

FINAL TRANSCRIPT

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PRESENTATION

Operator

Good day everyone and welcome to the Centennial Communications second-quarter 2007 earnings conference call. Today's call is being recorded. At this time I will turn the call over to Director of Investor Relations, Mr. Steve Kunszabo, for opening remarks. Please go ahead, sir.

Steve Kunszabo - *Centennial Communications - Director of IR*

Good morning, and thanks for joining us. I would like to welcome you to our fiscal second quarter 2007 earnings call. Joining me on the call this morning our CEO, Michael Small and our CFO Thomas Fitzpatrick. Today's call will begin with a discussion of the 2007 second quarter results followed by Q&A. I trust you've had an opportunity to review this morning's earnings release

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which provides detailed information on Centennial's results. Before I turn things over to Michael I would like to caution all participants that our call this morning may contain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These statements which reflect management's beliefs and expectations, are subject to risks and uncertainties that may cause actual results to differ materially. Centennial undertakes no obligation to update or revise these forward-looking statements to reflect events, developments or circumstances after the date hereof.

For a discussion of the risks and uncertainties that may affect Centennial's future results, please see Centennial's 2006 form 10-K including the risk factor section contained therein and Centennial's other filings with the SEC. During the call we will also be referring to certain non-GAAP financial measures. Please refer to the Investor Relations section of our website for a discussion of these non-GAAP financial measures and a reconciliation to comparable GAAP measures. With that, let me turn things over to Michael.

Michael Small - Centennial Communications - CEO

Thanks, Steve. Good morning, everyone, and happy new year. Much has happened since we were together for our analyst day in mid-November in San Juan, Puerto Rico and just a few short weeks we signed a definitive agreement to sell our Dominican Republic business for approximately \$80 million; redeemed \$20 million of our 10 3/4 senior subordinated notes and celebrated our 15th listing anniversary as a public company on the NASDAQ stock market.

We also now have over 20% of our Puerto Rico wireless customers on the unlimited plan we launched just two months ago. This morning Centennial announced second quarter results characterized by healthy retail cash flow growth in our U.S. market, early evidence of renewed subscriber growth in our Puerto Rico wireless business and further proof from our broadband segment to support our belief that we operate the industry's most attractive CLEC.

Our local market strategy competes well against the scale approach of many of our competitors, and we win where we have a quality footprint, strong retail distribution presence and an established brand. We have significant organic growth opportunities and manageable capital expenditures in all three of our businesses. A clear path for growing cash flow that will make our tried and true deleveraging strategy work for all our stakeholders.

In the U.S. our estimated 40% market share of wireless customers in Fort Wayne, Indiana and Alexandria, Louisiana is illustrative of our success when we compete against national carriers in the heart of our serving area. We've established a track record of healthy, retail revenue and AOI expansion during the last several quarters and firmly believe we've taken the right steps to generate strong cash flow that will more than offset a decline in roaming revenue. We grew retail revenue 17% and retail AOI 24% versus last year's second quarter, bolstered by a 9% increase in post-paid subscribers and strong featured data in access revenue growth.

We've changed the game in the U.S. wireless in 4 key ways. One, successfully upgrading more than 85% of our subscribers to GSM and offering a greater variety of advanced handsets and new data services; two, introducing new high ARPU blue region rate plans to expand our calling area and stimulate minutes of use growth; three, opening 15 new stores and remodeling 70% of our existing stores to enhance our direct distribution network and point-of-sale customer experience; and four, supporting our Trusted Advisor brand with innovations like the "new when you want it" and phone aid handset programs. These initiatives provide the building blocks to support consistent subscriber growth, stable churn and healthy retail revenue and AOI for many quarters to come.

Turning to our Puerto Rico operation where the early success of our unlimited wireless offering has been vital in reasserting our market leadership, while our broadband business continues to record AOI and free cash flow margins it only strengthens the case as a measuring stick for all CLECs. We took a number of transformative steps to affirm our leadership in Puerto Rico. First, we upgraded our network and have brought EV-DO coverage to 65% of the island's population; second, we remodeled many of our largest stores and plan to open four new stores to enhance our touch points with customers; three, we showcased

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10 years of continuity with our brand while our competitors cope with ownership and brand changes; and fourth, we most recently built on our heritage of simplicity, value and trust by introducing an unlimited wireless offering to our customers. An unlimited wireless offering works for Centennial and it works now because of our strong competitive position in Puerto Rico. We operate a great network supported by a robust fiber backbone that can easily absorb an increase in minutes of use and our subscribers already consume over 1500 minutes a month.

