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CENTURYTEL INC
Form 8-K
October 30, 2003

UNITED STATES
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) October 30, 2003

CenturyTel, Inc.

(Exact name of registrant as specified in its charter)

| | | |
|---|---------------------------------------|--|
| Louisiana (State or other jurisdiction of incorporation) | 1-7784 (Commission File Number) | 72-0651161 (IRS Employer Identification No.) |
|---|---------------------------------------|--|

| | |
|---|---------------------|
| 100 CenturyTel Drive, Monroe, Louisiana (Address of principal executive offices) | 71203 (Zip Code) |
|---|---------------------|

Registrant's telephone number, including area code (318) 388-9000

ITEM 12. Results of Operations and Financial Condition

The following information, except for our forecasts for the upcoming quarter and for 2003 and except for our references to non-GAAP financial measures (as defined in Regulation G promulgated by the Securities and Exchange Commission), shall be deemed incorporated by reference into any registration statement heretofore or hereafter filed by us under the Securities Act of 1933, as amended, except to the extent that such incorporated information is superceded by information as of a subsequent date that is included in or incorporated by reference into any such registration statement. None of the following information shall be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended.

On October 30, 2003, we issued a press release announcing our third quarter 2003 consolidated operating results. More complete information on our operating results will be included in our Quarterly Report on Form 10-Q for the period ended September 30, 2003, which we expect to file shortly with the Securities and Exchange Commission. The entire text of our October 30, 2003 press release is reproduced below:

FOR IMMEDIATE RELEASE
October 30, 2003

FOR MORE INFORMATION CONTACT:
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Investors: Tony Davis 318.388.9525

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tony.davis@centurytel.com

CenturyTel Announces Third Quarter Earnings

Monroe, LA. . . CenturyTel, Inc. (NYSE Symbol: CTL) announces operating results for third quarter 2003.

- o Revenues from continuing operations, excluding nonrecurring items, increased 13.5% to \$603.8 million from \$532.1 million, while GAAP revenues from continuing operations increased 15.1% to \$603.8 million from \$524.5 million.
- o Operating Cash Flow (OCF) from continuing operations (defined as operating income plus depreciation and amortization), excluding nonrecurring items, rose 12.7% to \$307.6 million.
- o Net income, excluding nonrecurring items, grew 9.1% to \$88.5 million. Reported under GAAP, net income was \$91.0 million.
- o Diluted earnings per share, excluding nonrecurring items, increased 7.0% to \$.61, while GAAP diluted earnings per share was \$.63 in third quarter 2003.
- o Free cash flow, excluding nonrecurring items, climbed to \$103.1 million from \$89.9 million.

| Third Quarter Highlights (1) (In thousands, except per share and customer amounts) | Quarter Ended 9/30/03 | Quarter Ended 9/30/02 | % Change |
|--|--------------------------|--------------------------|----------|
| Revenues from continuing operations | \$ 603,752 | \$ 532,142 | 13.5% |
| OCF from continuing operations | \$ 307,638 | \$ 272,875 (2) | 12.7% |
| Income from continuing operations | \$ 88,452 | \$ 69,558 (2) | 27.2% |
| Net Income | \$ 88,452 | \$ 81,093 | 9.1% |
| Diluted Earnings Per Share from continuing operations | \$.61 | \$.49 | 24.5% |
| Diluted Earnings Per Share | \$.61 | \$.57 | 7.0% |
| Average Diluted Shares Outstanding | 145,171 | 142,770 | 1.7% |
| Telephone Revenues | \$ 521,439 | \$ 468,580 | 11.3% |
| Other Operations Revenues | \$ 82,313 | \$ 63,562 | 29.5% |
| Telephone Access Lines | 2,394,623 | 2,437,744 | (1.8)% |
| Long Distance Customers | 745,204 | 584,890 | 27.4% |

(1) These results include adjustments for nonrecurring items and other non-GAAP financial measures. A reconciliation of these items to comparable GAAP measures is included in the attached financial schedules. For 2002, these results reflect only one month of operations of the Company's Missouri telephone properties acquired from Verizon on August 31, 2002.

(2) Includes corporate overheads previously allocated to discontinued operations.

