

CENTENNIAL COMMUNICATIONS CORP.
NON-GAAP FINANCIAL MEASURES
JANUARY 2007

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, 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 (loss) income before loss from discontinued operations, income from equity investments, minority interest in income of subsidiaries, income tax benefit (expense), interest expense, net, loss on disposition of assets, strategic alternatives/recapitalization costs, stock-based compensation expense and depreciation and amortization.

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 hold a minority interest. We do not control this entity and, as such, do not believe the income we receive 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.
- 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.
- Strategic alternatives/recapitalization costs relate to costs incurred while the Company completed a review of strategic and financial alternatives during the fiscal year ended May 31, 2006. 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 (loss) income to adjusted operating income for our consolidated results.

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

	THREE MONTHS ENDED NOVEMBER 30,		SIX MONTHS ENDED NOVEMBER 30,	
	2006	2005	2006	2005
Adjusted operating income	\$ 88,235	\$ 87,740	\$ 180,388	\$ 177,726
Depreciation and amortization	(32,695)	(28,529)	(64,913)	(58,078)
Stock-based compensation expense	(2,869)	-	(4,818)	-
Strategic alternatives/recapitalization costs	(2)	-	(285)	-
Loss on disposition of assets	(88)	(473)	(293)	(388)
Operating income	52,581	58,738	110,079	119,260
Interest expense, net	(51,689)	(34,489)	(102,403)	(68,492)
Income tax benefit (expense)	48	(14,430)	(7,033)	(26,267)
Minority interest in income of subsidiaries	(233)	(227)	(441)	(439)
Income from equity investments	293	337	546	445
Loss from discontinued operations	(34,352)	(1,687)	(36,259)	(1,589)
Net (loss) income	<u>\$ (33,352)</u>	<u>\$ 8,243</u>	<u>\$ (35,511)</u>	<u>\$ 22,918</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.
- (Gain) loss on disposition of assets – See explanation above.
- Strategic alternatives/recapitalization 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

(In thousands)	THREE MONTHS ENDED NOVEMBER 30,		SIX MONTHS ENDED NOVEMBER 30,	
	2006	2005	2006	2005
			<u>Unaudited</u>	
Operating income	\$ 26,409	\$ 27,800	\$ 55,544	\$ 56,325
Management fees	(343)	(268)	(704)	(623)
Gain on disposition of assets	(36)	(108)	(374)	(177)
Strategic alternatives/recapitalization costs	-	-	148	-
Stock-based compensation expense	1,255	-	2,079	-
Depreciation and amortization	14,764	12,764	29,047	25,316
ADJUSTED OPERATING INCOME	<u>\$ 42,049</u>	<u>\$ 40,188</u>	<u>\$ 85,740</u>	<u>\$ 80,841</u>

PUERTO RICO WIRELESS

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

<u>(In thousands)</u>	THREE MONTHS ENDED		SIX MONTHS ENDED	
	NOVEMBER 30, 2006	NOVEMBER 30, 2005	NOVEMBER 30, 2006	NOVEMBER 30, 2005
			<u>Unaudited</u>	
Operating income	\$ 15,874	\$ 21,553	\$ 34,771	\$ 44,438
Management fees	211	86	432	405
Loss on disposition of assets	124	581	667	565
Strategic alternatives/recapitalization costs	2	-	117	-
Stock-based compensation expense	1,045	-	1,735	-
Depreciation and amortization	10,993	9,822	22,140	20,710
ADJUSTED OPERATING INCOME	<u>\$ 28,249</u>	<u>\$ 32,042</u>	<u>\$ 59,862</u>	<u>\$ 66,118</u>

PUERTO RICO BROADBAND

RECONCILIATION OF OPERATING INCOME TO ADJUSTED OPERATING INCOME

<u>(In thousands)</u>	THREE MONTHS ENDED		SIX MONTHS ENDED	
	NOVEMBER 30, 2006	NOVEMBER 30, 2005	NOVEMBER 30, 2006	NOVEMBER 30, 2005
			<u>Unaudited</u>	
Operating income	\$ 10,298	\$ 9,385	\$ 19,764	\$ 18,497
Management fees	132	182	272	218
Strategic alternatives/recapitalization costs	-	-	20	-
Stock-based compensation expense	569	-	1,004	-
Depreciation and amortization	6,938	5,943	13,726	12,052
ADJUSTED OPERATING INCOME	<u>\$ 17,937</u>	<u>\$ 15,510</u>	<u>\$ 34,786</u>	<u>\$ 30,767</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		SIX MONTHS ENDED	
	NOVEMBER 30, 2006	NOVEMBER 30, 2005	NOVEMBER 30, 2006	NOVEMBER 30, 2005
Operating income	\$ 26,409	\$ 27,800	\$ 55,544	\$ 56,325
Roaming operating income (1)	<u>(15,089)</u>	<u>(18,435)</u>	<u>(32,226)</u>	<u>(37,124)</u>
Retail operating income	11,320	9,365	23,318	192,01
Management fees	(343)	(268)	(704)	(623)
Gain on disposition of assets	(36)	(108)	(374)	(177)
Strategic alternatives/recapitalization costs	-	-	148	-
Stock-based compensation expense	1,255	-	2,079	-
Depreciation and amortization	14,764	12,764	29,047	25,316
RETAIL ADJUSTED OPERATING INCOME	<u>\$ 26,960</u>	<u>\$ 21,753</u>	<u>\$ 53,514</u>	<u>\$ 43,717</u>

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