We have an established price point of \$50, and our customers recognize that doing business with Centennial is receiving the best value for the dollars they spend. Our sales associates are now focusing on selling data in feature bundles, introducing customers to our new phone care programs and promoting our exclusive local content portal, Mundo Boricua, instead of discussing the many nuances of traditional voice rate plans.

We learned that overage charges were a key dissatisfyer that led to churn and with the launch of our unlimited wireless offering we not only revitalized sales growth, but also addressed customer retention head-on by taking this irritant off the table for our subscribers. We expect that churn will decline over time as the percentage of our customers on the unlimited plan increases.

We are also confident the unlimited offering will sustain our robust ARPU because the \$4 of air time ARPU we expect to give up over time will be offset by growing data revenue and enhanced phone care packages. And just as importantly, ARPU will be bolstered by our companion customers upsizing to the very popular \$30 unlimited companion from in many cases what were \$10 and \$15 plans. With just one month's impact from the launch of the unlimited wireless offering in our second quarter numbers, the initial results are encouraging. We added 6000 post-paid subscribers, our best effort in six quarters and reported sequentially stable ARPU of \$68 with a data revenue contribution that grew 23% from the first quarter to \$4.31. We are now on a path for consistent subscriber growth in Puerto Rico wireless.

Turning now to our broadband business where the merits of this operation are now more visible with the sale, the impending sale of our Dominican Republic business. We are generating mid 50% AOI margins and free cash flow margins of over 30% by offering bandwidth and networking solutions on a 1300 route mile fiber network that is now connected to nearly 1900 buildings in this high business density market. As the only significant competitor to the incumbent with an estimated 22% share of the business switch line market and a long history of double-digit revenue and AOI growth, our assertion of having an unparalleled CLEC is clearly supported. And we don't plan to stop here. We will continue to leverage our superior network and well-trained sales force in four key ways by one, increasing our access line share and growing our customer share wallet; two, supporting our enterprise customers with a common sales and support organization to further penetrate the enterprise wireless segment; three, profitably serving midsize businesses and expanding our product set with our newly deployed IP based soft-switch; and four, partnering with the cable industry to compete in the residential wireline market and win share from the wireline incumbent. We've made many important decisions in recent quarters and have taken a number of transformative steps in our local markets to support organic growth. We are executing our game plan of retail cash flow growth in the U.S. and are again revolutionizing the market in Puerto Rico just like we always have. We have confidence in our deleveraging strategy, and we look forward to updating you on our progress as we move through the second half of fiscal 2007. With that I will turn it over to Tom for a more detailed financial review.

Tom Fitzpatrick - *Centennial Communications - CFO, EVP*

Thanks, Michael, and good morning, everyone. As Michael touched on, we've had a busy few weeks since our analyst day, taking a number of steps that promote organic growth and support our deleveraging strategy. Our second quarter financial results reflect our progress in delivering consistent retail cash flow growth in our U.S. wireless franchise turning the quarter and reinvigorating sales growth in our Puerto Rico wireless segment and building on an unmatched track record of financial success and operational excellence in our broadband business.

We also provided updated financial targets for our current fiscal year that give effect to the Dominican Republic business as a discontinued operation which I will review with you in a moment. For your information please note that Centennial expects to

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file a 10-Q later today. We've made the right decisions to support our future cash flow growth and Michael outlined the key actions we've taken to harness organic growth in our local market. We will prudently invest capital in growth opportunities and believe our expenditures are predictable.

We will continue to make investments with an eye towards maximizing cash flow and creating stakeholder returns through deleveraging. Our financial results for the second quarter are presented on a continuing operations basis to exclude Centennial Dominicana due to its classification as a discontinued operation. Centennial reported quarterly consolidated revenue of \$229.2 million and adjusted operating income of \$88.2 million, representing growth of 6% and 1% from the year ago period. Our consolidated adjusted operating income margin was 38% for the second quarter. Second-quarter income from continuing operations was \$1 million or \$0.01 per diluted share. This compares to income from continuing operations of \$9.9 million or \$0.09 per diluted share for last year's second quarter.

The fiscal second quarter of 2007 includes \$2.9 million of stock-based compensation expense due to the company's adoption of FAS 123(R), governing expensing stock options. On an operating segment basis U.S. wireless posted second quarter revenue of \$121.5 million and adjusted operating income of \$42 million, yielding an adjusted operating income margin of 35%. We continue to benefit from strong customer growth and the resulting increase in feature, data and access revenue reporting consecutive quarters of double-digit retail revenue and AOI growth. Our continued success will be measured by sustained subscriber growth and enhanced retail profitability as roaming revenue continues to decline.

