

CENTENNIAL COMMUNICATIONS CORP.
NON-GAAP FINANCIAL MEASURES
JULY 2008

Regulation G, "Conditions for Use of Non-GAAP Financial Measures," and other provisions of the Securities Exchange Act of 1934, as amended, define and prescribe the conditions for use of certain non-GAAP financial information. In our public filings with the SEC, press releases, investor presentations and other disclosures, (collectively, the "Public Disclosures") we present certain financial measures that are not calculated and presented in accordance with Generally Accepted Accounting Principles ("GAAP"), including "adjusted operating income," "adjusted operating income margin" and "retail adjusted operating income." Collectively, we refer to these non-GAAP financial measures as the "Non-GAAP Financial Measures."

We view adjusted operating income, adjusted operating income margin and retail adjusted operating income as operating performance measures, and as such we believe that the GAAP financial measures most directly comparable to them are net income or net loss, net income margin or net loss margin, operating income or operating income margin, respectively.

In calculating adjusted operating income, we exclude from net income or net loss the financial items that we believe have less significance to the day-to-day operation of our business. We have outlined below the type and scope of these exclusions and the limitations on the use of these Non-GAAP Financial Measures as a result of these exclusions. These Non-GAAP Financial Measures are not an alternative to net income, operating income, net income margin, operating income margin, or cash flows from operating activities as calculated and presented in accordance with GAAP. Investors and potential investors in our securities should not rely on the use of these Non-GAAP Financial Measures as a substitute for any GAAP financial measure. In addition, our calculation of these Non-GAAP Financial Measures may or may not be consistent with that of other companies. We strongly urge investors and potential investors in our securities to review the reconciliations to the comparable GAAP financial measures that are included herein and not to rely on any single financial measure to evaluate our business.

These Non-GAAP Financial Measures are used by our management as supplemental financial measures to evaluate the performance of our business that, when viewed with our GAAP results and the accompanying reconciliations, we believe provides a more complete understanding of factors and trends affecting our business than the GAAP results alone. Management also uses adjusted operating income as one of several criteria to determine the achievement of performance-based cash bonuses. We also regularly communicate our adjusted operating income to the public through our earnings releases because it is a financial measure commonly used by analysts that cover our industry and our investor base to evaluate our performance. We understand that analysts and investors regularly rely on non-GAAP financial measures, such as adjusted operating income, to provide a financial measure by which to compare a company's assessment of its operating performance against that of other companies in the same industry. Adjusted operating income is helpful in more clearly reflecting the sales of our products and services, as well as highlighting trends in our core businesses that may not otherwise be apparent when relying solely on GAAP financial measures, because this non-GAAP financial measure eliminates from earnings financial items that have less bearing on our performance.

The term "adjusted operating income" refers to, for any period, net income (loss) before loss from discontinued operations, income from equity investments, minority interest in income of subsidiaries, income tax expense (benefit), gain on sale of equity investments, interest expense, net, loss on disposition of assets, litigation settlement expense, transaction evaluation costs, stock-based compensation expense and depreciation and amortization.

During the fiscal year ended May 31, 2007, we recorded an \$11.0 million charge for various adjustments to universal service fund ("USF") revenue in Puerto Rico related to prior fiscal years (the "USF Charge"). In our Public Disclosures, we report certain financial results that exclude the USF Charge. While the USF Charge reduced the amount of cash otherwise available for use in our business and, therefore, is important for investors to consider, management does not believe the charge is indicative of the Company's core operating performance. Please refer to the Company's Form 10-K for the fiscal year ended May 31, 2008 for additional information regarding the USF Charge.

As of June 1, 2008, the Company discontinued its loaned phones program in its Puerto Rico wireless operations due to a variety of competitive factors. Under the program, in which Centennial retained title to the customer handsets, phones were appropriately capitalized and depreciated over 18 months and accordingly not deducted in calculating adjusted operating income. With the discontinuation of the loaned phones program, phones will be exclusively sold to customers and charged to the cost of equipment sold and deducted in calculating adjusted operating income. In fiscal 2008, approximately \$18.4 million in phone expenditures were capitalized, while no phone expenditures will be capitalized in fiscal 2009. To provide meaningful comparability between periods, in our Public Disclosures we will be reporting certain historical financial results to show what such results would have been if adjusted for the discontinuation of the loaned phone program in Puerto Rico.

