note 9). 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. See Note 9 for the disclosures required by SFAS 123.

RECENT ACCOUNTING PRONOUNCEMENTS

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 130, *Reporting Comprehensive Income* ("SFAS 130"). SFAS 130 establishes standards for the reporting and display of comprehensive income in a company's financial statements. Comprehensive income includes all changes in a company's equity accounts (including net income or loss) except investments by, or distributions to, the company's owners. Items which are components of comprehensive income (other than net income or loss) include foreign currency translation adjustments, minimum pension liability adjustments and unrealized gains and losses on certain investments in debt and equity securities. The components of comprehensive income must be reported in a financial statement that is displayed with the same prominence as other financial statements. SFAS 130 is effective for fiscal years beginning after December 15, 1997. The Company has adopted the requirements of SFAS 130 in its financial statements for 1998.

In June 1997, the FASB issued Statement of Financial Accounting Standards No. 131, *Disclosures about Segments of an Enterprise and Related Information* ("SFAS 131"). SFAS 131 establishes standards for the way that public companies report, in their annual financial statements, certain information about their operating segments, their products and services, the geographic areas in which they operate and their major customers. SFAS 131 also requires that certain information about operating segments be reported in interim financial statements. SFAS 131 is effective for periods beginning after December 15, 1997. The Company has adopted the requirements of SFAS 131 in its financial statements for the year ended December 31, 1998 (see Note 13).

In April 1998, the Accounting Standards Executive Committee of the American Institute of Certified Public Accountants issued Statement of Position 98-5, *Reporting on the Costs of Start-Up Activities* ("SOP 98-5"). SOP 98-5 requires that costs of start-up activities be charged to expense as incurred and broadly defines such costs. The Company has deferred certain costs incurred in connection with potential business initiatives and new geographic markets, and SOP 98-5 requires that such deferred costs be charged to results of operations upon its adoption. SOP 98-5 is effective for fiscal years beginning after December 15, 1998. The Company has adopted the requirements of SOP 98-5 as of January 1, 1999. The cumulative effect of the change in accounting principle for the adoption of SOP 98-5 resulted in a charge to results of operations for $2,414,000 in the Company's financial statements for the year ended December 31, 1999.

In June 1998, the FASB issued Statement of Financial Accounting Standards No. 133, *Accounting for Derivative Instruments and Hedging Activities* ("SFAS 133"). SFAS 133 requires that derivative instruments be recognized as either assets or liabilities in the consolidated balance sheet based on their fair values. Changes in the fair values of such derivative instruments will be recorded either in results of operations or in other comprehensive income, depending on the intended use of the derivative instrument. The initial application of SFAS 133 will be reported as the effect of a change in accounting principle. SFAS 133, as amended, is effective for all fiscal quarters of fiscal years beginning after June 15, 2000. The Company will adopt the requirements of SFAS 133 in its financial statements for the year ending December 31, 2001. The Company has not yet determined the effect that the adoption of SFAS 133 will have on its consolidated financial statements.

2. Acquisitions

During the three years in the period ended December 31, 1999, the Company consummated a number of business and asset acquisitions which were accounted for using the purchase method. Results of operations and cash flows of the acquired businesses are included in the consolidated financial statements for the periods subsequent to the respective dates of acquisition.

TEA Group Incorporated and TeleStructures, Inc. (collectively, "TEA")

On May 12, 1997, the Company acquired all of the common stock of TEA. TEA provides telecommunications site selection, acquisition, design and development services. The purchase price of $14,215,000 consisted of $8,120,000 in cash (of which $2,001,000 was paid in 1996 as an option payment), promissory notes payable to the former stockholders of TEA totaling $1,872,000, the assumption of $1,973,000 in outstanding debt and 535,710 shares of the Company's Class B Common Stock valued at $2,250,000 (the estimated fair value of such common stock on that date). The Company recognized goodwill of $9,568,000 in connection with this acquisition. The Company repaid the promissory notes with a portion of the proceeds from the issuance of its 10⅝% Senior Discount Notes (see Note 5).

Crown Communications ("CCM"), Crown Network Systems, Inc. ("CNS") and Crown Mobile Systems, Inc. ("CMS") (collectively, "Crown")

On July 11, 1997, the Company entered into an asset purchase and merger agreement with the owners of Crown. On August 15, 1997, such agreement was amended and restated, and the Company acquired (1) substantially all of the assets, net of outstanding liabilities, of CCM; and (2) all of the outstanding common stock of CNS and CMS. Crown provides network services, which includes site selection and acquisition, antenna installation, site development and construction, network design and site maintenance, and owns and operates telecommunications towers and related assets. The purchase price of $185,021,000 consisted of $27,843,000 in cash, a short-term promissory note payable to the former owners of Crown for $76,230,000, the assumption of $26,009,000 in outstanding debt and 7,325,000 shares of the Company's Class B Common Stock valued at $54,939,000 (the estimated fair value of such common stock on that date). The Company recognized goodwill and other intangible assets of $146,103,000 in connection with this acquisition. The Company financed the cash portion of the purchase price with proceeds from the issuance of redeemable preferred stock (see Note 8), and repaid the promissory note with proceeds from the issuance of additional redeemable preferred stock and borrowings under the Senior Credit Facility (see Note 5).

In 1997, the Company organized Crown Communication Inc. ("CCI", a Delaware corporation) as a wholly owned subsidiary to own the net assets acquired from CCM and the common stock of CNS and CMS. In January 1998, the Company merged Castle Tower Corporation ("CTC", a wholly owned operating subsidiary) with and into CCI.

CCUK

On April 24, 1998, the Company entered into a share exchange agreement with certain shareholders of CCUK pursuant to which certain of CCUK's shareholders agreed to exchange their shares of CCUK for shares of the Company. On August 18, 1998, the exchange was consummated and the Company's ownership of CCUK increased from approximately 34.3% to 80%. The Company issued 20,867,700 shares of its Common Stock and 11,340,000 shares of its Class A Common Stock, with such shares valued at an aggregate of $418,700,000 (based on the price per share to the public in the Company's initial public offering as discussed in Note 9). The Company recognized goodwill of $344,375,000 in connection with this transaction, which was accounted for as an acquisition using the purchase method. CCUK's results of operations and cash flows are included in the consolidated financial statements for the period subsequent to the date the exchange was consummated.

Agreement with Bell Atlantic Mobile ("BAM")

On December 8, 1998, the Company entered into an agreement with BAM to form a joint venture ("Crown Atlantic") to own and operate a significant majority of BAM's towers. Upon formation of Crown Atlantic on March 31, 1999, (1) the Company contributed to Crown Atlantic $250,000,000 in cash and 15,597,783 shares of its Common Stock in exchange for a 61.5% ownership interest in Crown Atlantic; (2) Crown Atlantic borrowed $180,000,000 under a committed $250,000,000 revolving credit facility (see Note 5); and (3) BAM contributed to Crown Atlantic approximately 1,458 towers in exchange for a cash distribution of $380,000,000 from Crown Atlantic and a 38.5% ownership interest in Crown Atlantic. Upon dissolution of Crown Atlantic, BAM will receive (1) the shares of the Company's Common Stock contributed to Crown Atlantic and (2) a payment (either in cash or in shares of the Company's Common Stock, at the Company's election) equal to approximately 15.6% of the fair market value of Crown Atlantic's other net assets; the Company would then receive the remaining assets and liabilities of Crown Atlantic. The Company has accounted for its investment in Crown Atlantic as an acquisition using the purchase method, and has included Crown Atlantic's results of operations and cash flows in the Company's consolidated financial statements for periods subsequent to formation. The Company recognized goodwill of approximately $64,163,000 in connection with this acquisition.

BellSouth Mobility Inc. and BellSouth Telecommunications Inc. ("BellSouth")

In March 1999, the Company entered into an agreement with BellSouth to acquire the operating rights for approximately 1,850 of their towers. The legal form of the transaction is a lease arrangement and will be treated by BellSouth as a sale of the towers for tax purposes. The Company will pay BellSouth total consideration of $610,000,000, consisting of $430,000,000 in cash and $180,000,000 in shares of its common stock. As of December 31, 1999, the Company has closed on 1,574 of the towers and has paid $370,151,000 in cash and issued 7,728,787 shares of its common stock. The Company is accounting for this transaction as a purchase of tower assets.

Powertel, Inc. ("Powertel")

In March 1999, the Company entered into an agreement with Powertel to purchase 650 of their towers and related assets. The total purchase price for these towers was $275,000,000 in cash, all of which has been paid as of December 31, 1999. The Company has accounted for this transaction as an acquisition using the purchase method.

Pro Forma Results of Operations (Unaudited)

The following unaudited pro forma summary presents consolidated results of operations for the Company as if (1) the share exchange with CCUK's shareholders had been consummated as of January 1, 1998; and (2) the Crown Atlantic, BellSouth and Powertel acquisitions, along with the related financing transactions, had been consummated as of January 1 for both 1998 and 1999. Appropriate adjustments have been reflected for depreciation and amortization, interest expense, amortization of deferred financing costs and minority interests. The pro forma information does not necessarily reflect the actual results that would have been achieved, nor is it necessarily indicative of future consolidated results for the Company.

	Years Ended December 31,	
	1998	1999
	(In thousands of dollars, except per share amounts)	
Net revenues	$ 301,978	$ 386,999
Net loss	(153,192)	(144,246)
Net loss per common share — basic and diluted	(1.25)	(1.19)

Agreement with Nextel Communications, Inc. ("Nextel")

On July 11, 1997, the Company entered into an agreement with Nextel (the "Nextel Agreement") whereby the Company had the option to purchase up to 50 of Nextel's existing towers which are located in Texas, Florida and the metropolitan areas of Denver, Colorado and Philadelphia, Pennsylvania. As of December 31, 1999, the Company had purchased all 50 of such towers for an aggregate price of $15,083,000 in cash.