We recorded roaming revenue of \$17 million during the period, a 21% year-over-year decrease as we absorbed a 20% decline in total roaming minutes. We continue to forecast a long-term decline in roaming revenue, as voice minutes fall away from our network due to cell site construction by our roaming partners. But we started to benefit from data roaming throughout our operating territories. We now forecast a \$15 to \$20 million decline in roaming revenue during fiscal 2007.

U.S. wireless ARPU and minutes of use again rose steadily during the second quarter as ARPU increased to \$67 while minutes of use grew 20% year-over-year to approximately 895 minutes.

Moving now to our Puerto Rico operation, during the fiscal second quarter Puerto Rico wireless generated revenue of \$78.9 million, flat from the year ago period and reported adjusted operating income of \$28.2 million, representing an adjusted operating margin of 36%. As Michael noted we believe we have turned the corner in stimulating post-paid sales growth in the Puerto Rico market and also expect the launch of our unlimited wireless offering to improve customer retention and keep churn close to our historical norm in the mid 2's. We added nearly 14,000 post-paid customers when compared to last year's period and Puerto Rico post-paid wireless ARPU remains stable at \$68 when compared to the last several quarters. A significant additional benefit from the launch of our unlimited plan based on the results we've seen to date has been its contribution to sustaining our robust ARPU. We are selling more individual plans and fewer companions, and the companions we are selling have approximately twice the monthly recurring charge they had one year ago. The unlimited plan has not only reinvigorated sales in Puerto Rico but has dramatically improved the quality of our net customer additions.

When you put it all together we are the most compelling offer on the island at an established price point, reinforcing a decade long tradition of bringing value and innovation to our customers. A great network, superior in-store experience and enhanced phone care all support this step of reasserting our market leadership.

Focusing next on Puerto Rico broadband, which reported revenue of \$31.8 million, an 11% increase from the year ago period and generated adjusted operating income of \$17.9 million, yielding an adjusted operating income margin of 56%. Switch and dedicated revenue grew by 8% and 14%, respectively, recorded by another quarter of stronger growth in total access lines and equivalent and the resulting increase in minutes of use and line charges.

We've also widened our target market and significantly expanded our product portfolio with the launch of our Aptus service suite and look forward to more commercial agreements like our relationship with Empresas Pitusa, a leader diversified retailer in Puerto Rico with over 500 business lines and 150 retail locations. Our Puerto Rico CLEC has industry-leading results and an

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already strong competitive position that is rapidly improving. We have nearly 80% of the businesses switch lines on the island left to pursue and have now partnered with cable TV to address the larger residential market. We believe good things lie ahead for our broadband business.

Turning now to our revised financial and operating outlook for our 2007 fiscal year which largely reflects adjustments made due to our classification of Centennial Dominicana as a discontinued operation. We expect consolidated adjusted operating income between \$360 million and \$370 million for fiscal 2007, excluding stock-based compensation expense due to our adoption of FAS 123(R). Our consolidated adjusted operating income from continuing operations for fiscal 2006 was \$351 million. It is worth noting that our consolidated AOI outlook implies an improved second half growth rate fiscal 2007 when compared to the second half of fiscal 2006. We also anticipate that some of our consolidated capital expenditures and spectrum acquisition costs from continuing operations will now be approximately \$130 million for our current fiscal year. Taken together, these targets continue to reflect our ability to execute our operating plan and grow cash flow again in fiscal 2007.

And finally, a brief update on our capital structure and liquidity position. We closed the second quarter pro forma for the Dominican Republic sales with net debt of approximately \$2 billion and our net leverage was 5.5 times. We also recently redeemed 20 million aggregate principal amount of our \$145 million outstanding 10 3/4 senior subordinated notes. This redemption is an important first step as we renew our commitment to delivering shareholder value by balancing growth and debt reduction. We had \$253.4 million of total liquidity at the end of the second quarter, consisting of \$103.4 million in cash and \$150 million available under the revolving credit facility.

With that, I will turn things back to Steve for the Q&A portion of this morning's call.

Steve Kunszabo - Centennial Communications - Director of IR

Thanks, Tom. Operator, would you please provide instructions for logging a question?

QUESTIONS AND ANSWERS

Operator

(OPERATOR INSTRUCTIONS) Rick Prentiss, Raymond James.

Rick Prentiss - Raymond James - Analyst

Question, the unlimited plan in Puerto Rico sounds like obviously has been a pretty big success both on the primary lines and the outer lines. Can you talk a little bit about what your CPGA you think trends will be to acquire those customers and then also on Puerto Rico, update us on the EV-DO. I think you said 65% now coverage; what are your plans as far as offering data plans there, maybe leapfrogging Verizon and Sprint's ability to sell those products?