The term "adjusted operating income margin" refers to the ratio of adjusted operating income to consolidated total revenue or total revenue of one of our business segments, as the case may be.

Set forth below are descriptions of the financial items that have been excluded from our net income to calculate adjusted operating income and the material limitations associated with using this non-GAAP financial measure as compared to the use of the most directly comparable GAAP financial measure:

- Income from equity investments relates to our proportionate share of income or loss from the entity in which we held a minority interest. We sold this entity during fiscal 2007 and do not control this entity and, as such, do not believe the income we received from it is indicative of our core operating performance.
- Minority interest in income of subsidiaries relates to our minority investors' proportionate share of income in our non-wholly owned subsidiaries, which generates non-cash charges to our operating results. Operating results attributable to these minority investors' investments do not necessarily result in any direct, immediate benefit or detriment to us and, therefore, we believe it would be helpful for an investor to exclude such items to better reflect our core operating performance.
- Management does not consider income tax expense or benefit at the reportable segment level when considering the profitability of our core operations. Nevertheless, the amount of taxes we are required to pay reduces the amount of funds otherwise available for use in our business and thus may be useful for an investor to consider.
- Gain on sale of equity investment relates to the disposition of our interest in an entity in which we held a minority interest. We believe such gains recorded on the disposition of an equity investment do not reflect the core operating performance of our business.
- The amount of interest expense, net we incur is significant and reduces the amount of funds otherwise available to use in our business and, therefore, is important for investors to consider. However, management does not consider the amount of interest expense, net when evaluating our core operating performance.
- Loss (gain) on disposition of assets may increase or decrease the cash available to us and thus may be important for an investor to consider. We are not in the business of acquiring or disposing of assets and, therefore, the effect of the disposition of assets may not be comparable from year-to-year. We believe such gains or losses recorded on the disposition of an asset do not reflect the core operating performance of our business.
- The litigation settlement expense relates to a charge to cover all expected costs of a settlement of a billing practices lawsuit. While these costs reduce the cash available to us and therefore may be important for an investor to consider, we do not believe these costs are relevant to an understanding of our core operating performance.
- Transaction evaluation costs relate to costs incurred in evaluating a separation of our Puerto Rico and U.S. businesses during the fiscal year ended May 31, 2008. While these costs reduce the cash available to us and therefore may be important for an investor to consider, we do not believe these costs are relevant to an understanding of our core operating performance.
- Management believes that stock-based compensation expense is important for investors to consider, even though it is a non-cash charge, because it represents compensation granted to employees in the form of options to purchase the Company's common stock or under our employee stock purchase plan. However, since the charge is non-cash in nature and awarded purely at the discretion of the Company and the Compensation Committee of the Company's Board of Directors, the Company does not believe the charge is indicative of its core operating performance.
- Depreciation and amortization are important for investors to consider, even though they are non-cash charges, because they represent generally the wear and tear on our property, plant and equipment, which produce our revenue. We do not believe these charges are indicative of our core operating performance.

Management compensates for the above-described limitations of using a non-GAAP financial measure by using this non-GAAP financial measure only to supplement our GAAP results to provide a more complete understanding of the factors and trends affecting our business.

The following table sets forth a reconciliation of net income (loss) to adjusted operating income for our consolidated results.

CONSOLIDATED

RECONCILIATION OF ADJUSTED OPERATING INCOME TO CONSOLIDATED NET INCOME (LOSS)

	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MAY 31, 2008	MAY 31, 2007	MAY 31, 2008	MAY 31, 2007
Adjusted operating income.....	\$ 108,996	\$ 89,093	\$ 404,124	\$ 354,080
Depreciation and amortization.....	(36,846)	(32,852)	(139,719)	(130,389)
Stock-based compensation expense.....	(3,463)	(1,768)	(12,011)	(8,437)
Transaction evaluation costs.....	(2,004)	-	(2,004)	(285)
Litigation settlement expense.....	-	-	(2,950)	-
Loss on disposition of assets.....	(1,319)	(1,316)	(3,050)	(1,344)
Operating income.....	65,364	53,157	244,390	213,625
Interest expense, net.....	(46,615)	(48,930)	(190,209)	(201,646)
Gain on sale of equity investments.....	-	-	-	4,730
Loss on extinguishment of debt.....	-	(763)	(307)	(990)
Income tax (expense) benefit.....	(4,923)	3,263	(25,193)	(8,022)
Minority interest in income of subsidiaries.....	(212)	(837)	(704)	(1,542)
Income from equity investments.....	-	-	-	804
Income from continuing operations.....	13,614	5,890	27,977	6,959
Loss from discontinued operations.....	(667)	(650)	(2,924)	(38,578)
Net income (loss).....	<u>\$ 12,947</u>	<u>\$ 5,240</u>	<u>\$ 25,053</u>	<u>\$ (31,619)</u>