"CenturyTel again achieved solid results that reflect our focus on bringing quality communications services to customers in rural areas and smaller cities while driving revenue and controlling costs," Glen F. Post, III, chairman and chief executive officer, said. "We are pleased with our ability to sustain revenue and earnings growth in the currently challenging industry and economic environment."

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Consolidated revenues from continuing operations, excluding nonrecurring items, for the third quarter rose 13.5% to \$603.8 million from \$532.1 million, primarily due to contributions from the Missouri properties acquired from Verizon on August 31, 2002. Operating cash flow from continuing operations, excluding nonrecurring items, grew to \$307.6 million from \$272.9 million, a 12.7% increase. The Company achieved a consolidated cash flow margin, excluding nonrecurring items, of 51.0% for the quarter versus 51.3% in third quarter 2002. Income from continuing operations for the quarter, excluding nonrecurring items, increased 27.2% to \$88.5 million from \$69.6 million in third quarter 2002. Diluted earnings per share from continuing operations, excluding nonrecurring items, increased 24.5% to \$.61 from \$.49. Diluted earnings per share, excluding nonrecurring items, were \$.61 in third quarter 2003 compared to \$.57 in third quarter 2002.

Telephone revenues, excluding nonrecurring items, for third quarter reached \$521.4 million, an 11.3% increase over \$468.6 million in third quarter 2002. The Verizon Missouri properties acquired August 31, 2002, contributed \$44.5 million of the increase. The remaining increase resulted primarily from growth in vertical services and access revenues that more than offset revenue declines due to access line losses. Telephone operating expenses increased primarily due to the Verizon Missouri acquisition. Telephone operating income, excluding nonrecurring items, increased 13.4% to \$172.6 million from \$152.3 million, and telephone operating cash flow, excluding nonrecurring items, rose 10.8% to \$284.3 million from \$256.6 million a year ago. CenturyTel's third quarter 2003 telephone cash flow margin was 54.5% while the operating income margin was 33.1%.

Other operations revenues grew 29.5% to \$82.3 million during third quarter 2003, compared with \$63.6 million in third quarter 2002. CenturyTel's long distance revenues increased 14.2% to \$45.2 million. Internet revenues increased 36.5% to \$20.5 million in third quarter 2003 from \$15.0 million in third quarter 2002. CenturyTel now serves more than 745,200 long distance customers and 76,300 DSL customers, adding more than 24,800 and 8,300 customers, respectively, during the quarter. Fiber transport revenues increased \$6.9 million, primarily due to the June 2003 acquisition of fiber assets from Digital Teleport, Inc.

"People in rural areas want and need advanced communications services similar to those in urban areas. In our markets, we are working to position CenturyTel as the carrier of choice for broadband and other services, which is reflected in CenturyTel's record DSL additions of more than 8,300 customers during the third quarter," Post said.

Under generally accepted accounting principles (GAAP), the Company's net income was \$91.0 million compared to \$607.7 million in 2002, while diluted earnings per share was \$.63 for third quarter 2003 compared to \$4.26 in third quarter 2002. Net income in third quarter 2003 included a net nonrecurring \$2.5 million benefit from out of period income tax adjustments. Net income in third quarter 2002 included a \$551.4 million after-tax gain on the sale of its wireless operations. See the accompanying financial information for additional nonrecurring items that affected the third quarters and first nine months of 2003 and 2002.

For the first nine months of 2003, results from continuing operations benefited from the Alabama and Missouri wireline properties acquired from Verizon in third quarter 2002. Revenues from continuing operations, excluding nonrecurring items, increased to \$1.774 billion from \$1.394 billion for the same period in 2002, a 27.3% increase. Operating cash flow from continuing operations, excluding nonrecurring items, was \$910.6 million for the first nine months of 2003 compared to \$702.7 million a year ago, a 29.6% increase. Income from continuing operations, excluding nonrecurring items, increased 56.9% to \$256.5 million from \$163.4 million in 2002.

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For the fourth quarter 2003, CenturyTel expects total revenues of \$600 to \$615 million and diluted earnings per share of \$.58 to \$.62. For the full year 2003, diluted earnings per share is expected to be in the range of \$2.36 to \$2.40, increased from our previous guidance of \$2.28 to \$2.34. The increase in 2003 earnings per share guidance is driven by our third quarter results exceeding our expectations.