Millennium Communications Limited ("Millennium")

On October 8, 1998, the Company acquired all of the outstanding shares of Millennium. Millennium develops, owns and operates telecommunications towers and related assets in the United Kingdom. On the date of acquisition, Millennium owned 102 tower sites. Millennium is being operated as a subsidiary of CCUK. The purchase price of $14,473,000 consisted of $9,813,000 in cash, the repayment of $2,396,000 in outstanding debt and 358,678 shares of the Company's common stock valued at $2,264,000 (the market value of such common stock on that date).

BellSouth DCS

In July 1999, the Company entered into an agreement with certain affiliates of BellSouth ("BellSouth DCS") to acquire the operating rights for approximately 773 of their towers. The legal form of the transaction is a lease arrangement and will be treated by BellSouth as a sale of the towers for tax purposes. The Company will pay BellSouth DCS total consideration of $316,930,000 in cash. As of December 31, 1999, the Company has closed on 648 of these towers and has paid $266,857,000 in cash. The Company is accounting for this transaction as a purchase of tower assets.

Agreement With GTE Corporation ("GTE")

On November 7, 1999, the Company entered into an agreement with GTE to form a joint venture ("Crown Castle GT") to own and operate a significant majority of GTE's towers. Upon formation of Crown Castle GT (which will occur in multiple closings during 2000), (1) the Company will contribute approximately $825,000,000 (of which up to $100,000,000 can be in shares of its common stock, with the balance in cash) in exchange for a majority ownership interest in Crown Castle GT, and (2) GTE will contribute approximately 2,300 towers in exchange for a cash distribution of approximately $800,000,000 (less any amount contributed in the form of the Company's common stock) from Crown Castle GT and a minority ownership interest in Crown Castle GT. Upon dissolution of Crown Castle GT, GTE would receive (1) any shares of the Company's common stock contributed to Crown Castle GT and (2) a payment equal to approximately 11.4% of the fair market value of Crown Castle GT's other net assets; the Company would then receive the remaining assets and liabilities of Crown Castle GT. The Company will account for its investment in Crown Castle GT as a purchase of tower assets, and will include Crown Castle GT's results of operations and cash flows in the Company's consolidated financial statements for periods subsequent to formation. Upon entering into this agreement, the Company placed $50,000,000 into an escrow account; such funds would be forfeited if the Company failed to close this transaction because it was unable to obtain adequate financing. See Note 16.

3. Property and Equipment

The major classes of property and equipment are as follows:

	Estimated Useful Lives	December 31, 1998	December 31, 1999
		(In thousands of dollars)	
Land and buildings	0-50 years	$ 58,767	$ 89,683
Telecommunications towers and broadcast transmission equipment	5-20 years	532,907	2,458,741
Transportation and other equipment	3-10 years	11,452	20,231
Office furniture and equipment	3-7 years	12,248	18,919
		615,374	2,587,574
Less: accumulated depreciation		(22,780)	(119,473)
		$ 592,594	$ 2,468,101

Depreciation expense for the years ended December 31, 1997, 1998 and 1999 was $2,886,000, $20,638,000 and $96,556,000, respectively. Accumulated depreciation on telecommunications towers and broadcast transmission equipment was $19,583,000 and $110,366,000 at December 31, 1998 and 1999, respectively. At December 31, 1999, minimum rentals receivable under existing operating leases for towers are as follows: years ending December 31, 2000 — $352,640,000; 2001 — $342,473,000; 2002 — $337,536,000; 2003 — $324,963,000; 2004 — $315,142,000; thereafter — $1,118,557,000.

4. Investment in Affiliate

On February 28, 1997, the Company used a portion of the net proceeds from the sale of the Series C Convertible Preferred Stock (see Note 8) to purchase an ownership interest of approximately 34.3% in CCUK (a company incorporated under the laws of England and Wales). The Company led a consortium of investors which provided the equity financing for CCUK. The funds invested by the consortium were used by CCUK to purchase, through a wholly owned subsidiary, the domestic broadcast transmission division of the British Broadcasting Corporation (the “BBC”). The cost of the Company’s investment in CCUK amounted to approximately $57,542,000. The Company accounted for its investment in CCUK utilizing the equity method of accounting prior to the consummation of the share exchange agreement with CCUK’s shareholders in August 1998 (see Note 2).

In March 1997, as compensation for leading the investment consortium, the Company received a fee from CCUK amounting to approximately $1,165,000. This fee was recorded as other income by the Company when received. In addition, the Company received approximately $1,679,000 from CCUK as reimbursement for costs incurred prior to the closing of the purchase from the BBC.

In June 1997, as compensation for the successful completion of the investment in CCUK and certain other acquisitions and investments, the Company paid bonuses to two of its executive officers totaling $913,000. These bonuses are included in corporate development expenses on the Company’s consolidated statement of operations.

Summarized financial information for CCUK is as follows (for periods in which the Company accounted for CCUK utilizing the equity method):

	Ten Months Ended December 31, 1997	Eight Months Ended August 31, 1998
	(In thousands of dollars)	
Net revenues	$ 103,531	$ 97,228
Operating expenses	86,999	78,605
Operating income	16,532	18,623
Interest and other income	553	725
Interest expense and amortization of deferred financing costs	(20,404)	(13,378)
Provision for income taxes	—	—
Net income (loss)	$ (3,319)	$ 5,970

5. Long-term Debt

Long-term debt consists of the following:

	December 31, 1998	December 31, 1999
	(In thousands of dollars)	
Senior Credit Facility	$ 5,500	$ 63,000
CCUK Credit Facility	55,177	133,456
Crown Atlantic Credit Facility	—	180,000
9% Guaranteed Bonds due 2007	200,934	195,699
10⅝% Senior Discount Notes due 2007, net of discount	168,099	186,434
10⅜% Senior Discount Notes due 2011, net of discount	—	321,284
9% Senior Notes due 2011	—	180,000
11¼% Senior Discount Notes due 2011, net of discount	—	157,470
9½% Senior Notes due 2011	—	125,000
	$ 429,710	$ 1,542,343

Senior Credit Facility

CCI has a credit agreement with a syndicate of banks (as amended, the "Senior Credit Facility") which consists of a $100,000,000 secured revolving line of credit (see Note 16). Available borrowings under the Senior Credit Facility are generally to be used to construct new towers and to finance a portion of the purchase price for towers and related assets of CCI and its subsidiaries. The amount of available borrowings is determined based on the current financial performance (as defined) of CCI's assets. In addition, up to $5,000,000 of borrowing availability under the Senior Credit Facility can be used for letters of credit.

On October 31, 1997, additional borrowings under the Senior Credit Facility, along with the proceeds from the October issuance of Senior Preferred Stock (see Note 8), were used to repay (1) the promissory note payable to the former stockholders of Crown; and (2) the outstanding borrowings under Crown's bank credit agreement (see Note 2). In November 1997, the Company repaid all of the outstanding borrowings under the Senior Credit Facility with a portion of the proceeds from the issuance of its 10⅝% Senior Discount Notes (as discussed below). Upon the merger of CTC into CCI in January 1998, CCI became the primary borrower under the Senior Credit Facility. In December 1998, the Company again repaid all of the outstanding borrowings under the Senior Credit Facility with a portion of the proceeds from the issuance of its 12¾% Senior Exchangeable Preferred Stock (see Note 8). As of December 31, 1999, approximately $19,250,000 of borrowings was available under the Senior Credit Facility, of which $5,000,000 was available for letters of credit. There were no letters of credit outstanding as of December 31, 1999.

The amount of available borrowings under the Senior Credit Facility will decrease by $5,000,000 at the end of each calendar quarter beginning on March 31, 2001 until December 31, 2004, at which time any remaining borrowings must be repaid. Under certain circumstances, CCI may be required to make principal prepayments under the Senior Credit Facility in an amount equal to 50% of excess cash flow (as defined), the net cash proceeds from certain asset sales or the net cash proceeds from certain sales of equity or debt securities by the Company.

The Senior Credit Facility is secured by substantially all of the assets of CCI and the Company's pledge of the capital stock of CCI and its subsidiaries. In addition, the Senior Credit Facility is guaranteed by the Company. Borrowings under the Senior Credit Facility bear interest at a rate per annum, at the Company's election, equal to the bank's prime rate plus 1.5% or a Eurodollar interbank offered rate (LIBOR) plus 3.25% (10.00% and 9.43%, respectively, at December 31, 1999). The interest rate margins may be reduced by up to 2.25% (non-cumulatively) based on a financial test, determined quarterly. As of December 31, 1999, the financial test permitted a reduction of 1.125% in the interest rate margin for prime rate borrowings and 1.625% in the interest rate margin for LIBOR borrowings. Interest on prime rate loans is due quarterly, while interest on LIBOR loans is due at the end of the period (from one to three months) for which such LIBOR rate is in effect. The Senior Credit Facility requires CCI to maintain certain financial covenants and places restrictions on CCI's ability to, among other things, incur debt and liens, pay dividends, make capital expenditures, dispose of assets, undertake transactions with affiliates and make investments.

CCUK Credit Facility

CCUK has a credit agreement with a syndicate of banks (as amended, the "CCUK Credit Facility"). In June 1999, the CCUK Credit Facility was amended to (1) increase the available borrowings to £150,000,000 (approximately $242,250,000) and (2) extend the maturity date to June 2006. The amended facility comprises (1) a seven year £100,000,000 (approximately $161,500,000) revolving loan facility which converts into a term loan facility on the third anniversary of the amendment date and (2) a seven year £50,000,000 (approximately $80,750,000) revolving loan facility. Available borrowings under the CCUK Credit Facility are generally to be used to finance capital expenditures and for working capital and general corporate purposes. As of December 31, 1999, unused borrowing availability under the CCUK Credit Facility amounted to approximately £65,000,000 (approximately $104,975,000).

