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CITIZENS COMMUNICATIONS CO  
Form 8-K  
March 04, 2003

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): March 4, 2003

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.)
---------------------------------------------------------------	------------------------------------------	-------------------------------------------------------

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)

ITEM 7. Financial Statements, Exhibits

(c) Exhibits

99.1 Press Release of Citizens Communications Company released  
March 4, 2003 announcing earnings for the quarter and year ended  
December 31, 2002.

99.2 Financial and operating data

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.

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CITIZENS COMMUNICATIONS COMPANY  
(Registrant)

By: /s/ Robert J. Larson

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Robert J. Larson  
Senior Vice President and Chief Accounting Officer

Date: March 4, 2003

Exhibit 99.1

Citizens Communications  
3 High Ridge Park  
Stamford, CT 06905  
203.614.5600  
Web site: www.czn.net  
FOR IMMEDIATE RELEASE

Contacts:

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Assistant Vice President	Vice President
Corporate Communications	Corporate Development
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Citizens Communications Reports  
2002 Fourth-Quarter Results

Stamford, Conn., Mar. 4, 2003 - Citizens Communications (NYSE:CZN) today reported revenues of \$520 million from its ILEC operations for the quarter ended Dec. 31, 2002. The ILEC segment produced adjusted EBITDA of \$278 million and had capital expenditures of \$83 million for the quarter.

The company produced free cash flow of \$333 million for the full year 2002 and achieved a net debt to annualized Adjusted EBITDA ratio for the fourth quarter of 3.9x, surpassing the targeted year-end ratio. The company prepaid \$344 million of debt during the quarter and repaid \$1.06 billion (or 16 percent) of its debt during the year, and ended the quarter with over \$393 million in cash.

The company remains focused on and committed to the continuing improvement of its balance sheet through the generation of free cash flow applied to further debt reduction. In addition, the sale of the company's Arizona Electric and Gas divisions for \$230 million in cash and the sale of The Gas Company of Hawaii division for \$115 million in cash are expected to close during the second half of 2003. The net proceeds from these sales will be used to further reduce debt.

For the fourth quarter 2002 consolidated results were revenues of \$659 million; operating income of \$99 million; capital expenditures of \$115 million; free cash flow of \$71 million; and the net loss was \$24 million.

During the fourth quarter the company also reduced stockholders' equity by \$112 million as a result of certain pension matters previously disclosed. After giving effect to this reduction the company's "net worth" as calculated pursuant to certain debt agreements was \$1.83 billion at Dec. 31, 2002.

Telecommunications

Fourth quarter 2002 revenue from the company's ILEC operations was \$520.4 million, up \$9.7 million or 2 percent from \$510.7 million in the fourth quarter

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of 2001, primarily due to continued increases in penetration of data, enhanced service and long-distance products, sales of special access services and increased subsidies. For the full year, revenue from the company's ILEC operations was \$2.063 billion, up \$468.9 million, or 29 percent.

ILEC operating income for the fourth quarter was \$89.2 million, up \$56.2 million, or 170 percent from the fourth quarter of 2001, and for the full year was \$413 million compared to \$221 million in 2001.

Adjusted EBITDA for the fourth quarter of 2002 was \$278 million, an increase of \$24 million or 10 percent compared to the prior year quarter. Adjusted EBITDA margin for the fourth-quarter of 2002 increased to 53.5 percent from 49.7 percent in the fourth quarter of 2001, reflecting increases in high-margin revenues, an ongoing focus on increased productivity and the efficiencies achieved from consolidation of the company's activities. Adjusted EBITDA for the full year 2002 was \$1.097 billion, an increase of \$294 million or 37 percent from the prior year.

Capital expenditures for the ILEC were \$83 million and operating cash flow (Adjusted EBITDA minus capital expenditures) was \$195 million for the quarter. For the full year 2002 ILEC capital expenditures were \$289 million and operating cash flow was \$808 million.

Fourth-quarter 2002 revenue from Electric Lightwave totaled \$41.2 million, Adjusted EBITDA was \$9.8 million, capital expenditures were \$3.8 million and operating cash flow was \$6 million. For the full year 2002, revenue totaled \$175 million, Adjusted EBITDA was \$17.1 million, capital expenditures were \$12 million and operating cash flow was \$5.1 million.

### Public Service

The gas and electric segments accounted for \$97 million of fourth-quarter 2002 consolidated revenue, \$10.2 million of Adjusted EBITDA and \$9.1 million of capital expenditures. For the full year 2002, the gas and electric segment accounted for \$431.3 million of consolidated revenue, \$76.1 million of Adjusted EBITDA, \$39.7 million of capital expenditures and \$36.4 million of operating cash flow.