RECONCILIATION OF ADJUSTED OPERATING INCOME TO ADJUSTED OPERATING INCOME EXCLUSIVE OF USF CHARGE AND PR PHONE CAPEX ADJUSTMENT

(In thousands)	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MAY 31, 2008	MAY 31, 2007	MAY 31, 2008	MAY 31, 2007
			Unaudited	
ADJUSTED OPERATING INCOME.....	\$ 108,996	\$ 89,093	\$ 404,124	\$ 354,080
PR Phone Capex Adjustment.....	(3,397)	-	(18,408)	-
USF Charge.....	-	9,037	-	10,979
ADJUSTED OPERATING INCOME EXCLUSIVE OF USF CHARGE.....	<u>\$ 105,599</u>	<u>\$ 98,130</u>	<u>\$ 385,716</u>	<u>\$ 365,059</u>

RECONCILIATION OF REVENUE TO REVENUE EXCLUSIVE OF/REFLECTING USF CHARGE*

(In thousands)	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MAY 31, 2008	MAY 31, 2007	MAY 31, 2008	MAY 31, 2007
			Unaudited	
TOTAL REVENUE.....	\$ 258,684	\$ 228,181	\$ 1,001,375	\$ 911,896
USF Charge.....	-	9,037	-	10,979
REVENUE EXCLUSIVE OF USF CHARGE.....	<u>\$ 258,684</u>	<u>\$ 237,218</u>	<u>\$ 1,001,375</u>	<u>\$ 922,875</u>

Our business segments were determined in accordance with GAAP. Our management measures the operating performance of each of our business segments based on adjusted operating income. Adjusted operating income is the measure of profit or loss reviewed by the chief operating decision maker when assessing the performance of each segment and making decisions about the resources to allocate to each segment. Under SEC rules for non-GAAP financial measures, adjusted operating income as used with respect to our business segments is not required to be reconciled to a GAAP financial measure. We have, however, also provided in the following tables a reconciliation of operating income to adjusted operating income for each of our business segments.

Set forth below are descriptions of the financial terms that have been excluded from each segment's operating income to calculate adjusted operating income.

- Management fees relate to expense allocations from the Company's corporate headquarters to the operating segments. Management does not consider the amount of management fees when evaluating the segment's core operating performance.
- Loss (gain) on disposition of assets – See explanation above.
- Litigation settlement expense – See explanation above.
- Transaction evaluation costs – See explanation above.
- Stock-based compensation expense – See explanation above.
- Depreciation and amortization – See explanation above.

U.S. WIRELESS

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

<u>(In thousands)</u>	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MAY 31, 2008	MAY 31, 2007	MAY 31, 2008	MAY 31, 2007
			<u>Unaudited</u>	
Operating income	\$ 37,338	\$ 38,243	\$ 139,138	\$ 127,661
Management fees	(305)	(301)	(1,215)	(1,352)
Loss (gain) on disposition of assets	1,105	448	879	(4,745)
Litigation settlement expense	-	-	1,753	-
Transaction evaluation costs	968	-	968	148
Stock-based compensation expense	1,752	825	5,905	3,696
Depreciation and amortization	<u>16,902</u>	<u>14,990</u>	<u>65,340</u>	<u>59,250</u>
ADJUSTED OPERATING INCOME	<u>\$ 57,760</u>	<u>\$ 54,205</u>	<u>\$ 212,768</u>	<u>\$ 184,658</u>