These outlook figures are presented on a GAAP basis, excluding nonrecurring items and the potential impact of any future mergers, acquisitions, divestitures or other similar business transactions.

Reconciliation to GAAP. This release includes certain non-GAAP financial measures, including but not limited to operating cash flow, free cash flow and adjustments to GAAP measures to exclude the effect of nonrecurring items. In addition to providing key metrics for management to evaluate the Company's performance, we believe these measurements assist investors in their understanding of period-to-period operating performance and to identify historical and prospective trends. Reconciliations of non-GAAP financial measures to the most comparable GAAP measures are included in the attached financial schedules. Reconciliation of additional non-GAAP financial measures that may be discussed during the earnings call described below will be available on the Company's Web site at www.centurytel.com. Investors are urged to consider these non-GAAP measures in addition to, and not in substitution for, measures prepared in accordance with GAAP.

In addition to historical information, this release includes certain forward-looking statements, estimates and projections that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond the control of the Company. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the Company's ability to effectively manage its growth, including integrating newly-acquired businesses into the Company's operations, hiring adequate numbers of qualified staff, and successfully upgrading its billing and other information systems; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand for, or pricing of, the Company's products and services; the Company's ability to successfully introduce new product or service offerings on a timely and cost-effective basis; the Company's ability to collect its receivables from financially troubled communications companies; and the effects of more general factors such as changes in interest rates, in general market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the Company's business are described in greater detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2002. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. The information contained in this release is as of October 30, 2003. The Company undertakes no obligation to update any of its forward-looking statements.

CenturyTel's management will host a conference call at 10:30 A.M. Central time today. Interested parties can access the call by dialing 800.346.2923 and the call will be accessible for replay until 1:30 p.m. CST, November 3, 2003, by calling 800.332.6854 and entering the conference-id number: 3383. Investors can also listen to CenturyTel's earnings conference call and replay by accessing the Company's Web site at www.centurytel.com.

CenturyTel, Inc. provides communications services including local, long distance, Internet access and data services to more than 3 million customers in 22 states. The company, headquartered in Monroe, Louisiana, is publicly traded

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on the New York Stock Exchange under the symbol CTL, and is included in the S&P 500 Index. CenturyTel is the 8th largest local exchange telephone company, based on access lines, in the United States. Visit CenturyTel at www.centurytel.com.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002
(UNAUDITED)

| In thousands, except per share amounts | Three months ended September 30, 2003 | | | Three months ended September 30, 2002 | | |
|---|---------------------------------------|------------------------------------|--|---------------------------------------|------------------------------------|---|
| | As reported | Less non- recurring items | As adjusted excluding non- recurring items | As reported | Less non- recurring items | As adjusted excluding non- recurring items |
| TELEPHONE OPERATIONS | | | | | | |
| Operating revenues | | | | | | |
| Local service | \$ 188,951 | - | 188,951 | 169,098 | - | 169,098 |
| Network access | 287,191 | - | 287,191 | 249,047 | (7,645) | (2) |
| Other | 45,297 | - | 45,297 | 42,790 | - | 42,790 |
| | 521,439 | - | 521,439 | 460,935 | (7,645) | 453,290 |
| Operating expenses | | | | | | |
| Plant operations | 130,098 | - | 130,098 | 117,997 | - | 117,997 |
| Customer operations | 41,101 | - | 41,101 | 41,161 | - | 41,161 |
| Corporate and other | 65,931 | - | 65,931 | 52,774 | - | 52,774 |
| Depreciation and amortization | 111,666 | - | 111,666 | 104,384 | - | 104,384 |
| | 348,796 | - | 348,796 | 316,316 | - | 316,316 |
| Telephone operating income | 172,643 | - | 172,643 | 144,619 | (7,645) | 136,974 |
| OTHER OPERATIONS | | | | | | |
| Operating revenues | | | | | | |
| Long distance | 45,207 | - | 45,207 | 39,592 | - | 39,592 |
| Internet | 20,469 | - | 20,469 | 14,996 | - | 14,996 |
| Other | 16,637 | - | 16,637 | 8,974 | - | 8,974 |
| | 82,313 | - | 82,313 | 63,562 | - | 63,562 |
| Operating expenses | | | | | | |
| Cost of sales and other | 58,984 | - | 58,984 | 45,992 | - | 45,992 |
| Depreciation and amortization | 5,191 | - | 5,191 | 3,130 | - | 3,130 |
| | 64,175 | - | 64,175 | 49,122 | - | 49,122 |
| Other operating income | 18,138 | - | 18,138 | 14,440 | - | 14,440 |