In June 2002, the amount drawn under the £100,000,000 revolving loan facility is converted into a term loan facility and is amortized in equal semi-annual installments on June 30 and December 31 of each year, with the final installment being due in June 2006. The £50,000,000 revolving loan facility expires in June 2006. Under certain circumstances, CCUK may be required to make principal prepayments from the proceeds of certain asset sales.

The CCUK Credit Facility is secured by substantially all of CCUK's assets. Borrowings under the CCUK Credit Facility bear interest at a rate per annum equal to a Eurodollar interbank offered rate (LIBOR) plus 1.5% (approximately 7.08% at December 31, 1999). The interest rate margin may be reduced by up to 0.875% (non-cumulatively) based on a financial test. Interest is due at the end of the period (from one to six months) for which such LIBOR rate is in effect. The CCUK Credit Facility requires CCUK to maintain certain financial covenants and places restrictions on CCUK's ability to, among other things, incur debt and liens, pay dividends, make capital expenditures, dispose of assets, undertake transactions with affiliates and make investments.

Crown Atlantic Credit Facility

Crown Atlantic has a credit agreement with a syndicate of banks (the "Crown Atlantic Credit Facility") which consists of a $250,000,000 secured revolving line of credit. Available borrowings under the Crown Atlantic Credit Facility are generally to be used to construct new towers and to finance a portion of the purchase price for towers and related assets of Crown Atlantic. The amount of available borrowings is determined based on the current financial performance (as defined) of Crown Atlantic's assets. In addition, up to $25,000,000 of borrowing availability under the Crown Atlantic Credit Facility can be used for letters of credit.

On March 31, 1999, Crown Atlantic borrowed $180,000,000 under the Crown Atlantic Credit Facility to fund a portion of the cash payment to BAM (see Note 2). As of December 31, 1999, approximately $70,000,000 of borrowings was available under the Crown Atlantic Credit Facility, of which $25,000,000 was available for letters of credit. There were no letters of credit outstanding as of December 31, 1999.

The amount of available borrowings under the Crown Atlantic Credit Facility will decrease by a stated amount at the end of each calendar quarter beginning on September 30, 2001 until March 31, 2006, at which time any remaining borrowings must be repaid. Under certain circumstances, Crown Atlantic may be required to make principal prepayments under the Crown Atlantic Credit Facility in an amount equal to 50% of excess cash flow (as defined), the net cash proceeds from certain asset sales or the net cash proceeds from certain sales of equity or debt securities.

The Crown Atlantic Credit Facility is secured by a pledge of the membership interest in Crown Atlantic and a security interest in Crown Atlantic's tenant leases. Borrowings under the Crown Atlantic Credit Facility bear interest at a rate per annum, at Crown Atlantic's election, equal to the bank's prime rate plus 1.25% or a Eurodollar interbank offered rate (LIBOR) plus 2.75% (9.75% and 8.93%, respectively, at December 31, 1999). The interest rate margins may be reduced by up to 1.75% (non-cumulatively) based on a financial test, determined quarterly. As of December 31, 1999, the financial test permitted no reduction in the interest rate margin for prime rate borrowings or LIBOR borrowings. Interest on prime rate loans is due quarterly, while interest on LIBOR loans is due at the end of the period (from one to three months) for which such LIBOR rate is in effect. The Crown Atlantic Credit Facility requires Crown Atlantic to maintain certain financial covenants and places restrictions on Crown Atlantic's ability to, among other things, incur debt and liens, pay dividends, make capital expenditures, dispose of assets, undertake transactions with affiliates and make investments.

9% Guaranteed Bonds due 2007 (“CCUK Bonds”)

CCUK has issued £125,000,000 (approximately $201,875,000) aggregate principal amount of the CCUK Bonds. Interest payments on the CCUK Bonds are due annually on each March 30. The maturity date of the CCUK Bonds is March 30, 2007. The CCUK Bonds are stated net of unamortized discount.

The CCUK Bonds are redeemable, at the option of CCUK, in whole or in part at any time, at the greater of their principal amount and such a price as will provide a gross redemption yield 0.5% per annum above the gross redemption yield on the benchmark gilt plus, in either case, accrued and unpaid interest. Under certain circumstances, each holder of the CCUK Bonds has the right to require CCUK to repurchase all or a portion of such holder’s CCUK Bonds at a price equal to 101% of their aggregate principal amount plus accrued and unpaid interest.

The CCUK Bonds are guaranteed by CCUK; however, they are unsecured and effectively subordinate to the outstanding borrowings under the CCUK Credit Facility. The trust deed governing the CCUK Bonds places restrictions on CCUK’s ability to, among other things, pay dividends and make capital distributions, make investments, incur additional debt and liens, dispose of assets and undertake transactions with affiliates.

10⅝% Senior Discount Notes due 2007 (the “10⅝% Discount Notes”)

On November 25, 1997, the Company issued $251,000,000 aggregate principal amount (at maturity) of the 10⅝% Discount Notes for proceeds of $150,010,000 (net of original issue discount). The Company used a portion of the proceeds from the sale of the 10⅝% Discount Notes to (1) repay all of the outstanding borrowings, including accrued interest thereon, under the Senior Credit Facility; (2) repay the promissory notes payable, including accrued interest thereon, to the former stockholders of TEA (see Note 2); (3) repay certain indebtedness, including accrued interest thereon, from a prior acquisition; and (4) repay outstanding installment debt assumed in connection with the Crown acquisition (see Note 2).

The 10⅝% Discount Notes will not pay any interest until May 15, 2003, at which time semi-annual interest payments will commence and become due on each May 15 and November 15 thereafter. The maturity date of the 10⅝% Discount Notes is November 15, 2007. The 10⅝% Discount Notes are net of unamortized discount of $82,901,000 and $64,566,000 at December 31, 1998 and 1999, respectively.

The 10⅝% Discount Notes are redeemable at the option of the Company, in whole or in part, on or after November 15, 2002 at a price of 105.313% of the principal amount plus accrued interest. The redemption price is reduced annually until November 15, 2005, after which time the 10⅝% Discount Notes are redeemable at par. Prior to November 15, 2000, the Company may redeem up to 35% of the aggregate principal amount of the 10⅝% Discount Notes, at a price of 110.625% of the accreted value thereof, with the net cash proceeds from a public offering of the Company’s common stock.

10⅜% Senior Discount Notes due 2011 (the “10⅜% Discount Notes”) and 9% Senior Notes due 2011 (the “9% Senior Notes”)

On May 12, 1999, the Company issued (1) $500,000,000 aggregate principal amount (at maturity) of its 10⅜% Discount Notes for proceeds of $292,644,000 (net of original issue discount of $198,305,000 and after underwriting discounts of $9,051,000) and (2) $180,000,000 aggregate principal amount of its 9% Senior Notes for proceeds of $174,600,000 (after underwriting discounts of $5,400,000). The Company used a portion of the proceeds from the sale of these securities to repay $100,000,000 in outstanding borrowings, including accrued interest thereon, under a term loan credit facility in connection with the BellSouth and Powertel transactions (see Note 2). The remaining proceeds are being used to pay the remaining purchase price for such transactions, to fund the initial interest payments on the 9% Senior Notes and for general corporate purposes.

The 10⅜% Discount Notes will not pay any interest until November 15, 2004, at which time semi-annual interest payments will commence and become due on each May 15 and November 15 thereafter. Semi-annual interest payments for the 9% Senior Notes are due on each May 15 and November 15, commencing on November 15, 1999. The maturity date of the 10⅜% Discount Notes and the 9% Senior Notes is May 15, 2011. The 103/8% Discount Notes are net of unamortized discount of $178,716,000 at December 31, 1999.

The 10⅜% Discount Notes and the 9% Senior Notes are redeemable at the option of the Company, in whole or in part, on or after May 15, 2004 at prices of 105.187% and 104.5%, respectively, of the principal amount plus accrued interest. The redemption prices are reduced annually until May 15, 2007, after which time the 10⅜% Discount Notes and the 9% Senior Notes are redeemable at par. Prior to May 15, 2002, the Company may redeem up to 35% of the aggregate principal amount of the 10⅜% Discount Notes and the 9% Senior Notes, at prices of 110.375% and 109%, respectively, of the accreted value thereof, with the net cash proceeds from a public offering of the Company's common stock.

11¼% Senior Discount Notes due 2011 (the "11¼% Discount Notes") and 9½% Senior Notes due 2011 (the "9½% Senior Notes")

On July 27, 1999, the Company issued (1) $260,000,000 aggregate principal amount (at maturity) of its 11¼% Discount Notes for proceeds of $147,501,000 (net of original issue discount of $109,489,000 and after underwriting discounts of $3,010,000) and (2) $125,000,000 aggregate principal amount of its 9½% Senior Notes for proceeds of $122,500,000 (after underwriting discounts of $2,500,000) (collectively, the "July Offerings"). The proceeds from the sale of these securities are being used to pay the purchase price for the BellSouth DCS transaction (see Note 2), to fund the initial interest payments on the 9½% Senior Notes and for general corporate purposes.

The 11¼% Discount Notes will not pay any interest until February 1, 2005, at which time semi-annual interest payments will commence and become due on each February 1 and August 1 thereafter. Semi-annual interest payments for the 9½% Senior Notes are due on each February 1 and August 1, commencing on February 1, 2000. The maturity date of the 11¼% Discount Notes and the 9½% Senior Notes is August 1, 2011. The 11¼% Discount Notes are net of unamortized discount of $102,530,000 at December 31, 1999.