Michael Small - Centennial Communications - CEO

First on cost to acquire, we did spend some extra money in November on advertising the unlimited plan. But we believe in the long run our cost to acquire will stay consistent with historical norms in the low \$300 range. We jumped to the mid \$300 range in the past quarter. So you may see a little inflated expense still even in the beginning of the next quarter for December but it's going to come back into line.

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On EV-DO we will continue to build the network, as we speak we are deploying more cell sites, and that will happen and you will see the percentage of pops covered rise during the course of this year. And would also point out that we believe that isn't our only advantage, that we will maintain leadership there but with our fiber backbone and our data experience we believe our throughput will be better on our network, as well as our coverage.

Rick Prentiss - *Raymond James - Analyst*

So that should help data ARPU from both the broadband side and the wireless side you think?

Michael Small - *Centennial Communications - CEO*

Yes, we think data ARPU, which was strong in this quarter we reported \$4.61, a significant increase. Some of that is clearly benefiting by the EV-DO network, and it is also benefiting by the launch of Mundo Boricua, the local content proved very popular and immediately became one of our top downloads with the local songs.

Rick Prentiss - *Raymond James - Analyst*

Great. Good luck, guys.

Operator

Pat Dyson, Credit Suisse.

Pat Dyson - *Credit Suisse - Analyst*

Happy new year. A couple items. I guess first just on as we look forward on post-paid churn in Puerto Rico, you've obviously highlighted that you expected to get back to the mid 2's level; over what time period should we expect that you get back to that point? And should we, because churn obviously was up sequentially, should you see an improvement immediately given the fact that the plans have been launched for a full quarter? Or do we need to look out a few quarters before we see the full benefit of the churn?

Michael Small - *Centennial Communications - CEO*

I think we will consistent gradual improvement as a direct function of the percentage of customers that are on the new plan. Just like we had with GSM as we migrated those customers in the U.S., we saw much lower churn rate on GSM. And the analogy is, one is, those are the customers who have just signed a new two-year contract with you by making the switch. So that is very good news. Plus you are delivering an improved product, and not only are getting more minutes for the dollar, you are getting a more predictable bill. And we know that overage is an irritant and induces churn. I would expect gradual decline in churn steadily over the next two, three quarters.

Pat Dyson - *Credit Suisse - Analyst*

Okay, and then somewhat related just as far as the subscriber trends in Puerto Rico obviously improved sequentially. Maybe my operating assumption is that you saw obviously a spike in November when you launched the unlimited plan. So maybe you could just make that clear to me that as far as within the corner on a per month basis that trends did spike in November. And then obviously your tone is pretty positive about the outlook for growth, but any update you can provide as far as how trends

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have been so far in this quarter. And I guess also as far as the subscriber's that take the unlimited add a line plans, are you still seeing the high take rates on those subs?

Michael Small - Centennial Communications - CEO

Yes, most of the gain in the just reported quarter came in the last month, a high percentage of it as a result of the launch of you plan. We do not think we will sustain the initial blast of sales at the same rate. It will tail back somewhat, but we are seeing much stronger, and we believe long-term power in the marketplace with the new plan. The porting ratios us versus the competitive improved greatly, overall sales are up, but most importantly the quality of the net adds are way up. So a few quarters ago we were telling you ARPU dilution was happening because an increasing percentage of companions were being sold. Now we're seeing a decreasing percentage of companions being sold. And when we do sell a companion, they are now at approximately twice the ARPU that they used to be. So that \$30 unlimited companion is still very popular, and if we don't sell that we still sell a \$20 companion when a year ago we were selling anywhere from \$9.99 to \$20 on the companion. So that is all very optimistic for ARPU. And remind me again on the second half of your question.

Pat Dyson - Credit Suisse - Analyst

You somewhat answered it, just as far as you had mentioned at the analyst day and I think later also that of the add a line customers approximately on the unlimited plan approximately 90% were taking unlimited as opposed to taking a lower bucket of minutes?

Michael Small - Centennial Communications - CEO

Correct. We're running in that basic range. It is the dominant offering. Customers are speaking with their pocketbooks that the peace of mind of unlimited is worth \$10 to them.

Pat Dyson - Credit Suisse - Analyst

One more question and I'll get off. Just on the restricted payments basket at the end of the quarter and then what you are going to go after as far as the use of proceeds from the Dominican Republic; I assume you're going to look to continue to redeem the 10 3/4?

Tom Fitzpatrick - Centennial Communications - CFO, EVP

Yes, the RP is 145 at the end of the quarter and it will be 125 pro forma for the redemption of the 20 million of the 10 3/4.

Pat Dyson - Credit Suisse - Analyst

And then just on the use of proceeds?

Tom Fitzpatrick - Centennial Communications - CFO, EVP

Yes, we haven't explicitly said but that is the most expensive place in the capital structure so that would seem logical at this point.