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| | | | | | |
|---|-----------|-----------|----------|----------|-------------|
| Corporate overhead costs allocable to discontinued operations | - | - | - | (1,343) | - |
| <hr/> | | | | | |
| TOTAL OPERATING INCOME | 190,781 | - | 190,781 | 157,716 | (7,645) |
| OTHER INCOME (EXPENSE) | | | | | |
| Interest expense | (54,360) | - | (54,360) | (60,021) | - |
| Income from unconsolidated cellular entity | 1,736 | - | 1,736 | 1,492 | - |
| Other income and expense | (1,076) | - | (1,076) | (573) | - |
| Income tax expense | (46,102) | 2,527 (1) | (48,629) | (34,025) | 2,676 (3) |
| <hr/> | | | | | |
| INCOME FROM CONTINUING OPERATIONS | 90,979 | 2,527 | 88,452 | 64,589 | (4,969) |
| DISCONTINUED OPERATIONS, NET OF TAX | - | - | - | 543,160 | 531,625 (4) |
| <hr/> | | | | | |
| NET INCOME | \$ 90,979 | 2,527 | 88,452 | 607,749 | 526,656 |
| <hr/> | | | | | |
| BASIC EARNINGS PER SHARE | | | | | |
| From continuing operations | \$ 0.63 | 0.02 | 0.61 | 0.46 | (0.04) |
| From discontinued operations | \$ - | - | - | 3.83 | 3.75 |
| Basic earnings per share | \$ 0.63 | 0.02 | 0.61 | 4.29 | 3.72 |
| DILUTED EARNINGS PER SHARE | | | | | |
| From continuing operations | \$ 0.63 | 0.02 | 0.61 | 0.45 | (0.03) |
| From discontinued operations | \$ - | - | - | 3.80 | 3.72 |
| Diluted earnings per share | \$ 0.63 | 0.02 | 0.61 | 4.26 | 3.69 |
| SHARES OUTSTANDING | | | | | |
| Basic | 143,897 | | 143,897 | 141,692 | |
| Diluted | 145,171 | | 145,171 | 142,770 | |
| DIVIDENDS PER COMMON SHARE | \$ 0.0550 | | 0.0550 | 0.0525 | |

NONRECURRING ITEMS

- (1) - Net out of period income tax adjustments.
- (2) - Reserve for refunds of access charges to interexchange carriers.
- (3) - Tax effect of item (2).
- (4) - Gain on sale of wireless operations (\$551.4 million after tax), net of write down of wireless portion of billing system (\$19.8 million after tax).

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CenturyTel, Inc.
 CONSOLIDATED STATEMENTS OF INCOME
 NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002
 (UNAUDITED)

