

CENTENNIAL COMMUNICATIONS CORP.
NON-GAAP FINANCIAL MEASURES
JANUARY 2009

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, and 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 before loss from discontinued operations, minority interest in income of subsidiaries, income tax expense, interest expense, net, loss (gain) on disposition of assets, litigation settlement expense, transaction costs, stock-based compensation expense and depreciation and amortization.

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:

- 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 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.
- 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 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 the 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 costs relate to costs incurred in connection with the Company's review of strategic and financial alternatives as well as the Company's pending merger with AT&T Inc. 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. 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 to adjusted operating income for our consolidated results.

CONSOLIDATED

RECONCILIATION OF ADJUSTED OPERATING INCOME TO CONSOLIDATED NET INCOME

	THREE MONTHS ENDED NOVEMBER 30,		SIX MONTHS ENDED NOVEMBER 30,	
	2008	2007	2008	2007
Adjusted operating income.....	\$ 91,973	\$ 95,983	\$ 193,266	\$ 196,020
Depreciation and amortization.....	(35,109)	(34,255)	(70,653)	(67,611)
Stock-based compensation expense.....	(3,334)	(3,381)	(6,204)	(6,436)
Transaction costs.....	(2,336)	-	(2,336)	-
Litigation settlement expense.....	-	(2,950)	-	(2,950)
Loss on disposition of assets.....	(81)	(1,262)	(34)	(1,611)
Operating income.....	51,113	54,135	114,039	117,412
Interest expense, net.....	(44,548)	(47,809)	(89,428)	(96,393)
Income tax expense.....	(2,691)	(4,707)	(12,747)	(12,968)
Minority interest in income of subsidiaries.....	(130)	(169)	(297)	(321)
Income from continuing operations.....	3,744	1,450	11,567	7,730
Loss from discontinued operations.....	(451)	(525)	(788)	(1,039)
Net income.....	<u>\$ 3,293</u>	<u>\$ 925</u>	<u>\$ 10,779</u>	<u>\$ 6,691</u>

RECONCILIATION OF ADJUSTED OPERATING INCOME TO ADJUSTED OPERATING INCOME INCLUSIVE OF PR PHONE CAPEX ADJUSTMENT

(In thousands)	THREE MONTHS ENDED NOVEMBER 30, 2008		SIX MONTHS ENDED NOVEMBER 30, 2008	
	Unaudited	Unaudited	Unaudited	Unaudited
ADJUSTED OPERATING INCOME.....	\$ 91,973	\$ 95,983	\$ 193,266	\$ 196,020
PR Phone Capex Adjustment.....	-	(3,993)	-	(9,397)
ADJUSTED OPERATING INCOME INCLUSIVE OF PR PHONE CAPEX ADJUSTMENT.....	<u>\$ 91,973</u>	<u>\$ 91,990</u>	<u>\$ 193,266</u>	<u>\$ 186,623</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 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		SIX MONTHS ENDED	
	NOVEMBER 30, 2008	NOVEMBER 30, 2007	NOVEMBER 30, 2008	NOVEMBER 30, 2007
			<u>Unaudited</u>	
Operating income	\$ 30,741	\$ 32,218	\$ 71,267	\$ 68,655
Management fees	(297)	(300)	(597)	(605)
Gain on disposition of assets	(32)	(63)	(91)	(152)
Litigation settlement expense	-	1,753	-	1,753
Transaction costs	1,099	-	1,099	-
Stock-based compensation expense	1,584	1,641	2,986	3,075
Depreciation and amortization	17,210	16,123	34,229	31,785
ADJUSTED OPERATING INCOME	<u>\$ 50,305</u>	<u>\$ 51,372</u>	<u>\$ 108,893</u>	<u>\$ 104,511</u>

PUERTO RICO WIRELESS

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

<u>(In thousands)</u>	THREE MONTHS ENDED		SIX MONTHS ENDED	
	NOVEMBER 30, 2008	NOVEMBER 30, 2007	NOVEMBER 30, 2008	NOVEMBER 30, 2007
			<u>Unaudited</u>	
Operating income	\$ 11,609	\$ 13,947	\$ 22,974	\$ 30,711
Management fees	180	196	368	395
Loss on disposition of assets	1	158	13	596
Litigation settlement expense	-	1,197	-	1,197
Transaction costs	915	-	915	-
Stock-based compensation expense	1,184	1,124	2,176	2,117
Depreciation and amortization	9,623	10,573	20,018	20,872
ADJUSTED OPERATING INCOME	<u>\$ 23,512</u>	<u>\$ 27,195</u>	<u>\$ 46,464</u>	<u>\$ 55,888</u>
PR Phone Capex Adjustment	-	(3,993)	-	(9,397)
ADJUSTED OPERATING INCOME INCLUSIVE OF PR PHONE CAPEX ADJUSTMENT	<u>\$ 23,512</u>	<u>\$ 23,202</u>	<u>\$ 46,464</u>	<u>\$ 46,491</u>

PUERTO RICO BROADBAND

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

<u>(In thousands)</u>	THREE MONTHS ENDED		SIX MONTHS ENDED	
	NOVEMBER 30, 2008	NOVEMBER 30, 2007	NOVEMBER 30, 2008	NOVEMBER 30, 2007
			<u>Unaudited</u>	
Operating income	\$ 8,763	\$ 7,970	\$ 19,798	\$ 18,046
Management fees	117	104	229	210
Loss on disposition of assets	112	1,167	112	1,167
Transaction costs	322	-	322	-
Stock-based compensation expense	566	616	1,042	1,244
Depreciation and amortization	8,276	7,559	16,406	14,954
ADJUSTED OPERATING INCOME	<u>\$ 18,156</u>	<u>\$ 17,416</u>	<u>\$ 37,909</u>	<u>\$ 35,621</u>