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Pat Dyson - *Credit Suisse - Analyst*

Perfect. Thank you.

Operator

David Sharret, Lehman Brothers.

David Sharret - *Lehman Brothers - Analyst*

Maybe just Tom first on the, as far as how you are going to use the proceeds -- the past question with regards to the thinking about the 10 3/4 -- if you look at your cash position of 103 and pro forma for the 80 million of proceeds you are going to get in, can you talk about -- are you comfortable basically just using that 125 leaving you with 50, \$60 million in cash? Is that a comfortable cash position for you if that is where you were left?

Tom Fitzpatrick - *Centennial Communications - CFO, EVP*

\$50 million in cash would be comfortable, but the restricted payment is (multiple speakers)

David Sharret - *Lehman Brothers - Analyst*

And the remaining amount of 10 3/4 now is?

Tom Fitzpatrick - *Centennial Communications - CFO, EVP*

125 pro forma for the call of the latest 20.

David Sharret - *Lehman Brothers - Analyst*

Right, so the same as the 120, so the RP basket is the same as what is left?

Tom Fitzpatrick - *Centennial Communications - CFO, EVP*

Right.

David Sharret - *Lehman Brothers - Analyst*

And then just to touch on the unlimited plans what you've seen in terms of actual usage from subscribers; I don't know if you can just touch on where you are seeing minutes of use come in for those subscribers versus your Puerto Rico average of 15 36 in the quarter?

Michael Small - *Centennial Communications - CEO*

We have -- it is too soon to really get a good handle on usage, but we have not seen a strong spike in usage. We have seen a continual, steady increase in usage. Surprisingly it is all under -- rather be lucky than good, but because we have taken away all the concepts of nights and weekends and calling and when you should make your calls, we have not seen much peak hour

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capacity. People are spreading their calling better around-the-clock with the unlimited. So overall minutes are going up but peak hour hasn't, which is making our engineers smile. I do think that we will see a steady increase in minutes of use and believe that will be a good thing for us. Our marginal costs of providing minutes is very low, and it will be -- it will distinguish Centennial from its competitors who have higher marginal costs of providing minutes.

David Sharret - *Lehman Brothers - Analyst*

And any competitive response from other operators in Puerto Rico to your launch?

Michael Small - *Centennial Communications - CEO*

Very minimal. There was some phone price movements during the holiday season, and it is impossible for us to say whether that was just holiday activity in response to our offering. But no new unlimited plans.

David Sharret - *Lehman Brothers - Analyst*

Great. Thanks, guys.

Operator

Phil Cusick, Bear Stearns.

Richard Cho - *Bear Stearns - Analyst*

This is [Richard Cho] for Phil. You mentioned that data roaming in the U.S. was relatively stronger than you expected; just wondering if there is any current plan to build out HSDPA and how that might impact CapEx guidance.

Michael Small - *Centennial Communications - CEO*

Richard, you broke up on the back half of your question; could you repeat it please?

Richard Cho - *Bear Stearns - Analyst*

Just wondering if you build out, if there's any need to build out HSDPA in terms of roaming, data roaming in certain areas and if you did how much might that impact CapEx guidance.

Michael Small - *Centennial Communications - CEO*

First, we are beginning to see, as I think most regional operators are, data roaming and that is positive. We don't think it changes the long run trend that we've described for our roaming that we would expect to decline. But that is clearly will mitigate somewhat that trend. We have now EDGE pretty widely deployed, and we have not yet made our HSDPA or whatever UMTS technology decision yet; we bought the spectrum, so we have that flexibility. We do not believe in fiscal year '07 we will need to make that decision, maybe in '08. That is possible. By '09 it seems like it is pretty inevitable. But our strategy has always been to go last and fast on the technology. It is cheaper to deploy. Handsets are cheaper if you wait a little while, and we need our roaming partners not only to have deployed that new technology but to deploy it all the way to the edge of our territory so our

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customers don't lose capability when they drive out of our territory. So it is a little ways off yet before we have to make the UMTS decision.

Richard Cho - *Bear Stearns - Analyst*

Great. Thank you.

Operator

James Breen, Thomas Weisel Partners.

James Breen - *Thomas Weisel Partners - Analyst*

A couple questions. One on the churn in Puerto Rico. Can you talk about if there was an impact from the discontinued operations in the Dominican? It seems like there were about 38,000 post-paid subs associated with the Dominican and how that affects the churn number quarter to quarter. And then prepaid in the U.S. looks strong. I am wondering if you can make some comments there, if there is just some sort of shift in how you are marketing your products. And then finally, margin jump in broadband. Was that mainly as a result of a lower margin Dominican revenue going away there or something that is changing that business? Thanks.