| In thousands, except per share amounts | Nine months ended September 30, 2003 | | | Nine months ended September 30, 2002 | | |
|---|--------------------------------------|------------------------------------|--|--------------------------------------|------------------------------------|---|
| | As reported | Less non- recurring items | As adjusted excluding non- recurring items | As reported | Less non- recurring items | As adjusted excluding non- recurring items |
| TELEPHONE OPERATIONS | | | | | | |
| Operating revenues | | | | | | |
| Local service | \$ 565,599 | - | 565,599 | 418,332 | - | - |
| Network access | 845,999 | - | 845,999 | 686,325 | (7,645) | (3) |
| Other | 136,191 | - | 136,191 | 109,508 | - | - |
| | 1,547,789 | - | 1,547,789 | 1,214,165 | (7,645) | - |
| Operating expenses | | | | | | |
| Plant operations | 378,587 | - | 378,587 | 305,230 | - | - |
| Customer operations | 124,068 | - | 124,068 | 103,484 | - | - |
| Corporate and other | 189,284 | (4,959) | 194,243 | 155,269 | 15,000 | (4) |
| Depreciation and amortization | 337,250 | - | 337,250 | 283,886 | - | - |
| | 1,029,189 | (4,959) | 1,034,148 | 847,869 | 15,000 | - |
| Telephone operating income | 518,600 | 4,959 | 513,641 | 366,296 | (22,645) | - |
| OTHER OPERATIONS | | | | | | |
| Operating revenues | | | | | | |
| Long distance | 130,968 | - | 130,968 | 105,871 | - | - |
| Internet | 58,345 | - | 58,345 | 42,263 | - | - |
| Other | 37,328 | - | 37,328 | 23,818 | - | - |
| | 226,641 | - | 226,641 | 171,952 | - | - |
| Operating expenses | | | | | | |
| Cost of sales and other | 166,896 | - | 166,896 | 130,818 | - | - |
| Depreciation and amortization | 14,410 | - | 14,410 | 9,859 | - | - |
| | 181,306 | - | 181,306 | 140,677 | - | - |
| Other operating income | 45,335 | - | 45,335 | 31,275 | - | - |
| Corporate overhead costs allocable to discontinued operations | - | - | - | (11,275) | - | - |
| TOTAL OPERATING INCOME | 563,935 | 4,959 | 558,976 | 386,296 | (22,645) | - |

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| | | | | | |
|--|------------|---------|-----------|-----------|-------------|
| OTHER INCOME (EXPENSE) | | | | | |
| Interest expense | (165,909) | - | (165,909) | (164,826) | - |
| Income from unconsolidated cellular entity | 4,895 | - | 4,895 | 3,852 | - |
| Nonrecurring gains and losses | - | - | - | 3,709 | 3,709 (5) |
| Other income and expense | (1,034) | - | (1,034) | (356) | (3,000) (6) |
| Income tax expense | (139,622) | 791 (2) | (140,413) | (79,487) | 7,678 (7) |
| <hr/> | | | | | |
| INCOME FROM CONTINUING OPERATIONS | 262,265 | 5,750 | 256,515 | 149,188 | (14,258) |
| | | | | | |
| DISCONTINUED OPERATIONS, NET OF TAX | - | - | - | 608,091 | 531,625 (8) |
| <hr/> | | | | | |
| NET INCOME | \$ 262,265 | 5,750 | 256,515 | 757,279 | 517,367 |
| <hr/> | | | | | |
| BASIC EARNINGS PER SHARE | | | | | |
| From continuing operations | \$ 1.83 | 0.04 | 1.79 | 1.05 | (0.10) |
| From discontinued operations | \$ - | - | - | 4.30 | 3.76 |
| Basic earnings per share | \$ 1.83 | 0.04 | 1.79 | 5.36 | 3.66 |
| | | | | | |
| DILUTED EARNINGS PER SHARE | | | | | |
| From continuing operations | \$ 1.82 | 0.04 | 1.78 | 1.05 | (0.10) |
| From discontinued operations | \$ - | - | - | 4.26 | 3.73 |
| Diluted earnings per share | \$ 1.82 | 0.04 | 1.78 | 5.31 | 3.63 |
| | | | | | |
| SHARES OUTSTANDING | | | | | |
| Basic | 143,370 | | 143,370 | 141,324 | |
| Diluted | 144,481 | | 144,481 | 142,710 | |
| | | | | | |
| DIVIDENDS PER COMMON SHARE | \$ 0.1650 | | 0.1650 | 0.1575 | |

NONRECURRING ITEMS

- (1) - Partial recovery of amounts previously written off in connection with WorldCom bankruptcy. See Note 4.
- (2) - Net out of period income tax adjustments (\$2.5 million credit), net of tax expense effect of item (1).
- (3) - Reserve for refunds of access charges to interexchange carriers.
- (4) - Reserve for uncollectible receivables, primarily WorldCom.
- (5) - Gain on sale of PCS license.
- (6) - Costs to defend unsolicited takeover proposal.
- (7) - Tax effect of items (3) through (6).
- (8) - Gain on sale of wireless operations (\$551.4 million after-tax), net of write down of wireless portion of billing system (\$19.8 million after-tax).