Adjusted EBITDA is EBITDA (operating income plus depreciation and amortization) plus restructuring and other expenses, loss on impairment and reserve for telecommunications bankruptcies. Free cash flow is operating income plus depreciation and amortization and the loss on impairment, minus cash capital expenditures, cash interest expense and cash taxes. EBITDA is a measure commonly used to analyze companies on the basis of operating performance. EBITDA is not a measure of financial performance under generally accepted accounting principles nor is it an alternative to cash flow as a measure of liquidity and may not be comparable to similarly titled measures of other companies. 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 Securities and Exchange Commission.

### 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 because of, but not limited to,

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changes in local and national economies, the state of the telecommunications industry, changes in market conditions for debt and equity securities, the nature and pace of technological changes, the number and effectiveness of competitors in the company's markets, success in overall strategy, changes in legal or regulatory policy, changes in legislation and the mix of products and services offered in the company's markets. These important factors should be considered in evaluating any statement contained herein and/or made by the company or on its behalf. 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.

### Exhibit 99.2

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

	For the quarter ended December 31,			%	For the y Decem
(Amounts in thousands - except per-share amounts)	2002	2001	Change		2002
<b>Income Statement Data</b>					
<b>Continuing operations</b>					
Revenue	\$ 658,728	\$ 665,849	-1%		\$ 2,669,332
Cost of services	119,101	122,271	-3%		476,920
Other operating expenses (1)	241,397	271,073	-11%		1,002,355
Depreciation and amortization (2)	191,359	218,602	-12%		755,522
Reserve for telecommunications bankruptcies	(6,925)	21,200	-133%		10,880
Restructuring and other expenses (3)	15,274	6,325	141%		37,186
Loss on impairment (4)	-	-	-		1,074,058
Operating income (loss)	98,522	26,378	274%		(687,589)
Investment and other loss, net	(19,828)	(82,036)	76%		(82,553)
Gain on sale of assets	7,897	-	100%		9,798
Interest expense	113,280	122,845	-8%		477,506
Income tax expense (benefit)	9,814	(63,988)	115%		(414,874)
Income (loss) from discontinued operations, net of tax	-	6,200	-100%		(1,478)
Gain on disposal of water segment, net of tax	12,043	-	100%		181,369
Extraordinary expense-discontinuation of Statement of Financial Accounting Standards No. 71, net of tax	-	-	-		-
Cumulative effect of change in accounting principle (5)	-	-	-		39,812
Carrying cost of equity forward contracts	-	-	-		-
Net loss available to common shareholders	(24,460)	(108,315)	77%		(682,897)
<b>Other Financial Data</b>					
Adjusted EBITDA from continuing operations (6)	\$ 298,230	\$ 272,505	9%		\$ 1,190,057
Total capital expenditures (7)	114,538	177,666	-36%		358,741
Free cash flow (7) (8)	70,945	(72,363)	198%		333,174
Long-term debt (9)	4,957,361	5,534,906	-10%		4,957,361

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Total debt (9)	5,016,272	6,018,812	-17%	5,016,272
Less: Cash and cash equivalents	393,177	215,869	82%	393,177
Net debt	4,623,095	5,802,943	-20%	4,623,095
Net debt to annualized Adjusted EBITDA	3.9	5.3	-26%	3.9
Interest coverage	2.6	2.2	18%	2.5
Shares of common stock outstanding	282,484	281,291	0%	282,484
Weighted average shares outstanding	281,096	279,675	1%	280,686
Net loss available to common shareholders (10)	\$ (0.09)	\$ (0.39)	77%	\$ (2.43)

- (1) Includes \$3,715,000 and \$21,380,000 of acquisition assimilation expenses for the quarter and year ended December 31, 2001, respectively.
- (2) Includes \$10,577,000 and \$23,379,000 of accelerated depreciation for the quarter and year ended December 31, 2002, respectively, related to the closing of our Plano, Texas facility. Also includes \$37,526,000 and \$91,219,000 of goodwill amortization for the quarter and year ended December 31, 2001, respectively.
- (3) Primarily severance costs.
- (4) Shown as the pre-tax amount.
- (5) Write-off of ELI's goodwill.
- (6) Adjusted EBITDA is operating income plus depreciation and amortization, the reserve for telecommunications bankruptcies, restructuring and other expenses and loss on impairment. Adjusted EBITDA is a measure commonly used to analyze companies on the basis of operating performance. It is not a measure of financial performance under generally accepted accounting principles and should not be considered as an alternative to net income as a measure of performance nor an alternative to cash flow as a measure of liquidity and may not be comparable to similarly titled measures of other companies (see segment footnote in the SEC Form 10-K).
- (7) Excludes \$110,000,000 of previously leased facilities purchased by ELI in April 2002.
- (8) Free cash flow is operating income plus depreciation and amortization and loss on impairment minus cash interest expense, cash income taxes and cash capital expenditures.
- (9) Excludes equity units. Total debt includes current portion of long term debt.
- (10) Calculated based on weighted average shares outstanding.