Michael Small - *Centennial Communications - CEO*

We will let Phil talk about prepaid in just a minute, Phil Mayberry. Jim, the 2.8 stat cited for a postpaid churn, that excludes Dominican Republic, so that is purely Puerto Rico.

James Breen - *Thomas Weisel Partners - Analyst*

Right; I guess my question is that also excludes the 38,000 or so post-paid subs for the Dominican Republic, is that correct?

Michael Small - *Centennial Communications - CEO*

That's right. The 2.8 is a churn stat for Puerto Rico. That is up sequentially from 2.6 in the prior quarter.

James Breen - *Thomas Weisel Partners - Analyst*

Okay. Was the churn on the Dominican post-paid subs higher or lower than Puerto Rico?

Michael Small - *Centennial Communications - CEO*

Higher. It fluctuated, but it was not dramatically different, though.

James Breen - *Thomas Weisel Partners - Analyst*

Okay. Thanks.

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Michael Small - *Centennial Communications - CEO*

Phil, on the prepaid?

Phil Mayberry - *Centennial Communications - President Wireless Operations*

Two things. We enhanced the distribution of the product. We found some convenience store jobbers that we have contracted with, and we are in I think about 400 or 500 convenience stores in our territory now. And we've been doing some copromotion with a couple of those convenience stores to drive the business a little bit more. And secondly, we have been using short message service and other contact points for renewals. And we are having a little bit less churn. So combined with expanded gross activations, a little less churn, we're growing the business a little faster.

James Breen - *Thomas Weisel Partners - Analyst*

Okay and finally the broadband margins?

Michael Small - *Centennial Communications - CEO*

The broadband margins is simply backing out the Dominican Republic. And again which was significantly dilutive to broadband margins, the international long distance business in Dominican Republic diluted the Puerto Rico broadband business. We did see some margin expansion year-over-year in Puerto Rico. Now we are at, I believe it was 56% from 54. And it changed the year before. I think about three years ago or four years ago we used to say we thought that was a 60% EBITDA margin business, and we're getting close to that point so you see a little more expansion. But it is just a hugely profitable business and it has been that way for a while.

James Breen - *Thomas Weisel Partners - Analyst*

Great. Thank you very much.

Operator

Ana Goshko, Banc of America.

Ana Goshko - *Banc of America Securities - Analyst*

Thanks very much. Two things. One on U.S. roaming what were the minutes in the quarter? And just in terms of your expectations for that kind of a decline in the roaming revenue this year; I am trying to get a sense of how granular your expectations were? Are there certain areas where you concretely expected to overbuild to take place, and do you actually see that taking place? And I have got a second one, I just want to clarify something on the RPs, so if you can come back and (indiscernible) that one.

Michael Small - *Centennial Communications - CEO*

On roaming we saw a 21% reduction in revenue on a 20% reduction in minutes. We have good visibility where the construction goes on. We even sometimes our roaming partners share their plans for building. But they often will subsequently change those plans, too, as they make capital decisions during the course of the year. We have a pretty good handle on that trend on how many cell sites they build. But even if they do build cell sites they still have the additional decision on whether they are going to permit roaming in any given area. So at some point they decide their coverage is good enough or they just don't need our

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network in a particular area anymore. And those decisions come as more surprises to us when they actually reach that point. We are confident in the long run trend of the overbuilding and the long run trend that there will be less need in some locations for the national carriers to use their network. That's why we've had the long-standing statement of declining roaming revenue stream for Centennial.

Ana Goshko - Banc of America Securities - Analyst

And was that overbuild expectation more in your Michigan, Indiana markets or Louisiana or across the board?

Michael Small - Centennial Communications - CEO

It is pretty much across the board. We in the old days used to brag that we were strategically situated between major metropolitan areas so we got all the roaming traffic as people went from Houston to New Orleans, or from Detroit to Chicago, they drove through our territory. As the industry has developed, because we are close to major metropolitan areas it is natural that the national carriers are going to complete their coverage between the big cities. They may not build the whole Rocky Mountains, but they will build pretty much through our territory. Which is why we committed several years ago to making our retail business strong and concluded we would rather get our revenue from one million retail customers rather than a couple roaming partners. And that is why we are very proud of the 17% retail revenue growth in the U.S. and the 24% year-over-year retail AOI growth in the U.S. Our plan to replace the roaming with the retail is working and we believe the retail growth will be more rapid than the roaming decline.