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SEPTEMBER 30, 2003 AND DECEMBER 31, 2002
(UNAUDITED)

| | Sept. 30, 2003 | Dec. 31, 2002 | |
|--|-------------------|------------------|--|
| | | ----- | |
| (in thousands) | | | |
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 157,944 | 3,661 | |
| Other current assets | 265,057 | 292,241 | |
| | ----- | ----- | |
| Total current assets | 423,001 | 295,902 | |
| | ----- | ----- | |
| PROPERTY, PLANT AND EQUIPMENT | | | |
| Telephone | 6,536,888 | 6,347,900 | |
| Other | 566,045 | 521,292 | |
| Accumulated depreciation | (3,647,723) | (3,337,547) | |
| | ----- | ----- | |
| Net property, plant and equipment | 3,455,210 | 3,531,645 | |
| | ----- | ----- | |
| INVESTMENTS AND OTHER ASSETS | | | |
| Goodwill | 3,429,479 | 3,427,281 | |
| Other | 504,131 | 515,580 | |
| | ----- | ----- | |
| Total investments and other assets | 3,933,610 | 3,942,861 | |
| | ----- | ----- | |
| TOTAL ASSETS | \$ 7,811,821 | 7,770,408 | |
| | ===== | ===== | |
| LIABILITIES AND EQUITY | | | |
| CURRENT LIABILITIES | | | |
| Current maturities of long-term debt | \$ 115,167 | 70,737 | |
| Other current liabilities | 419,850 | 317,367 | |
| | ----- | ----- | |
| Total current liabilities | 535,017 | 388,104 | |
| | ----- | ----- | |
| LONG-TERM DEBT | 3,119,378 | 3,578,132 | |
| DEFERRED CREDITS AND OTHER LIABILITIES | 795,853 | 716,168 | |
| STOCKHOLDERS' EQUITY | 3,361,573 | 3,088,004 | |
| | ----- | ----- | |
| TOTAL LIABILITIES AND EQUITY | \$ 7,811,821 | 7,770,408 | |
| | ===== | ===== | |

CAPITAL EXPENDITURES
NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

| | Nine months ended September 30, 2003 | September 30, 2002 | Increase (decrease) |
|----------------|---|-----------------------|------------------------|
| | | ----- | |
| (in thousands) | | | |
| | ----- | ----- | ----- |

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CAPITAL EXPENDITURES

| | | | | |
|------------------------------------|----|---------|---------|----------|
| Telephone | \$ | 216,448 | 221,327 | (2.2%) |
| Wireless (discontinued operations) | | - | 27,242 | (100.0%) |
| Other | | 40,011 | 49,447 | (19.1%) |
| <hr/> | | | | |
| Total capital expenditures | \$ | 256,459 | 298,016 | (13.9%) |
| <hr/> | | | | |

CAPITAL EXPENDITURES
THREE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

| | | Three months ended September 30, 2003 | 2002 | Increase (decrease) |
|------------------------------------|----|--|--------|------------------------|
| <hr/> | | | | |
| (in thousands) | | | | |
| CAPITAL EXPENDITURES | | | | |
| Telephone | \$ | 85,050 | 75,505 | 12.6% |
| Wireless (discontinued operations) | | - | 6,978 | (100.0%) |
| Other | | 17,151 | 16,235 | 5.6% |
| <hr/> | | | | |
| Total capital expenditures | \$ | 102,201 | 98,718 | 3.5% |
| <hr/> | | | | |

CenturyTel, Inc.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

| | | Three months ended September 30, 2003 | | | Three m |
|--|----|---------------------------------------|------------------------------------|--|-------------|
| | | As reported | Less non- recurring items | As adjusted excluding non- recurring items | As repor |
| <hr/> | | | | | |
| Consolidated operating cash flow from continuing operations and cash flow margin | | | | | |
| Operating income | \$ | 190,781 | - | 190,781 | 157 |
| Add: Depreciation and amortization | | 116,857 | - | 116,857 | 107 |
| <hr/> | | | | | |
| Consolidated operating cash flow from continuing operations | \$ | 307,638 | - | 307,638 | 265 |
| <hr/> | | | | | |
| Revenues from continuing operations | \$ | 603,752 | - | 603,752 | 524 |
| <hr/> | | | | | |
| Consolidated cash flow margin (operating cash flow divided by revenues) | | 51.0% | | 51.0% | 5 |
| <hr/> | | | | | |
| Telephone operating cash flow, operating income margin and cash flow margin | | | | | |
| Telephone operating income | \$ | 172,643 | - | 172,643 | 144 |
| Add: Depreciation and amortization | | 111,666 | - | 111,666 | 104 |

