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CITIZENS COMMUNICATIONS CO  
Form 8-K  
November 02, 2005

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

Date of Report (date of earliest event reported): November 2, 2005

CITIZENS COMMUNICATIONS COMPANY  
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	001-11001 (Commission File Number)	06-0619596 (I.R.S. Employer Identification No.)
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3 High Ridge Park  
Stamford, Connecticut 06905  
(Address of Principal Executive Offices)

(203) 614-5600  
(Registrant's Telephone Number, Including Area Code)

No Change Since Last Report  
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(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

ITEM 2.02      Results of Operations and Financial Condition  
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On November 2, 2005, Citizens Communications Company, issued a press release. A copy of the press release is attached hereto as Exhibit 99.1.

The information in this Form 8-K and the Exhibits attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities and Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

ITEM 9.01 Financial Statements and Exhibits  
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(c) Exhibits

99.1 Press release of Citizens Communications Company released November 2, 2005 announcing 2005 3rd Quarter Results.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CITIZENS COMMUNICATIONS COMPANY  
(Registrant)

By: /s/ Jerry Elliott  
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Jerry Elliott  
Executive Vice President and  
Chief Financial Officer

Date: November 2, 2005

Exhibit 99.1

Citizens Communications  
3 High Ridge Park  
Stamford, CT 06905  
203.614.5600  
Web site: [www.czn.net](http://www.czn.net)

Contact:  
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Corporate Communications  
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### Citizens Communications Reports 2005 Third-Quarter Results; Declares Quarterly Dividend

Stamford, Conn., November 2, 2005 -- Citizens Communications (NYSE:CZN) today reported third quarter 2005 revenues of \$537.3 million; operating income of \$141.6 million; and net income of \$38.4 million.

Third quarter 2005 revenue from the company's ILEC operations was \$497.6 million, as compared to \$500.0 million in the third quarter of 2004. The decrease is due primarily to fewer access lines, lower access service revenues (which includes subsidy payments we receive from federal and state agencies) and reduced long distance revenue. Subsidy revenue declined primarily due to a missed filing deadline with the Universal Service Fund (USF). We have received a Waiver from the FCC for the late filing and expect to recognize approximately \$10 million of additional USF subsidy revenue in the fourth quarter. Growth in data and enhanced service revenues partially offset the decreases. Data service revenues increased 28 percent compared to the third quarter of 2004.

The company added 23,000 high-speed internet customers during the quarter and had 290,200 high-speed data subscribers at September 30, 2005. The number of the company's high-speed internet subscribers has increased by more than 102,000 or 55 percent from a year ago.

ILEC operating income for the third quarter of 2005 was \$137.0 million and operating income margin was 27.5 percent, compared to \$69.3 million and 13.9 percent in the third quarter of 2004. This increase is principally due to the management succession and strategic alternative charges in 2004. Capital expenditures for the ILEC were \$57.9 million for the third quarter of 2005.

Free cash flow was \$130.2 million during the third quarter and has increased 13.0 percent from \$371.6 million to \$421.3 million during the first nine months of 2005. The company's dividend represents a payout of 60.6 percent of free cash flow for the first nine months of 2005.

During the third quarter, the company repurchased \$153.4 million, or 11,256,500 shares of stock. The company has now repurchased a total of \$172.0 million, or 12,656,500 shares of stock under its \$250.0 million authorized share repurchase program.

The company's next regular quarterly cash dividend of \$0.25 per share will be paid on December 30, 2005 to shareholders of record on December 9, 2005.

--MORE --

The company uses certain non-GAAP financial measures in evaluating its performance. These include free cash flow. A reconciliation of the differences between free cash flow and the most comparable financial measure calculated and presented in accordance with GAAP is included in the tables that follow. The non-GAAP financial measures are by definition not measures of financial performance under generally accepted accounting principles and are not alternatives to operating income or net income reflected in the statement of operations or to cash flow as reflected in the statement of cash flows and are not necessarily indicative of cash available to fund all cash flow needs. The non-GAAP financial measures used by the company may not be comparable to similarly titled measures of other companies.

The company believes that presentation of non-GAAP financial measures provides useful information to investors regarding the company's financial condition and results of operations because these measures, when used in conjunction with related GAAP financial measures, (i) together provide a more comprehensive view

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of the company's core operations and ability to generate cash flow, (ii) provide investors with the financial analytical framework upon which management bases financial, operational, compensation and planning decisions and (iii) presents measurements that investors and rating agencies have indicated to management are useful to them in assessing the company and its results of operations. Management uses these non-GAAP financial measures to plan and measure the performance of its core operations and its divisions measure performance and report to management based upon these measures. In addition, the company believes that free cash flow, as the company defines it, can assist in comparing performance from period to period, without taking into account factors affecting cash flow reflected in the statement of cash flows, including changes in working capital and the timing of purchases and payments.