The 11¼% Discount Notes and the 9½% Senior Notes are redeemable at the option of the Company, in whole or in part, on or after August 1, 2004 at prices of 105.625% and 104.75%, respectively, of the principal amount plus accrued interest. The redemption prices are reduced annually until August 1, 2007, after which time the 11¼% Discount Notes and the 9½% Senior Notes are redeemable at par. Prior to August 1, 2002, the Company may redeem up to 35% of the aggregate principal amount of the 11¼% Discount Notes and the 9½% Senior Notes, at prices of 111.25% and 109.5%, respectively, of the accreted value thereof, with the net cash proceeds from a public offering of the Company's common stock.

Structural Subordination of the Debt Securities

The 10⅝% Discount Notes, the 10⅜% Discount Notes, the 9% Senior Notes, the 11¼% Discount Notes and the 9½% Senior Notes (collectively, the "Debt Securities") are senior indebtedness of the Company; however, they are unsecured and effectively subordinate to the liabilities of the Company's subsidiaries, which include outstanding borrowings under the Senior Credit Facility, the CCUK Credit Facility, the Crown Atlantic Credit Facility and the CCUK Bonds. The indentures governing the Debt Securities (the "Indentures") place restrictions on the Company's ability to, among other things, pay dividends and make capital distributions, make investments, incur additional debt and liens, issue additional preferred stock, dispose of assets and undertake transactions with affiliates. As of December 31, 1999, the Company was effectively precluded from paying dividends on its capital stock under the terms of the Indentures.

Reporting Requirements Under the Indentures Governing the Company's Debt Securities and the Certificate of Designations Governing the Company's 12¾% Senior Exchangeable Preferred Stock (the "Certificate")

The following information (as such capitalized terms are defined in the Indentures and the Certificate) is presented solely as a requirement of the Indentures and the Certificate; 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.

Upon consummation of the share exchange with CCUK's shareholders (see Note 2), which increased the Company's ownership interest in CCUK to 80%, the Company designated CCUK as an Unrestricted Subsidiary. In addition, the Company has designated Crown Atlantic as an Unrestricted Subsidiary (see Note 2). Prior to these transactions, the Company did not have any Unrestricted Subsidiaries. Summarized financial information for (1) the Company and its Restricted Subsidiaries; and (2) the Company's Unrestricted Subsidiaries is as follows:

	December 31, 1999			
	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidation Eliminations	Consolidated Total
	(In thousands of dollars)			
Cash and cash equivalents	$ 494,724	$ 54,604	$ —	$ 549,328
Other current assets	59,106	53,611	—	112,717
Property and equipment, net	1,350,610	1,117,491	—	2,468,101
Escrow deposit for acquisition	50,000	—	—	50,000
Investments in Unrestricted Subsidiaries	991,261	—	(991,261)	—
Goodwill and other intangible assets, net	132,553	463,594	—	596,147
Other assets, net	48,578	11,779	—	60,357
	$ 3,126,832	$ 1,701,079	$ (991,261)	$ 3,836,650
Current liabilities	$ 49,905	$ 81,376	$ —	$ 131,281
Long-term debt	1,033,188	509,155	—	1,542,343
Other liabilities	3,069	63,995	—	67,064
Minority interests	—	55,292	—	55,292
Redeemable preferred stock	422,923	—	—	422,923
Stockholders’ equity	1,617,747	991,261	(991,261)	1,617,747
	$ 3,126,832	$ 1,701,079	$ (991,261)	$ 3,836,650

	Three Months Ended December 31, 1999			Year Ended December 31, 1999		
	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Total	Company and Restricted Subsidiaries	Unrestricted Subsidiaries	Consolidated Total
	(In thousands of dollars)					
Net revenues	$ 40,694	$ 73,502	$ 114,196	$ 104,177	$ 241,582	$ 345,759
Costs of operations (exclusive of depreciation and amortization)	17,327	34,534	51,861	42,737	114,011	156,748
General and administrative	10,578	3,169	13,747	33,052	10,771	43,823
Corporate development	1,181	88	1,269	4,584	819	5,403
Restructuring charges	3,831	—	3,831	5,645	—	5,645
Non-cash compensation charges	340	161	501	1,404	769	2,173
Depreciation and amortization	16,251	24,486	40,737	42,354	87,752	130,106
Operating income (loss)	(8,814)	11,064	2,250	(25,599)	27,460	1,861
Interest and other income (expense)	4,339	590	4,929	9,934	7,797	17,731
Interest expense and amortization of deferred financing costs	(25,891)	(12,669)	(38,560)	(70,341)	(40,567)	(110,908)
Provision for income taxes	(7)	—	(7)	(275)	—	(275)
Minority interests	—	(1,569)	(1,569)	—	(2,756)	(2,756)
Cumulative effect of change in accounting principle for costs of start-up activities	—	—	—	(2,414)	—	(2,414)
Net loss	$ (30,373)	$ (2,584)	$ (32,957)	$ (88,695)	$ (8,066)	$ (96,761)

Tower Cash Flow and Adjusted Consolidated Cash Flow for the Company and its Restricted Subsidiaries is as follows under (1) the indenture governing the 10⅝% Discount Notes and the Certificate (the "1997 and 1998 Securities") and (2) the indentures governing the 10⅜% Discount Notes, the 9% Senior Notes, the 11¼% Discount Notes and the 9½% Senior Notes (the "1999 Securities"):

	1997 and 1998 Securities	1999 Securities
	(In thousands of dollars) (Unaudited)	
Tower Cash Flow, for the three months ended December 31, 1999	$ 12,339	$ 12,339
Consolidated Cash Flow, for the twelve months ended December 31, 1999	$ 23,804	$ 28,388
Less: Tower Cash Flow, for the twelve months ended December 31, 1999	(33,022)	(33,022)
Plus: four times Tower Cash Flow, for the three months ended December 31, 1999	49,356	49,356
Adjusted Consolidated Cash Flow, for the twelve months ended December 31, 1999	$ 40,138	$ 44,722

Restricted Net Assets of Subsidiaries

Under the terms of the Senior Credit Facility, the CCUK Credit Facility, the Crown Atlantic Credit Facility and the CCUK Bonds, the Company's subsidiaries are limited in the amount of dividends which can be paid to the Company. For CCI, the amount of such dividends is limited to (1) $6,000,000 per year until October 31, 2002, and $33,000,000 per year thereafter; and (2) an amount to pay income taxes attributable to the Company's Restricted Subsidiaries. CCUK and Crown Atlantic are effectively precluded from paying dividends. The restricted net assets of the Company's subsidiaries totaled approximately $1,003,701,000 at December 31, 1999.

Interest Rate Swap Agreements

The Company had an interest rate swap agreement in connection with amounts borrowed under the Senior Credit Facility which terminated on February 24, 1999. The Company paid a fixed rate of 6.28% on the notional amount and received a floating rate based on LIBOR. This agreement effectively changed the interest rate on $17,925,000 of borrowings under the Senior Credit Facility from a floating rate to a fixed rate of 6.28% plus the applicable margin.

In April 1999, the Company entered into an interest rate swap agreement in connection with amounts borrowed under the Crown Atlantic Credit Facility. This interest rate swap agreement has an initial notional amount of $100,000,000, decreasing on a quarterly basis beginning September 30, 2003 until the termination of the agreement on March 31, 2006. The Company pays a fixed rate of 5.79% on the notional amount and receives a floating rate based on LIBOR. This agreement effectively changes the interest rate on a portion of the borrowings under the Crown Atlantic Credit Facility from a floating rate to a fixed rate of 5.79% plus the applicable margin. The Company does not believe there is any significant exposure to credit risk due to the creditworthiness of the counterparty. In the event of nonperformance by the counterparty, the Company's loss would be limited to any unfavorable interest rate differential.

6. Income Taxes

The provision for income taxes consists of the following:

	Years Ended December 31,		
	1997	1998	1999
		(In thousands of dollars)	
Current:			
State	$ —	$ 365	$ 55
Puerto Rico	49	9	—
Foreign	—	—	220
	$ 49	$ 374	$ 275

A reconciliation between the provision for income taxes and the amount computed by applying the federal statutory income tax rate to the loss before income taxes is as follows:

	Years Ended December 31,		
	1997	1998	1999
		(In thousands of dollars)	
Benefit for income taxes at statutory rate	$ (4,044)	$ (12,154)	$ (31,047)
Depreciation on basis difference in joint venture	—	—	1,012
Amortization of intangible assets	478	604	770
Stock-based compensation	—	2,844	477
State and foreign taxes, net of federal tax benefit	—	247	182
Expenses for which no federal tax benefit was recognized	28	151	152
Acquisition costs	—	(675)	34
Puerto Rico taxes	49	9	—
Foreign earnings not subject to tax	—	(584)	(781)
Changes in valuation allowances	3,650	9,944	29,451
Other	(112)	(12)	25
	$ 49	$ 374	$ 275

The components of the net deferred income tax assets and liabilities are as follows:

	December 31,	
	1998	1999
	(In thousands of dollars)	
Deferred income tax liabilities:		
Property and equipment	$ 6,045	$ 30,055
Other	84	14
Total deferred income tax liabilities	6,129	30,069
Deferred income tax assets:		
Net operating loss carryforwards	19,071	76,826
Noncompete agreement	464	348
Intangible assets	351	264
Puerto Rico losses	—	238
Accrued liabilities	68	68
Receivables allowance	41	55
Other	45	45
Valuation allowances	(13,911)	(47,775)
Total deferred income tax assets, net	6,129	30,069
Net deferred income tax liabilities	$ —	$ —

Valuation allowances of $13,911,000 and $47,775,000 were recognized to offset net deferred income tax assets as of December 31, 1998 and 1999, respectively.