PUERTO RICO WIRELESS

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

<u>(In thousands)</u>	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MAY 31, 2008	MAY 31, 2007	MAY 31, 2008	MAY 31, 2007
			<u>Unaudited</u>	
Operating income	\$ 16,891	\$ 6,144	\$ 66,430	\$ 53,102
Management fees	186	207	772	857
Loss on disposition of assets	214	605	1,004	1,347
Litigation settlement expense	-	-	1,197	-
Transaction evaluation costs	767	-	767	117
Stock-based compensation expense	1,101	562	4,009	2,974
Depreciation and amortization	<u>12,060</u>	<u>10,679</u>	<u>43,886</u>	<u>43,262</u>
ADJUSTED OPERATING INCOME	<u>\$ 31,219</u>	<u>\$ 18,197</u>	<u>\$ 118,065</u>	<u>\$ 101,659</u>
USF Charge	-	<u>7,772</u>	-	<u>9,442</u>
ADJUSTED OPERATING INCOME EXCLUSIVE OF USF CHARGE	<u>\$ 31,219</u>	<u>\$ 25,969</u>	<u>\$ 118,065</u>	<u>\$ 111,101</u>

RECONCILIATION OF REVENUE TO REVENUE EXCLUSIVE OF/REFLECTING USF CHARGE*

<u>(In thousands)</u>	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MAY 31, 2008	MAY 31, 2007	MAY 31, 2008	MAY 31, 2007
			<u>Unaudited</u>	
TOTAL REVENUE	<u>\$ 83,423</u>	<u>\$ 70,496</u>	<u>\$ 328,241</u>	<u>\$ 302,138</u>
USF Charge	-	<u>7,772</u>	-	<u>9,442</u>
REVENUE EXCLUSIVE OF USF CHARGE	<u>\$ 83,423</u>	<u>\$ 78,268</u>	<u>\$ 328,241</u>	<u>\$ 311,580</u>

PUERTO RICO BROADBAND

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

<u>(In thousands)</u>	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MAY 31, 2008	MAY 31, 2007	MAY 31, 2008	MAY 31, 2007
			<u>Unaudited</u>	
Operating income	\$ 11,135	\$ 8,768	\$ 38,822	\$ 37,591
Management fees	119	94	443	495
Loss on disposition of assets	-	263	1,167	13
Transaction evaluation costs	269	-	269	20
Stock-based compensation expense	610	384	2,097	1,768
Depreciation and amortization	7,884	7,182	30,493	27,876
ADJUSTED OPERATING INCOME	<u>\$ 20,017</u>	<u>\$ 16,691</u>	<u>\$ 73,291</u>	<u>\$ 67,763</u>
USF Charge	-	1,265	-	1,537
REVENUE EXCLUSIVE OF USF CHARGE	<u>\$ 20,017</u>	<u>\$ 17,956</u>	<u>\$ 73,291</u>	<u>\$ 69,300</u>

RECONCILIATION OF REVENUE TO REVENUE EXCLUSIVE OF/REFLECTING USF CHARGE*

<u>(In thousands)</u>	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MAY 31, 2008	MAY 31, 2007	MAY 31, 2008	MAY 31, 2007
			<u>Unaudited</u>	
TOTAL REVENUE	\$ 35,948	\$ 30,363	\$ 134,877	\$ 122,841
USF Charge	-	1,265	-	1,537
REVENUE EXCLUSIVE OF USF CHARGE	<u>\$ 35,948</u>	<u>\$ 31,628</u>	<u>\$ 134,877</u>	<u>\$ 124,378</u>

The following table sets forth a reconciliation of operating income to retail adjusted operating income for our U.S. Wireless Segment.

RECONCILIATION OF U.S. WIRELESS OPERATING INCOME TO RETAIL ADJUSTED OPERATING INCOME

<u>(In thousands)</u>	THREE MONTHS ENDED		TWELVE MONTHS ENDED	
	MAY 31, 2008	MAY 31, 2007	MAY 31, 2008	MAY 31, 2007
Operating income	\$ 37,338	\$ 38,243	\$ 139,138	\$ 127,661
Roaming operating income (1)	(11,083)	(13,196)	(49,485)	(57,995)
Retail operating income	26,255	25,047	89,653	69,666
Management fees	(305)	(301)	(1,215)	(1,352)
Loss on disposition of assets	1,105	448	879	(4,745)
Litigation settlement expense	-	-	1,753	-
Transaction evaluation costs	968	-	968	148
Stock-based compensation expense	1,752	825	5,905	3,696
Depreciation and amortization	16,902	14,990	65,340	59,250
RETAIL ADJUSTED OPERATING INCOME	<u>\$ 46,677</u>	<u>\$ 41,009</u>	<u>\$ 163,283</u>	<u>\$ 126,663</u>

(1) Roaming operating income is also roaming adjusted operating income.