Management uses these non-GAAP financial measures to (i) assist in analyzing the company's underlying financial performance from period to period, (ii) evaluate the financial performance of its business units, (iii) analyze and evaluate strategic and operational decisions, (iv) establish criteria for compensation decisions; and (v) assist management in understanding the company's ability to generate cash flow and, as a result, to plan for future capital and operational decisions. Management uses these non-GAAP financial measures in conjunction with related GAAP financial measures. The company believes that the non-GAAP financial measures are meaningful and useful for the reasons outlined above.

While the company utilizes these non-GAAP financial measures in managing and analyzing its business and financial condition and believes they are useful to management and to investors for the reasons described above, these non-GAAP financial measures have certain shortcomings. In particular, free cash flow does not represent the residual cash flow available for discretionary expenditures, since items such as debt repayments and dividends are not deducted from such measure. Management compensates for the shortcomings of these measures by utilizing them in conjunction with their comparable GAAP financial measures. The information in this press release should be read in conjunction with the financial statements and footnotes contained in our documents to be filed with the U.S. Securities and Exchange Commission.

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About Citizens Communications

More information about Citizens can be found at [www.czn.net](http://www.czn.net).

This document contains forward-looking statements that are subject to risks and uncertainties that could cause actual results to differ materially from those expressed or implied in the statements. These and all forward-looking statements (including oral representations) are only predictions or statements of current plans that are constantly under review by the company. All forward-looking statements may differ from actual results. The foregoing information should be read in conjunction with the company's filings with the U.S. Securities and Exchange Commission including, but not limited to, reports on Forms 10-K and 10-Q. The company does not intend to update or revise these forward-looking statements to reflect the occurrence of future events or circumstances.

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TABLES TO FOLLOW

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### Citizens Communications Company Consolidated Financial Data (1) (unaudited)

(Amounts in thousands - except per-share amounts)	For the quarter ended September 30,		%	
	2005	2004	Change	
<b>Income Statement Data (2)</b>				
Revenue	\$537,346	\$539,188	0%	\$1
Cost of services (exclusive of depreciation and amortization)	51,050	49,655	3%	
Other operating expenses	208,300	200,838	4%	
Management succession and strategic alternatives expenses (3)	-	75,858	-100%	
Stock based compensation	2,052	1,842	11%	
Depreciation and amortization	134,327	140,908	-5%	
Operating income	141,617	70,087	102%	
Investment and other income (loss)	6,768	(13,654)	150%	
Interest expense (includes interest on convertible debt)	85,228	90,863	-6%	
Income tax expense (benefit)	24,781	(21,934)	213%	
Income from discontinued operations, net of tax	-	1,206	-100%	
Net income (loss) attributable to common shareholders	38,376	(11,290)	440%	
Weighted average shares outstanding	338,928	309,732	9%	
Basic net income (loss) per share attributable to common shareholders (4)	\$ 0.11	\$ (0.04)	375%	\$
<b>Other Financial Data</b>				
Total capital expenditures	\$ 61,157	\$ 67,538	-9%	\$
Free cash flow (5)	130,214	129,224	1%	

- (1) Our conferencing business was sold on March 15, 2005. Prior periods have been restated to present our conferencing business as discontinued operations.
- (2) Our Vermont distribution facilities were sold on April 1, 2004. This sale affects the comparability of data presented.
- (3) Includes \$36,618 related to stock based compensation expense for the three and nine months ended September 30, 2004.
- (4) Calculated based on weighted average shares outstanding.
- (5) A reconciliation to the most comparable GAAP measure is presented at the end of these tables.

### Citizens Communications Company Financial and Operating Data (1) (unaudited)

	For the quarter ended September 30,		%	
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(Dollars in thousands, except operating data)	2005	2004	Change	
TELECOMMUNICATIONS				
Select Income Statement Data				
Revenue				
Access services	\$ 145,915	\$ 157,692	-7%	\$
Local services	208,630	214,299	-3%	
Long distance services	43,003	46,089	-7%	
Data services	45,806	35,913	28%	
Directory services	28,362	27,312	4%	
Other	25,860	18,673	38%	
ILEC revenue	497,576	499,978	0%	
Electric Lightwave	39,770	39,210	1%	
Total revenue	537,346	539,188	0%	
Expenses				
Network access expense	51,050	49,655	3%	
Other operating expenses	208,300	200,827	4%	
Management succession and strategic alternatives expenses	-	75,858	-100%	
Stock based compensation	2,052	1,842	11%	
Depreciation and amortization	134,327	140,908	-5%	
Total expenses	395,729	469,090	-16%	
Operating Income				
ILEC	\$ 137,015	\$ 69,324	98%	\$
ELI	4,602	774	495%	
Other Financial and Operating Data				
ILEC capital expenditures	\$ 57,888	\$ 65,622	-12%	\$
ELI capital expenditures	3,244	1,907	70%	
ILEC depreciation and amortization	128,115	134,787	-5%	
ELI depreciation and amortization	6,212	6,121	1%	
ILEC access lines	2,245,088	2,346,018	-4%	
High-speed internet subscribers	290,228	187,463	55%	
ILEC switched access minutes of use (in millions)	2,808	2,973	-6%	
ILEC average monthly revenue per average RGU (2)	\$ 65.32	\$ 65.87	-1%	\$

(1) See footnote (1) on the first page.