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| | | | | | |
|---|----|-----------|-----------|-----------|-------|
| Telephone operating cash flow | \$ | 284,309 | - | 284,309 | 249 |
| Telephone revenues | \$ | 521,439 | - | 521,439 | 460 |
| Telephone operating income margin (operating income divided by revenues) | | 33.1% | | 33.1% | 3 |
| Telephone cash flow margin (operating cash flow divided by revenues) | | 54.5% | | 54.5% | 5 |
| Other Operations operating cash flow, operating income margin and cash flow margin | | | | | |
| Other Operations operating income | \$ | 18,138 | - | 18,138 | 14 |
| Add: Depreciation and amortization | | 5,191 | - | 5,191 | 3 |
| Other Operations operating cash flow | \$ | 23,329 | - | 23,329 | 17 |
| Other Operations revenues | \$ | 82,313 | - | 82,313 | 63 |
| Other Operations operating income margin (operating income divided by revenues) | | 22.0% | | 22.0% | 2 |
| Other Operations cash flow margin (operating cash flow divided by revenues) | | 28.3% | | 28.3% | 2 |
| Free cash flow (prior to debt service requirements) | | | | | |
| Net income | \$ | 90,979 | 2,527 (1) | 88,452 | 607 |
| Add: Depreciation and amortization | | 116,857 | - | 116,857 | 107 |
| Less: Capital expenditures (4) | | (102,201) | - | (102,201) | (98) |
| Free cash flow | \$ | 105,635 | 2,527 | 103,108 | 616 |
| Free cash flow | \$ | 105,635 | | | 616 |
| Income from discontinued operations, net of tax | | - | | | (543) |
| Income from unconsolidated cellular entity | | (1,736) | | | (1) |
| Deferred income taxes | | 24,181 | | | 14 |
| Changes in current assets and current liabilities | | 12,604 | | | 32 |
| Increase in other noncurrent assets | | (6,779) | | | (9) |
| Increase in other noncurrent liabilities | | (1,277) | | | 19 |
| Other, net | | 14,520 | | | 29 |
| Add: capital expenditures | | 102,201 | | | 98 |
| Net cash provided by operating activities from continuing operations | \$ | 249,349 | | | 256 |

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- (1) Net out of period income tax adjustments.
- (2) Reserve for refunds of access charges to interexchange carriers.
- (3) Gain on sale of wireless operations (\$551.4 million after tax), net of write down of wireless portion of billing system (\$19.8 million after tax) and reserve for refunds of access charges to interexchange carriers (\$5.0 million after tax).
- (4) Includes discontinued operations for 2002.

CenturyTel, Inc.
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

| | Nine months ended September 30, 2003 | | | Nine m |
|--|--------------------------------------|--------------------------|---|--------|
| | As reported | Less non-recurring items | As adjusted excluding non-recurring items | |
| ----- | | | | |
| Consolidated operating cash flow from continuing operations and cash flow margin | | | | |
| Operating income | \$ 563,935 | 4,959 (1) | 558,976 | 386 |
| Add: Depreciation and amortization | 351,660 | - | 351,660 | 293 |
| | ----- | | | ----- |
| Consolidated operating cash flow from continuing operations | \$ 915,595 | 4,959 | 910,636 | 680 |
| | ===== | | | ===== |
| Revenues from continuing operations | \$ 1,774,430 | - | 1,774,430 | 1,386 |
| | ===== | | | ===== |
| Consolidated cash flow margin (operating cash flow divided by revenues) | 51.6% | | 51.3% | 4 |
| | ===== | | | ===== |
| Telephone operating cash flow, operating income margin and cash flow margin | | | | |
| Telephone operating income | \$ 518,600 | 4,959 (1) | 513,641 | 366 |
| Add: Depreciation and amortization | 337,250 | - | 337,250 | 283 |
| | ----- | | | ----- |
| Telephone operating cash flow | \$ 855,850 | 4,959 | 850,891 | 650 |
| | ===== | | | ===== |
| Telephone revenues | \$ 1,547,789 | - | 1,547,789 | 1,214 |
| | ===== | | | ===== |
| Telephone operating income margin (operating income divided by revenues) | 33.5% | | 33.2% | 3 |
| | ===== | | | ===== |
| Telephone cash flow margin (operating cash flow divided by revenues) | 55.3% | | 55.0% | 5 |
| | ===== | | | ===== |
| Other Operations operating cash flow, operating income margin and cash flow margin | | | | |