Ana Goshko - Banc of America Securities - Analyst

Okay, great. And then on the restricted payments basket and the 10 1/8, I don't want to be overly pedestrian on this but I may be because I just want to make sure that this is clarified. So at the end of November, at the end of the quarter, the RP basket was 145, which meant that it grew 10 million in the quarter. And then on a pro forma basis that should be reduced by 20 million for the redemption of the 10 3/4 in December. But also I think there was a \$30 million interest payment on the floaters and on the 10% the first of this year, so really where we stand today the basket would be at about 95 million. Is that correct?

Tom Fitzpatrick - Centennial Communications - CFO, EVP

The 145 actual calculation at the end of November gives effect to all of the cash payments on the holdco notes, which aren't ratable. They are \$10 million in Q1 and Q3 and \$20 million in Q2 and Q4. But that is a fully loaded number. You don't have to (multiple speakers).

Ana Goshko - Banc of America Securities - Analyst

So it is a fully loaded number, then?

Tom Fitzpatrick - Centennial Communications - CFO, EVP

Yes.

Ana Goshko - Banc of America Securities - Analyst

So then it would be -- it is currently 125?

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Tom Fitzpatrick - *Centennial Communications - CFO, EVP*

Pro forma for the paydown on December 15th of the senior subs is 125. If you think about it, it was at 135 at the end of the first quarter. It grew organically by \$10 million in Q2 to 145 and then take \$20 million off for the prepayment on December 15 gets the 125 pro forma today.

Ana Goshko - *Banc of America Securities - Analyst*

Okay and just to be clear, any payment -- any repayment of the 10 3/4 is a reduction of that basket?

Tom Fitzpatrick - *Centennial Communications - CFO, EVP*

Yes.

Ana Goshko - *Banc of America Securities - Analyst*

Okay, great. Thanks very much.

Operator

Brett Feldman, Lehman Brothers.

Brett Feldman - *Lehman Brothers - Analyst*

Most of my questions have been answered. I just had one house cleaning item here. Your access lines declined sequentially in Puerto Rico. I think it is not really a Puerto Rican decline but I think it is because of the sale of the Dominican business; can you just confirm that and if that's true, what is the real pro forma trend access line?

Michael Small - *Centennial Communications - CEO*

Actually all our numbers have been restated for the discontinued operations. So that decline is due to Puerto Rico. And what we are seeing is the ISP access lines. The dial-up lines are starting to fall off. We have about 6400 of those remaining. And I can't predict the timing, but I would predict that over time most of those go away. And they are fortunately about half the ARPU of our average line. We believe that the cable partnership, which is to add back high-speed Internet access lines will be able to again over time add back more broadband Internet access than we are going to lose in dial-up. But that is what is starting to go on, in the access line count.

Brett Feldman - *Lehman Brothers - Analyst*

Okay. Thanks.

Operator

Anthony Klarman, Deutsche Bank.

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Anthony Klarman - Deutsche Bank - Analyst

Thanks. Most of the questions were answered, but I just wanted to kind of follow-up on the discussion on Puerto Rico and get an assessment if you had a view in terms of where the margin would go in that business. And if you thought there would be any disruption to margin based upon perhaps some of the additional usage that might come from some of the new calling plans. Or if that was something that would be temporary in nature and eventually made up for over time by some of the additional sub growth.

Michael Small - Centennial Communications - CEO

I think you will see the financial health of Puerto Rico Wireless start on a good trend from here. We had our best sequential revenue quarters in a long time here. So we added revenue with the new plans, and we will -- and we spent some money to do that on the advertising front to launch. So that will help as we get back more to a steady-state. But we really had our last quarter of year-over-year ARPU contraction. So most of the reason we are down year-over-year is we lost \$2 of ARPU from second quarter last year to second quarter this year, going from 70 to 68. We think that year-over-year comparison won't be negative anymore going forward. So the year-over-year comparisons should start improving. We have visibility to revenue trends improving, and we think the AOl improvements on a sequential basis won't be that far behind but may lag a little bit the revenue improvement.

Anthony Klarman - Deutsche Bank - Analyst

Maybe if I ask it a different way, if you back out the onetime cost you incurred basically to increase the awareness of the new calling plan, is the margin on the new plans roughly similar to the existing margin you were getting in the market?

Michael Small - Centennial Communications - CEO

Yes. Roughly similar. The variable that will determine that will be largely ARPU of the new plans. And so far the ARPU of the new plans looks very good. If we get the revenue the cost structure will be fine but the reason margins have contracted in Puerto Rico is ARPU has contracted. If ARPU holds and subs grow, margins will slowly expand. If ARPU grows and subs grow margins will do very well. So it is reversing the ARPU trend is the number one driver of the margin issue.

Anthony Klarman - Deutsche Bank - Analyst

Thank you.

Operator

Thomas Lee, Merrill Lynch.