At December 31, 1999, the Company has net operating loss carryforwards of approximately $225,959,000 which are available to offset future federal taxable income. These loss carryforwards will expire in 2010 through 2019. The utilization of the loss carryforwards is subject to certain limitations.

7. Minority Interests

Minority interests represent the minority shareholder's 20% interest in CCUK and the minority partner's 38.5% interest in Crown Atlantic.

8. Redeemable Preferred Stock

Redeemable preferred stock ($.01 par value, 10,000,000 shares authorized) consists of the following:

	December 31,	
	1998	1999
	(In thousands of dollars)	
12¾% Senior Exchangeable Preferred Stock; shares issued: December 31, 1998 — 200,000 and December 31, 1999 — 226,745 (stated at mandatory redemption and aggregate liquidation value)	$ 201,063	$ 227,950
8¼% Cumulative Convertible Redeemable Preferred Stock; shares issued: December 31, 1998 — none and December 31, 1999 — 200,000 (stated net of unamortized value of warrants; mandatory redemption and aggregate liquidation value of $200,000)	—	194,973
	$ 201,063	$ 422,923

Exchangeable Preferred Stock

On December 16, 1998, the Company issued 200,000 shares of its 12¾% Senior Exchangeable Preferred Stock due 2010 (the "Exchangeable Preferred Stock") at a price of $1,000 per share (the liquidation preference per share). The net proceeds received by the Company from the sale of such shares amounted to approximately $193,000,000 (after underwriting discounts of $7,000,000 but before other expenses of the offering, which amounted to approximately $8,059,000). A portion of the net proceeds was used to repay outstanding borrowings under the Senior Credit Facility of $73,750,000, and the remaining net proceeds were used to pay a portion of the purchase price for the Crown Atlantic transaction (see Note 2).

The holders of the Exchangeable Preferred Stock are entitled to receive cumulative dividends at the rate of 12¾% per share, compounded quarterly on each March 15, June 15, September 15 and December 15 of each year, beginning on March 15, 1999. On or before December 15, 2003, the Company has the option to pay dividends in cash or in additional shares of Exchangeable Preferred Stock. After December 15, 2003, dividends are payable only in cash.

The Company is required to redeem all outstanding shares of Exchangeable Preferred Stock on December 15, 2010 at a price equal to the liquidation preference plus accumulated and unpaid dividends. On or after December 15, 2003, the shares are redeemable at the option of the Company, in whole or in part, at a price of 106.375% of the liquidation preference. The redemption price is reduced on an annual basis until December 15, 2007, at which time the shares are redeemable at the liquidation preference. Prior to December 15, 2001, the Company may redeem up to 35% of the Exchangeable Preferred Stock, at a price of 112.75% of the liquidation preference, with the net proceeds from certain public equity offerings. The shares of Exchangeable Preferred Stock are exchangeable, at the option of the Company, in whole but not in part, for 12¾% Senior Subordinated Exchange Debentures due 2010.

The Company's obligations with respect to the Exchangeable Preferred Stock are subordinate to all indebtedness of the Company (including the Debt Securities), and are effectively subordinate to all debt and liabilities of the Company's subsidiaries (including the Senior Credit Facility, the CCUK Credit Facility, the Crown Atlantic Credit Facility and the CCUK Bonds). The certificate of designations governing the Exchangeable Preferred Stock places restrictions on the Company's ability to, among other things, pay dividends and make capital distributions, make investments, incur additional debt and liens, issue additional preferred stock, dispose of assets and undertake transactions with affiliates.

Convertible Preferred Stock

On November 19, 1999, the Company issued 200,000 shares of its 8¼% Cumulative Convertible Redeemable Preferred Stock (the "Convertible Preferred Stock") at a price of $1,000 per share (the liquidation preference per share) to General Electric Capital Corporation ("GECC"). The Company received net proceeds of approximately $191,500,000 (after structuring and underwriting fees of $8,500,000 but before other expenses of the transaction). The net proceeds will be used to pay a portion of the purchase price for the GTE joint venture (see Note 2).

GECC will be entitled to receive cumulative dividends at the rate of 8¼% per annum payable on March 15, June 15, September 15 and December 15 of each year, beginning on December 15, 1999. The Company will have the option to pay dividends in cash or in shares of its Common Stock having a current market value equal to the stated dividend amount. GECC also received warrants to purchase 1,000,000 shares of the Company's Common Stock at an exercise price of $26.875 per share. The warrants will be exercisable, in whole or in part, at any time for a period of five years following the issue date.

The Company is required to redeem all outstanding shares of the Convertible Preferred Stock on March 31, 2012 at a price equal to the liquidation preference plus accumulated and unpaid dividends. On or after October 1, 2002, the shares are redeemable at the option of the Company, in whole or in part, at a price of 104.125% of the liquidation preference. The redemption price is reduced on an annual basis until October 1, 2005, at which time the shares are redeemable at the liquidation preference. The shares of Convertible Preferred Stock are convertible, at the option of GECC, in whole or in part at any time, into shares of the Company's Common Stock at a conversion price of $26.875 per share of Common Stock.

The Company's obligations with respect to the Convertible Preferred Stock are subordinate to all indebtedness and the Exchangeable Preferred Stock of the Company, and are effectively subordinate to all debt and liabilities of the Company's subsidiaries. The certificate of designations governing the Convertible Preferred Stock places restrictions on the Company similar to those imposed by the Company's Debt Securities and the Exchangeable Preferred Stock.

Senior Preferred Stock

In August 1997, the Company issued 292,995 shares of its Senior Convertible Preferred Stock (the "Senior Preferred Stock") at a price of $100 per share. The net proceeds received by the Company from the sale of such shares amounted to approximately $29,266,000, most of which was used to pay the cash portion of the purchase price for Crown (see Note 2). In October 1997, the Company issued an additional 364,500 shares of its Senior Preferred Stock at a price of $100 per share. The net proceeds received by the Company from the sale of such shares amounted to $36,450,000. This amount, along with borrowings under the Senior Credit Facility, was used to repay the promissory note from the Crown acquisition (see Note 2).

The holders of the Senior Preferred Stock were entitled to receive cumulative dividends at the rate of 12.5% per share, compounded annually. At the option of the holder, each share of Senior Preferred Stock (plus any accrued and unpaid dividends) was convertible, at any time, into shares of the Company's common stock at a conversion price of $7.50 (subject to adjustment in the event of an underwritten public offering of the Company's common stock). At the date of issuance of the Senior Preferred Stock, the Company believes that its conversion price represented the estimated fair value of the common stock on that date. In July 1998, all of the shares of Senior Preferred Stock were converted into shares of common stock (see Note 9).

The purchasers of the Senior Preferred Stock were also issued warrants to purchase an aggregate 1,314,990 shares of the Company's common stock at an exercise price of $7.50 per share (subject to adjustment in the event of an underwritten public offering of the Company's common stock). The warrants are exercisable, in whole or in part, at any time until August and October of 2007. At the date of issuance of the warrants, the Company believes that the exercise price represented the estimated fair value of the common stock on that date. As such, the Company has not assigned any value to the warrants in its consolidated financial statements.

Series Preferred Stock

The holders of the Company's Series A Convertible Preferred Stock (the "Series A Preferred Stock"), the Series B Convertible Preferred Stock (the "Series B Preferred Stock") and the Series C Convertible Preferred Stock (the "Series C Preferred Stock") (collectively, the "Series Preferred Stock") were entitled to receive dividends, if and when declared, at the same rate as dividends were declared and paid with respect to the Company's common stock. Each of the outstanding shares of Series Preferred Stock was automatically converted into five shares of common stock upon consummation of the Company's initial public offering (see Note 9).

In February and April of 1997, the Company issued 3,529,832 shares of its Series C Preferred Stock at a price of $21.00 per share. The net proceeds received by the Company from the sale of the Series C Preferred Stock amounted to approximately $74,024,000. A portion of this amount was used to purchase the ownership interest in CCUK (see Note 4).

9. Stockholders' Equity

Common Stock

On May 12, 1999, the Company sold shares of its common stock and debt securities in concurrent underwritten public offerings (collectively, the "May Offerings") (see Note 5). The Company sold 21,000,000 shares of its common stock at a price of $17.50 per share and received proceeds of $352,800,000 (after underwriting discounts of $14,700,000). The Company had granted the underwriters for the May Offerings an over-allotment option to purchase an additional 3,150,000 shares of the Company's common stock. On May 13, 1999, the underwriters exercised this over-allotment option in full. As a result, the Company received additional proceeds of $52,920,000 (after underwriting discounts of $2,205,000). The proceeds from the May Offerings are being used to pay the remaining purchase price for the BellSouth and Powertel transactions, to fund the initial interest payments on the 9% Senior Notes and for general corporate purposes.

On June 15, 1999, the Company sold shares of its common stock to a subsidiary of TeleDiffusion de France International S.A. ("TdF") pursuant to TdF's preemptive rights related to two recent acquisitions. The Company sold 5,395,539 shares at $12.63 per share and 125,066 shares at $13.00 per share. The aggregate proceeds of approximately $69,772,000 will be used for general corporate purposes.

On July 20, 1999, the Company sold shares of its common stock to a subsidiary of TdF pursuant to TdF's preemptive rights related to the May Offerings. The Company sold 8,351,791 shares at $16.80 per share. The aggregate proceeds of approximately $140,310,000 will be used for general corporate purposes.