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

	For the quarter ended December 31,			For th Dec
	2002	2001	%	2002
(Dollars in thousands, except operating data)				
TELECOMMUNICATIONS (1)	Change			
Select Income Statement Data				
Revenue				
Access services	\$ 169,762	\$ 170,902	-1%	\$ 673,4
Local services	219,217	215,452	2%	869,9
Long distance and data services	78,207	73,130	7%	305,4

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Directory services	25,886	25,433	2%	104,3
Other	27,339	25,801	6%	109,7
ILEC revenue	520,411	510,718	2%	2,062,9
Electric Lightwave	41,235	50,083	-18%	175,0
<b>Total revenue</b>	<b>561,646</b>	<b>560,801</b>	<b>0%</b>	<b>2,237,9</b>
<b>Expenses</b>				
Network access expense	60,688	64,856	-6%	235,4
Other operating expenses (2)	212,923	236,322	-10%	888,5
Depreciation and amortization (3)	191,351	218,151	-12%	755,1
Reserve for telecommunications bankruptcies	(6,925)	21,200	-133%	10,8
Restructuring and other expenses (4)	15,274	6,325	141%	37,1
Loss on impairment (5)	-	-	-	656,6
<b>Total expenses</b>	<b>473,311</b>	<b>546,854</b>	<b>-13%</b>	<b>2,583,9</b>
<b>Adjusted EBITDA and Capital Expenditure Data</b>				
ILEC Adjusted EBITDA (6)	\$ 278,247	\$ 253,915	10%	\$ 1,096,8
ILEC Adjusted EBITDA margin	53.5%	49.7%	8%	53.
ILEC capital expenditures	\$ 83,343	\$ 149,345	-44%	\$ 288,8
ELI Adjusted EBITDA (6)	9,788	5,708	71%	17,0
ELI capital expenditures (7)	3,800	8,381	-55%	12,0
<b>Operating Income (Loss)</b>				
ILEC	\$ 89,174	\$ 32,999	170%	\$ 413,2
ELI	(839)	(19,052)	96%	(759,1
<b>Operating Data</b>				
ILEC access lines	2,444,400	2,481,409	-1%	2,444,4
ILEC switched access minutes of use				
(in millions)	3,069	3,107	-1%	12,2
ILEC average monthly revenue per average line \$	70.75	\$ 68.48	3%	\$ 69.

- (1) Includes our Incumbent Local Exchange Carrier (ILEC) and Electric Lightwave, Inc. (ELI) busi
- (2) See footnote (1) on first page.
- (3) See footnote (2) on first page.
- (4) See footnote (3) on first page.
- (5) See footnote (4) on first page.
- (6) See footnote (6) on first page.
- (7) See footnote (7) on first page.

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

	For the quarter ended December 31,			For the Dece
(Dollars in thousands)			%	
GAS AND ELECTRIC SECTORS (1)	2002	2001	Change	2002

#### Select Income Statement Data

Revenue	\$ 97,083	\$ 105,048	-8%	\$ 431,34
Gas, electric energy and fuel oil purchased	58,413	57,415	2%	241,45
Other operating expenses	28,473	34,751	-18%	113,79

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Depreciation and amortization (2)	8	451	-98%	36
Loss on impairment (3)	-	-	-	417,40
Operating income (loss)	10,189	12,431	-18%	(341,66
Other Financial Data				
Adjusted EBITDA (4)	\$ 10,197	\$ 12,882	-21%	\$ 76,09
Capital expenditures	9,140	19,123	-52%	39,66

- (1) Our Louisiana and Colorado gas operations were disposed of by sale on July 2, 2001 and November 30, 2001, respectively. Our Kauai Electric operations were disposed of by sale on November 1, 2002. The sale of these operations affects the comparability of data presented.
- (2) Our gas and electric operations are reported as "held for sale." Accordingly, we ceased to record depreciation expense effective October 1, 2000 and January 1, 2001, respectively.
- (3) See footnote (4) on first page.
- (4) Adjusted EBITDA is operating income plus depreciation and amortization and loss on impairment (see footnote (6) on first page).