(2) RGUs are access lines plus high-speed internet subscribers.

Citizens Communications Company  
Financial and Operating Data  
(unaudited)

(Dollars in thousands)	For the quarter ended September 30,		%	For
	2005	2004	Change	20
GAS AND ELECTRIC SECTORS (1)				
Select Income Statement Data				
Revenue	\$ -	\$ -	-	\$

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Gas, electric energy and fuel oil purchased	-	-	-
Other operating expenses	-	11	-100%
Operating income (loss)	-	(11)	100%

(1) See footnote (2) on the first page.

Citizens Communications Company  
Condensed Consolidated Balance Sheet Data (1)

(Amounts in thousands)

	(unaudited) September 30, 2005	December 31, 2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 286,609	\$ 167,000
Accounts receivable and other current assets	249,626	279,000
Assets of discontinued operations	-	24,000
Total current assets	536,235	470,000
Property, plant and equipment, net	3,192,090	3,335,000
Other long-term assets	2,727,092	2,861,000
Total assets	\$ 6,455,417	\$ 6,668,000
LIABILITIES AND EQUITY		
Current liabilities:		
Long-term debt due within one year	\$ 227,762	\$ 6,000
Accounts payable and other current liabilities	375,844	410,000
Liabilities of discontinued operations	-	-
Total current liabilities	603,606	416,000
Deferred income taxes and other liabilities	693,210	621,000
Long-term debt	4,006,967	4,266,000
Shareholders' equity	1,151,634	1,362,000
Total liabilities and equity	\$ 6,455,417	\$ 6,668,000

(1) See footnote (1) on the first page.

Citizens Communications Company  
Condensed Consolidated Cash Flow Data (1)  
(unaudited)

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(Amounts in thousands)

	For the nine months ended September	
	2005	2004
Income from continuing operations	\$ 123,387	\$ 51,3
Adjustments to reconcile income from continuing operations to net cash provided by continuing operating activities:		
Depreciation and amortization	411,990	428,1
Gain on expiration/settlement of customer advances	(492)	(25,3
Loss on debt exchange	3,175	-
Stock based compensation	6,433	44,2
Other	59,852	38,4
Net cash provided by continuing operating activities	604,345	536,8
Cash flows from investing activities:		
Proceeds from sales of assets, net of selling expenses	24,195	59,0
Securities sold	1,112	
Capital expenditures	(175,460)	(200,1
Other assets (purchased) distributions received, net	(803)	(26,7
Net cash used by investing activities	(150,956)	(167,8
Cash flows from financing activities:		
Long-term debt payments	(6,173)	(513,7
Issuance of common stock	46,739	530,1
Dividends paid	(255,327)	(747,9
Shares repurchased	(161,898)	
Other	(1,720)	(22,4
Net cash used by financing activities	(378,379)	(753,9
Cash provided by discontinued operations	44,136	3
Increase (decrease) in cash and cash equivalents	119,146	(384,6
Cash and cash equivalents at January 1,	167,463	583,6
Cash and cash equivalents at September 30,	\$ 286,609	\$ 199,0
Cash paid during the period for:		
Interest	\$ 244,395	\$ 264,1
Income taxes	\$ 2,235	\$ 2,1

(1) See footnote (1) on the first page.

Reconciliation of Non-GAAP Financial Measures (1)  
(unaudited)

(Amounts in thousands)	For the quarter ended September 30,	
	2005	2004



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Net Income (Loss) from Continuing Operations

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to Free Cash Flow; Net Cash Provided by  
-----  
Continuing Operating Activities  
-----

Net income (loss) from continuing operations	\$ 38,376	\$ (12,496)	\$
Add back:			
Depreciation and amortization	134,327	140,908	
Income tax expense (benefit)	24,781	(21,934)	
Management succession and strategic alternatives expenses	-	75,858	
Stock based compensation	2,052	1,842	
Subtract:			
Cash paid for income taxes	1,397	1,070	
Investment and other income (loss)	6,768	(13,654)	
Capital expenditures	61,157	67,538	
Free cash flow	130,214	129,224	
Add back:			
Deferred income taxes	10,230	(27,184)	
Non-cash (gains)/losses, net	6,216	49,798	
Investment and other income (loss)	6,768	(13,654)	
Cash paid for income taxes	1,397	1,070	
Capital expenditures	61,157	67,538	
Subtract:			
Changes in current assets and liabilities	973	(21,652)	
Income tax expense (benefit)	24,781	(21,934)	
Management succession and strategic alternatives expenses	-	75,858	
Stock based compensation	2,052	1,842	
Net cash provided by continuing operating activities	\$ 188,176	\$ 172,678	\$

See footnote (1) on the first page.