On August 18, 1998, the Company consummated its initial public offering of common stock at a price to the public of $13.00 per share (the "IPO"). The Company sold 12,320,000 shares of its common stock and received proceeds of $151,043,000 (after underwriting discounts of $9,117,000 but before other expenses of the IPO, which amounted to approximately $4,116,000). The net proceeds from the IPO were used to pay a portion of the purchase price for the Crown Atlantic transaction (see Note 2).

In anticipation of the IPO, the Company (1) amended and restated the 1995 Stock Option Plan to, among other things, authorize the issuance of up to 18,000,000 shares of common stock pursuant to awards made thereunder; and (2) approved an amendment to its certificate of incorporation to increase the number of authorized shares of common and preferred stock to 690,000,000 shares and 10,000,000 shares, respectively, and to effect a five-for-one stock split for the shares of common stock then outstanding. The effect of the stock split has been presented retroactively in the Company's consolidated financial statements for all periods presented.

In July 1998, all of the holders of the Company's Senior Convertible Preferred Stock converted such shares into an aggregate of 9,629,200 shares of the Company's common stock. Upon consummation of the IPO, all of the holders of the Company's then-existing shares of Class A Common Stock, Class B Common Stock, Series A Convertible Preferred Stock, Series B Convertible Preferred Stock and Series C Convertible Preferred Stock converted such shares into an aggregate of 39,842,290 shares of the Company's common stock.

In March 1997, the Company repurchased, and subsequently retired, 814,790 shares of its common stock from a member of the Company's Board of Directors at a cost of approximately $3,422,000. Of this amount, $1,311,000 was recorded as compensation cost and is included in corporate development expense on the Company's consolidated statement of operations. In August 1998, the Company repurchased, and subsequently retired, 141,070 shares of its common stock from a former employee at a cost of approximately $883,000.

Class A Common Stock

Upon consummation of the share exchange agreement with CCUK's shareholders (see Note 2), TdF received all of the currently outstanding shares of the Company's Class A Common Stock. Each share of Class A Common Stock is convertible, at the option of its holder at any time, into one share of Common Stock. The holder of the Class A Common Stock is entitled to one vote per share on all matters presented to a vote of the Company's shareholders, except with respect to the election of directors. The holder of the Class A Common Stock, voting as a separate class, has the right to elect up to two members of the Company's Board of Directors. The shares of Class A Common Stock also provide certain governance and anti-dilutive rights.

Compensation Charges Related to Stock Option Grants

During the period from April 24, 1998 through July 15, 1998, the Company granted options to employees and executives for the purchase of 3,236,980 shares of its common stock at an exercise price of $7.50 per share. Of such options, options for 1,810,730 shares vested upon consummation of the IPO and the remaining options for 1,426,250 shares will vest at 20% per year over five years, beginning one year from the date of grant. In addition, the Company has assigned its right to repurchase shares of its common stock from a stockholder (at a price of $6.26 per share) to two individuals (including a newly-elected director) with respect to 100,000 of such shares. Since the granting of these options and the assignment of these rights to repurchase shares occurred subsequent to the date of the share exchange agreement with CCUK's shareholders and at prices substantially below the price to the public in the IPO, the Company has recorded a non-cash compensation charge related to these options and shares based upon the difference between the respective exercise and purchase prices and the price to the public in the IPO. Such compensation charge will total approximately $18,400,000, of which approximately $10,600,000 was recognized upon consummation of the IPO (for such options and shares which vested upon consummation of the IPO), and the remaining $7,800,000 is being recognized over five years (approximately $1,600,000 per year) through the second quarter of 2003. An additional $1,600,000 in non-cash compensation charges will be recognized through the third quarter of 2001 for stock options issued to certain members of CCUK's management prior to the consummation of the share exchange.

Stock Options

In 1995, the Company adopted the Crown Castle International Corp. 1995 Stock Option Plan (as amended, the "1995 Stock Option Plan"). Up to 28,000,000 shares of the Company's common stock have been reserved for awards granted to certain employees, consultants and non-employee directors of the Company and its subsidiaries or affiliates. These options generally vest over periods of up to five years from the date of grant (as determined by the Company's Board of Directors) and have a maximum term of 10 years from the date of grant.

Upon consummation of the share exchange agreement with CCUK's shareholders (see Note 2), the Company adopted each of the various CCUK stock option plans. All outstanding options to purchase shares of CCUK under such plans have been converted into options to purchase shares of the Company's common stock. Up to 4,392,451 shares of the Company's common stock were reserved for awards granted under the CCUK plans, and these options generally vest over periods of up to three years from the date of grant.

A summary of awards granted under the various stock option plans is as follows for the years ended December 31, 1997, 1998 and 1999:

	1997		1998		1999	
	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price	Number of Shares	Weighted-Average Exercise Price
Options outstanding at beginning of year	1,050,000	$ 0.89	3,694,375	$ 4.69	16,585,197	$ 7.06
Options granted	3,042,500	5.46	9,024,720	10.02	4,661,649	18.68
Options outstanding under CCUK stock option plans	—	—	4,367,202	2.74	—	—
Options exercised	(363,125)	0.53	(216,650)	4.89	(1,482,066)	5.82
Options forfeited	(35,000)	1.20	(284,450)	5.72	(538,704)	9.17
Options outstanding at end of year	3,694,375	4.69	16,585,197	7.06	19,226,076	9.89
Options exercisable at end of year	728,875	2.49	7,615,649	4.75	11,590,217	8.14

In August 1998, certain outstanding options became fully or partially vested upon consummation of the IPO. A summary of options outstanding as of December 31, 1999 is as follows:

Exercise Prices	Number of Options Outstanding	Weighted-Average Remaining Contractual Life	Number of Options Exercisable
$ -0- to $ 1.60	729,107	6.0 years	644,415
2.31 to 3.90	3,541,171	6.8 years	1,977,850
4.01 to 5.97	1,616,592	7.7 years	1,535,925
7.50 to 7.77	4,789,021	8.3 years	3,244,029
10.04 to 12.50	436,418	8.9 years	93,084
13.00	3,415,000	8.6 years	3,415,000
15.13 to 17.63	1,286,000	9.7 years	25,000
18.00 to 19.94	2,003,822	9.3 years	546,986
20.06 to 22.28	1,289,111	9.2 years	107,928
23.69 to 25.62	119,834	9.5 years	—
	19,226,076		11,590,217

The weighted-average fair value of options granted during the years ended December 31, 1997, 1998 and 1999 was $1.30, $4.54 and $6.76, respectively. The fair value of each option was estimated on the date of grant using the Black-Scholes option-pricing model and the following weighted-average assumptions about the options (the minimum value method was used prior to the IPO):

	Years Ended December 31,		
	1997	1998	1999
Risk-free interest rate	6.1%	5.38%	5.41%
Expected life	4.5 years	3.6 years	4.9 years
Expected volatility	0%	0% to 30%	30%
Expected dividend yield	0%	0%	0%

The exercise prices for options granted during the years ended December 31, 1997 and 1999 were equal to or in excess of the estimated fair value of the Company's common stock at the date of grant. As such, no compensation cost was recognized for stock options during those years (see Note 1 and "Compensation Charges Related to Stock Option Grants"). If compensation cost had been recognized for stock options based on their fair value at the date of grant, the Company's pro forma net loss for the years ended December 31, 1997, 1998 and 1999 would have been $12,586,000 ($2.37 per share), $75,660,000 ($1.91 per share) and $113,633,000 ($1.08 per share), respectively. The pro forma effect of stock options on the Company's net loss for those years may not be representative of the pro forma effect for future years due to the impact of vesting and potential future awards.

Shares Reserved For Issuance

At December 31, 1999, the Company had the following shares reserved for future issuance:

Common Stock:	
Class A Common Stock	11,340,000
Shares of CCUK stock which are convertible into common stock	17,443,500
Convertible Preferred Stock	7,441,860
Stock option plans	30,330,610
Warrants	2,194,990
	68,750,960

10. Employee Benefit Plans

The Company and its subsidiaries have various defined contribution savings plans covering substantially all employees. Depending on the plan, employees may elect to contribute up to 15% of their eligible compensation. Certain of the plans provide for partial matching of such contributions. The cost to the Company for these plans amounted to $98,000, $197,000 and $836,000 for the years ended December 31, 1997, 1998 and 1999, respectively.

CCUK has a defined benefit plan which covers all of its employees hired on or before March 1, 1997. Employees hired after that date are not eligible to participate in this plan. The net periodic pension cost attributable to this plan for the four months ended December 31, 1998 and the year ended December 31, 1999 was $1,115,000 and $3,592,000, respectively. As of December 31, 1998 and 1999, (1) the projected benefit obligation amounted to $15,298,000 and $18,169,000, respectively; (2) the fair value of the plan's assets amounted to $15,848,000 and $22,449,000, respectively; and (3) the prepaid pension cost attributable to this plan amounted to $1,704,000 and $1,454,000, respectively.

11. Related Party Transactions

Included in other receivables at December 31, 1998 and 1999 are amounts due from employees of the Company totaling $368,000 and $312,000, respectively.

12. Commitments and Contingencies

At December 31, 1999, minimum rental commitments under operating leases are as follows: years ending December 31, 2000 — $70,477,000; 2001 — $67,261,000; 2002 — $61,770,000; 2003 — $54,625,000; 2004 — $49,111,000; thereafter — $233,217,000. Rental expense for operating leases was $1,712,000, $9,620,000 and $47,300,000 for the years ended December 31, 1997, 1998 and 1999, respectively.

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.