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| | | | | | |
|--|----|-----------|-----------|-----------|-------|
| Other Operations operating income | \$ | 45,335 | - | 45,335 | 31 |
| Add: Depreciation and amortization | | 14,410 | - | 14,410 | 9 |
| <hr/> | | | | | |
| Other Operations operating cash flow | \$ | 59,745 | - | 59,745 | 41 |
| <hr/> | | | | | |
| Other Operations revenues | \$ | 226,641 | - | 226,641 | 171 |
| <hr/> | | | | | |
| Other Operations operating income margin (operating income divided by revenues) | | 20.0% | | 20.0% | 1 |
| <hr/> | | | | | |
| Other Operations cash flow margin (operating cash flow divided by revenues) | | 26.4% | | 26.4% | 2 |
| <hr/> | | | | | |
| Free cash flow (prior to debt service requirements) | | | | | |
| Net income | \$ | 262,265 | 5,750 (2) | 256,515 | 757 |
| Add: Depreciation and amortization (6) | | 351,660 | - | 351,660 | 306 |
| Less: Capital expenditures (6) | | (256,459) | - | (256,459) | (298) |
| <hr/> | | | | | |
| Free cash flow | \$ | 357,466 | 5,750 | 351,716 | 765 |
| <hr/> | | | | | |
| Free cash flow | \$ | 357,466 | | | 765 |
| Income from discontinued operations, net of tax | | - | | | (608) |
| Less: depreciation and amortization of discontinued operations | | - | | | (12) |
| Nonrecurring gains and losses | | - | | | (3) |
| Income from unconsolidated cellular entity | | (4,895) | | | (3) |
| Deferred income taxes | | 68,022 | | | 43 |
| Changes in current assets and current liabilities | | 128,547 | | | 104 |
| Increase in other noncurrent assets | | (18,280) | | | (23) |
| Increase in other noncurrent liabilities | | 7,047 | | | 31 |
| Other, net | | 34,056 | | | 43 |
| Add: capital expenditures | | 256,459 | | | 298 |
| <hr/> | | | | | |
| Net cash provided by operating activities from continuing operations | \$ | 828,422 | | | 635 |
| <hr/> | | | | | |

- (1) Partial recovery of amounts previously written off in connection with WorldCom bankruptcy. See Note 3.
- (2) Net out of period income tax adjustments (\$2.5 million credit), and after tax effect of item (1).
- (3) Reserve for refunds of access charges to interexchange carriers (\$7.6 million) and reserve for uncollectible receivables, primarily WorldCom (\$15.0 million).
- (4) Reserve for refunds of access charges to interexchange carriers.
- (5) Includes gain on sale of wireless operations (\$551.4 million after tax) and gain on sale of a PCS license (\$2.4 million after tax). Such favorable items were partially offset by unfavorable charges for reserve for refunds of access charges to interexchange carriers (\$5.0 million after tax), reserve for uncollectible receivables, primarily

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WorldCom (\$9.8 million after tax), costs to defend unsolicited takeover proposal (\$2.0 million after tax) and write down of wireless portion of billing system (\$19.8 million after tax).

(6) Includes discontinued operations for 2002.

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.

CenturyTel, Inc.

October 30, 2003

By: /s/ Neil A. Sweasy

Neil A. Sweasy
Vice President and Controller