Thomas Lee - JPMorgan - Analyst

I just had a couple questions on Puerto Rico Wireless. If you could, how much of your existing subscriber base have moved to the unlimited plan? And if you could just any color on the ARPU that you are seeing associated with unlimited plans.

Michael Small - Centennial Communications - CEO

It's 20% of the base as of today is on the unlimited plans. So in two months we moved some 20% approximately, to the unlimited plan. And so far the ARPU is very comparable to the installed base for the new plans.

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Thomas Lee - *JPMorgan - Analyst*

I'm sorry that 20%, that is all existing subscribers and that doesn't include any new subscribers, or that is both?

Michael Small - *Centennial Communications - CEO*

It is both. Between, if we have a little under 400,000 subs in Puerto Rico, 20% of those approximately 80,000 of them as we sit here today are on the unlimited plan.

Thomas Lee - *JPMorgan - Analyst*

And on the U.S. side in light of the recent merger close of ATT and BellSouth, Cingular is now a combined entity. We've been hearing some chatter about consolidation possibly happen again amongst the regional players. Just wondering what have you been hearing and have you been hearing chatter around that and what your views are on industry consolidation overall in the U.S.

Michael Small - *Centennial Communications - CEO*

Our views are is we keep building the retail business. And we like the business. It is growing in the U.S. at 17% at their top line and 24% of the cash flow line at the moment. So we think we're doing pretty darn well as an independent wireless operator. And we are actually taking share in our serving territories from the national players.

Thomas Lee - *JPMorgan - Analyst*

Okay. Thank you.

Operator

Sandy Liang, Bear Stearns.

Sandy Liang - *Bear Stearns - Analyst*

Just to follow-up on Tom's question. You mentioned that the ARPU that you are getting from the migrated customers is comparable now to the ARPU in the installed base in Puerto Rico. But what was the ARPU of those customers before they migrated to the unlimited plans?

Michael Small - *Centennial Communications - CEO*

That is one of the interesting things we've seen in the migrations. We know that overage is an irritant and it causes churn, and we suspected that high overage customers would migrate, so very high ARPU customers would save money by going under the unlimited plans would do it first. It didn't turn out that way. It turns out it was pretty much across the customer base. So the customers in general that are migrating to the plan are not the high ARPU ones. And on the companion side when they migrate they are adding to their monthly recurring charge by \$10 to \$20. And some of that is happening. So that was a worry going in. But in experience since, we haven't had ARPU dilution due to migration. It has been pretty neutral.

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Tom Fitzpatrick - Centennial Communications - CFO, EVP

And just to amplify that, what we are seeing, what we've seen in a couple months is that the quality of the net adds is up substantially from the comparable period because the companions that we are selling are \$15 more in ARPU because of the take rate on the unlimited companion. So we are not experiencing dilution from the net adds that we got in the year ago quarter where we were selling \$10 to \$15 companion (multiple speakers).

Michael Small - Centennial Communications - CEO

So migration, call it breakeven, net adds -- it is a big change from a year ago. It is much better than it used to be a year ago or six months ago or three months ago.

Sandy Liang - Bear Stearns - Analyst

I appreciate that. And my second question is assuming that you deal with the 10 3/4 you end up having I guess notionally using your '07 guidance, maybe \$50 to \$60 million annual cash flow. After the 10 3/4 are taking care of what are your priorities for your use of cash? Because we look at your business as being kind of that is a good free cash flow level, but it is not really significant in terms of it doesn't make a big dent in your capital structure. Are you going to further reduce debt, or are you looking at perhaps reinvesting that cash to grow your business? And if so, where would the priorities be?

Michael Small - Centennial Communications - CEO

Our commitment is to grow organically. We don't think we take a lot of CapEx to do it. The current run rates are a good indication of future capital expenditures, and we will continue to delever to create value. What debt instrument we would turn to after the 10 3/4 we haven't made that decision yet. I agree with you that we have \$2 billion of debt, we are not going to pay that down in any short period of time, but would remind everybody that deleveraging is a ratio, and it's a function of EBITDA or AOI growth and debt paydown. And we think between the combination of the two we will bring that ratio down and the percentage of our enterprise value that will be to the equity holder rather the debtholder will just roll over time. And we think that creates great returns to shareholders.

Sandy Liang - Bear Stearns - Analyst

Okay. Thanks.

Operator

(OPERATOR INSTRUCTIONS) There appear to be no further questions at this time.

Steve Kunszabo - Centennial Communications - Director of IR

That concludes the Q&A portion of our call. Thank you for your participation. Beginning later this morning you can access a replay of the call on Centennial's website or by dialing 888-203-1112 with an access code of 1564657. Thanks, and have a great day.

Operator

This does conclude today's conference; thank you for your participation.

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