13. Operating Segments and Concentrations of Credit Risk

Operating Segments

The Company's reportable operating segments for 1999 are (1) the domestic operations other than Crown Atlantic ("CCUSA"); (2) the United Kingdom operations of CCUK; and (3) the operations of Crown Atlantic. Financial results for the Company are reported to management and the Board of Directors in this manner, and much of the Company's current debt financing is structured along these geographic and organizational lines. See Note 1 for a description of the primary revenue sources from these segments.

As discussed in Note 2, CCUK's and Crown Atlantic's results of operations are included in the Company's consolidated financial statements beginning in 1998 and 1999, respectively. Prior to that time, the domestic operations of CCUSA represented the Company's only reportable segment.

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 ("EBITDA"). The Company defines EBITDA as operating income (loss) plus depreciation and amortization, non-cash compensation charges and restructuring charges. 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 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. Total assets for the Company's operating segments are determined based on the separate consolidated balance sheets for CCUSA, CCUK and Crown Atlantic. The results of operations and financial position for CCUK reflect appropriate adjustments for their presentation in accordance with generally accepted accounting principles in the United States. The financial results for the Company's operating segments are as follows:

	Year Ended December 31, 1999				
	CCUSA	CCUK	Crown Atlantic	Corporate Office and Other	Consolidated Total
	(In thousands of dollars)				
Net revenues:					
Site rental and broadcast transmission	$ 58,293	$ 171,981	$ 37,620	$ —	$ 267,894
Network services and other	44,413	21,713	10,268	1,471	77,865
	102,706	193,694	47,888	1,471	345,759
Costs of operations (exclusive of depreciation and amortization)	41,648	93,058	20,953	1,089	156,748
General and administrative	27,988	5,625	5,146	5,064	43,823
Corporate development	—	819	—	4,584	5,403
EBITDA	33,070	94,192	21,789	(9,266)	139,785
Restructuring charges	5,645	—	—	—	5,645
Non-cash compensation charges	67	769	—	1,337	2,173
Depreciation and amortization	41,174	63,597	24,155	1,180	130,106
Operating income (loss)	(13,816)	29,826	(2,366)	(11,783)	1,861
Interest and other income (expense)	(155)	377	4,577	12,932	17,731
Interest expense and amortization of deferred financing costs	(4,119)	(28,334)	(12,233)	(66,222)	(110,908)
Provision for income taxes	(56)	—	—	(219)	(275)
Minority interests	—	(3,835)	1,079	—	(2,756)
Cumulative effect of change in accounting principle for costs of start-up activities	(2,014)	—	—	(400)	(2,414)
Net loss	$ (20,160)	$ (1,966)	$ (8,943)	$ (65,692)	$ (96,761)
Capital expenditures	$ 118,961	$ 150,562	$ 23,287	$ 991	$ 293,801
Total assets (at year end)	$1,544,969	$ 989,060	$ 712,019	$ 590,602	$3,836,650

	Year Ended December 31, 1998			
	CCUSA	CCUK	Corporate Office and Other	Consolidated Total
	(In thousands of dollars)			
Net revenues:				
Site rental and broadcast transmission	$ 22,541	$ 52,487	$ —	$ 75,028
Network services and other	31,471	5,568	1,011	38,050
	54,012	58,055	1,011	113,078
Costs of operations (exclusive of depreciation and amortization)	23,076	24,372	370	47,818
General and administrative	17,929	2,418	3,224	23,571
Corporate development	—	—	4,625	4,625
EBITDA	13,007	31,265	(7,208)	37,064
Non-cash compensation charges	132	2,851	9,775	12,758
Depreciation and amortization	16,202	20,318	719	37,239
Operating income (loss)	(3,327)	8,096	(17,702)	(12,933)
Equity in earnings of unconsolidated affiliate	—	—	2,055	2,055
Interest and other income (expense)	(253)	294	4,179	4,220
Interest expense and amortization of deferred financing costs	(4,476)	(7,362)	(17,251)	(29,089)
Provision for income taxes	(374)	—	—	(374)
Minority interests	—	(1,654)	—	(1,654)
Net loss	$ (8,430)	$ (626)	$ (28,719)	$ (37,775)
Capital expenditures	$ 84,911	$ 50,224	$ 3,624	$ 138,759
Total assets (at year end)	$ 332,555	$ 887,938	$ 302,737	$ 1,523,230

	Year Ended December 31, 1997		
	CCUSA	Corporate Office and Other	Consolidated Total
	(In thousands of dollars)		
Net revenues:			
Site rental and broadcast transmission	$ 11,010	$ —	$ 11,010
Network services and other	20,066	329	20,395
	31,076	329	31,405
Costs of operations (exclusive of depreciation and amortization)	15,350	—	15,350
General and administrative	6,675	149	6,824
Corporate development	1,864	3,867	5,731
EBITDA	7,187	(3,687)	3,500
Depreciation and amortization	6,925	27	6,952
Operating income (loss)	262	(3,714)	(3,452)
Equity in losses of unconsolidated affiliate	—	(1,138)	(1,138)
Interest and other income (expense)	(77)	2,028	1,951
Interest expense and amortization of deferred financing costs	(4,660)	(4,594)	(9,254)
Provision for income taxes	—	(49)	(49)
Net loss	$ (4,475)	$ (7,467)	$ (11,942)
Capital expenditures	$ 17,200	$ 835	$ 18,035

Geographic Information

A summary of net revenues by country, based on the location of the Company's subsidiary, is as follows:

	Years Ended December 31,		
	1997	1998	1999
	(In thousands of dollars)		
United States	$ 29,076	$ 51,807	$ 147,679
Puerto Rico	2,329	2,470	2,915
Total domestic operations	31,405	54,277	150,594
United Kingdom	—	58,055	193,655
Other foreign countries	—	746	1,510
Total for all foreign countries	—	58,801	195,165
	$ 31,405	$ 113,078	$ 345,759

A summary of long-lived assets by country of location is as follows:

	December 31,	
	1998	1999
	(In thousands of dollars)	
United States	$ 310,953	$ 2,220,468
Puerto Rico	14,473	21,191
Total domestic operations	325,426	2,241,659
United Kingdom	855,560	925,424
Other foreign countries	128	7,522
Total for all foreign countries	855,688	932,946
	$ 1,181,114	$ 3,174,605

Major Customers

For the years ended December 31, 1997, 1998 and 1999, CCUSA had revenues from a single customer amounting to $5,998,000, $14,168,000 and $16,872,000, respectively. For the years ended December 31, 1998 and 1999, consolidated net revenues include $33,044,000 and $97,520,000, respectively, from a single customer of CCUK.

Concentrations of Credit Risk

Financial instruments that potentially subject the Company to concentrations of credit risk are primarily cash and cash equivalents and trade receivables. The Company mitigates its risk with respect to cash and cash equivalents by maintaining such deposits at high credit quality financial institutions and monitoring the credit ratings of those institutions.

The Company derives the largest portion of its revenues from customers in the wireless telecommunications industry. In addition, the Company has concentrations of operations in certain geographic areas (including the United Kingdom and various regions in the United States). The Company mitigates its concentrations of credit risk with respect to trade receivables by actively monitoring the creditworthiness of its customers. Historically, the Company has not incurred any significant credit related losses.

14. Restructuring Charges

In connection with the formation of Crown Atlantic (see Note 2), the Company completed a restructuring of its United States operations during the first quarter of 1999. The objective of this restructuring was to transition from a centralized organization to a regionally-based organization in the United States. Coincident with the restructuring, the Company incurred one-time charges of $1,814,000 related to severance payments for staff reductions, as well as costs related to non-cancelable leases of excess office space. At December 31, 1999, other accrued liabilities includes $331,000 related to these charges.

The Company completed a restructuring of its TeleStructures, Inc. operations in December 1999. The objective of this restructuring was to reduce the size of the TeleStructures, Inc. staff to a level which could be justified by its current operating volume. In connection with this restructuring, the Company incurred one-time charges totaling $3,831,000 related to severance payments for the staff reductions, the recognition of an impairment loss for the remaining goodwill from the acquisition (see Note 2) and other related costs. At December 31, 1999, other accrued liabilities includes $1,309,000 related to these charges.

15. Quarterly Financial Information (Unaudited)

Summary quarterly financial information for the years ended December 31, 1998 and 1999 is as follows:

	Three Months Ended			
	March 31	June 30	September 30	December 31
	(In thousands of dollars, except per share amounts)			
1998:				
Net revenues	$ 11,837	$ 11,530	$ 28,894	$ 60,817
Operating income (loss)	(2,494)	(2,197)	(12,006)	3,764
Net loss	(6,606)	(6,426)	(17,444)	(7,299)
Loss per common share-basic and diluted	(0.79)	(0.78)	(0.33)	(0.09)
1999:				
Net revenues	$ 55,109	$ 77,527	$ 98,927	$ 114,196
Operating income (loss)	(1,715)	1,124	202	2,250
Loss before cumulative effect of change in accounting principle	(13,473)	(20,850)	(27,067)	(32,957)
Cumulative effect of change in accounting principle	(2,414)	—	—	—
Net loss	(15,887)	(20,850)	(27,067)	(32,957)
Per common share — basic and diluted:				
Loss before cumulative effect of change in accounting principle	(0.21)	(0.22)	(0.23)	(0.27)
Cumulative effect of change in accounting principle	(0.03)	—	—	—
Net loss	(0.24)	(0.22)	(0.23)	(0.27)

16. Subsequent Events (Unaudited)

Crown Castle GT

On January 31, 2000, the formation of Crown Castle GT took place with the first closing of towers (see Note 2). The Company contributed $223,870,000 in cash to Crown Castle GT, and GTE contributed 637 towers in exchange for a cash distribution of $198,870,000 from Crown Castle GT.

BellSouth and BellSouth DCS

On February 2, 2000, the Company closed on an additional 90 of the BellSouth towers (see Note 2). In connection with this closing, the Company paid $20,437,000 in cash and issued 441,925 shares of its common stock. On the same date, the Company closed on an additional 26 of the BellSouth DCS towers (see Note 2). In connection with this closing, the Company paid $10,662,000 in cash.

Crown Castle Australia Limited ("CCAL")

In March 2000, CCAL (a 66.7% owned subsidiary of the Company) entered into an agreement to purchase approximately 700 towers in Australia from Cable & Wireless Optus. The total purchase price for the towers will be approximately $135,000,000 in cash (Australian $220,000,000), and the purchase is expected to close in the second quarter of 2000. The Company will account for its investment in CCAL as a purchase of tower assets, and will include CCAL's results of operations and cash flows in the Company's consolidated financial statements for periods subsequent to the purchase date.

Bank Credit Facility

In March 2000, a subsidiary of the Company entered into a credit agreement with a syndicate of banks (the "2000 Credit Facility") which consists of two term loan facilities and a revolving line of credit aggregating $1,200,000,000. Available borrowings under the 2000 Credit Facility are generally to be used for the construction and purchase of towers and for general corporate purposes of CCUSA, Crown Castle GT and CCAL. The amount of available borrowings will be determined based on the current financial performance (as defined) of those subsidiaries' assets. In addition, up to $25,000,000 of borrowing availability under the 2000 Credit Facility can be used for letters of credit. The 2000 Credit Facility is secured by substantially all of the assets of CCUSA and CCAL, and the Company's pledge of the capital stock of those subsidiaries and Crown Castle GT. In addition, the 2000 Credit Facility is guaranteed by CCIC. The 2000 Credit Facility requires the borrowers to maintain certain financial covenants and includes restrictive covenants similar to those in the Senior Credit Facility (see Note 5).

On March 15, 2000, the Company used $83,375,000 in borrowings under the 2000 Credit Facility to repay outstanding borrowings and accrued interest under the Senior Credit Facility. The net proceeds from $316,625,000 in additional borrowing will be used to fund a portion of the purchase price for Crown Castle GT and for general corporate purposes. In the first quarter of 2000, CCI will record an extraordinary loss of approximately $1,653,000 consisting of the write-off of unamortized deferred financing costs related to the Senior Credit Facility.

The Company's Common Stock was initially offered to the public on August 18, 1998 at a price of $13.00 per share. The Common Stock is listed and traded on The Nasdaq Stock Market's National Market℠ ("Nasdaq") under the symbol "TWRS". The following table sets forth for the calendar periods indicated the high and low sales prices per share of the Company's Common Stock as reported by Nasdaq.

	High	Low
1998:		
Third Quarter	$ 13.25	$ 6.69
Fourth Quarter	23.50	6.00
1999:		
First Quarter	$ 23.50	$ 16.63
Second Quarter	21.50	16.38
Third Quarter	25.50	14.69
Fourth Quarter	33.50	15.44
2000:		
First Quarter (through March 15, 2000)	$ 42.69	$ 28.19

On March 15, 2000, the last reported sale price of the Common Stock as reported by Nasdaq was $40.06. As of March 15, 2000, there were approximately 473 holders of record of the Company's Common Stock.

We have never declared or paid any cash dividends on our capital stock and do not anticipate paying cash dividends on our capital stock in the foreseeable future. It is our current policy to retain earnings to finance the expansion of our operations. Future declaration and payment of cash dividends, if any, will be determined in light of the then-current conditions, including our earnings, operations, capital requirements, financial condition and other factors deemed relevant by the Board of Directors. In addition, our ability to pay dividends is limited by the terms of our debt instruments and the terms of the certificate of designations in respect of our Exchangeable Preferred Stock.

Corporate Information

Crown Castle International Corp.

BOARD OF DIRECTORS

Ted B. Miller, Jr.
Chairman and Chief Executive Officer

David L. Ivy
Vice Chairman–Global Mergers and Acquisitions

Michel Azibert
Chief Executive Officer
TéléDiffusion de France International S.A.

Bruno Chetaille
Chairman and Chief Executive Officer
TéléDiffusion de France S.A.

Carl Ferenbach
Managing Director
Berkshire Partners LLC

Randall A. Hack
Senior Managing Member
Nassau Capital L.L.C.

Edward C. Hutcheson, Jr.
Principal
PGG Capital

J. Landis Martin
President and Chief Executive Officer
NL Industries, Inc. and
Chairman and Chief Executive Officer
Titanium Metals Corporation

Robert F. McKenzie
Entrepreneur

William A. Murphy, IV
Managing Director of Mergers & Acquisitions
Merrill Lynch International

Jeffrey H. Schutz
General Partner
The Centennial Funds

William D. Strittmatter
Vice President
GE Capital Corporation and
Managing Director–Telecommunications for the
Structured Finance Group of GE Capital Corporation

Crown Castle International Corp.

OFFICE OF THE CHAIRMAN

Ted B. Miller, Jr.
Chairman and Chief Executive Officer

David L. Ivy
Vice Chairman–Global Mergers and Acquisitions

John P. Kelly
President and Chief Operating Officer

Charles C. Green, III
Executive Vice President of Global Finance

Alan Rees
Executive Vice President–Technology

George E. Reese
Executive Vice President –International

SENIOR OFFICERS

E. Blake Hawk
Executive Vice President and General Counsel

W. Benjamin Moreland
Senior Vice President, Chief Financial Officer
and Treasurer

Wesley D. Cunningham
Senior Vice President, Chief Accounting Officer and
Corporate Controller

Michael Schueppert
Senior Vice President of Marketing and
Business Development

Edward W. Wallander
President and Chief Operating Officer
Crown Castle USA Inc.

Robert E. Giles
President and Chief Operating Officer
Crown Castle UK Limited

Peter G. Abery
Managing Director
Crown Castle Australia Limited

Crown Castle UK Limited

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TéléDiffusion de France International S.A.

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President and Chief Operating Officer
Crown Castle UK Limited

Charles C. Green, III
Executive Vice President of Global Finance
Crown Castle International Corp.

Fady Kamar
Director of Business Development
TéléDiffusion de France International S.A.

Alan Rees
Executive Vice President–Technology
Crown Castle International Corp.

Crown Castle USA Inc.

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Carl Ferenbach
Managing Director
Berkshire Partners LLC

David L. Ivy
Vice Chairman–Global Mergers and Acquisitions
Crown Castle International Corp.

Stuart A. Williams
Partner
Eckert, Seamans, Cherin & Mellott

Crown Castle Atlantic LLC

BOARD OF DIRECTORS

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Crown Castle International Corp.

David H. Benson
Vice President–Strategic Planning and Business Development
Verizon Wireless

David L. Ivy
Vice Chairman–Global Mergers and Acquisitions
Crown Castle International Corp.

Brian D. Jacks
President
Crown Castle Atlantic LLC

John P. Kelly
President and Chief Operating Officer
Crown Castle International Corp.

Richard J. Lynch
Executive Vice President and Chief Technical Officer
Verizon Wireless

Corporate Information

CONTINUED

Corporate Headquarters

510 Bering, Suite 500
Houston, Texas 77057
1-713-570-3000

Agents and Trustees

ChaseMellon Shareholder Services
2323 Bryan Street
Suite 2300
Dallas, Texas 75201
1-214-965-2220
Transfer Agent for Common Stock and 12¾%
Senior Exchangeable Preferred Stock due 2010

United States Trust Company of New York
114 West 47th Street, 25th Floor
New York, New York 10036
1-212-852-1649
Trustee for the Company's Debt Securities

The Law Debenture Trust Corporation p.l.c.
Princes House, 95 Gresham Street
London EC2V 7LY
44.(0)20.7696.5206
Trustee for Crown Castle Finance PLC
(f/k/a CastleTransmission (Finance) PLC)
£125 million 9% Guaranteed Bonds due 2007

Independent Auditors

KPMG LLP
700 Louisiana, 27th Floor
Houston, Texas 77002
1-713-319-2000

General Investor Inquiries and Correspondence

Investors with general questions about the Company are invited to call Easterly Investor Relations at 1-713-529-6600.

Investor correspondence should be directed to:
Kenneth S. Dennard
Easterly Investor Relations
2001 Kirby Drive, Suite 500
Houston, Texas 77019

The Company's Annual Report on Form 10-K as filed with the Securities and Exchange Commission is available, without charge, on written request. In addition, a copy of any exhibit to the Form 10-K is available upon payment of a specified fee, which fee shall be limited to the Company's expenses in furnishing such exhibit(s). All requests should be directed to:

Crown Castle International Corp.
Corporate Secretary
510 Bering, Suite 500
Houston, Texas 77057

Annual Meeting

Stockholders are invited to attend the 2000 Crown Castle International Corp. Annual Meeting of Stockholders, which will be held Wednesday, May 24, 2000, at 9:00 a.m. at The Houstonian Hotel, 111 North Post Oak Lane, Houston, Texas 77024.

Formal notice of the meeting, along with the proxy statement and proxy materials, will be mailed or otherwise made available on or about April 24, 2000, to stockholders of record as of March 27, 2000.

Web Site

www.crowncastle.com

Common Stock Information

Crown Castle International Corp.'s common stock is traded on NASDAQ (stock symbol: TWRS).

Statements made by Crown Castle International Corp. in this annual report that are not historical facts, including those regarding future performance, are forward-looking statements under the Private Securities Litigation Reform Act of 1995. These statements are based on current expectations and assumptions and involve risks and uncertainties that could cause actual results to differ from expectations.

CROWN CASTLE
INTERNATIONAL

www.crowncastle.com