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CENTURYTEL INC  
Form 8-K  
January 29, 2004

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) January 29, 2004

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

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ITEM 12. Results of Operations and Financial Condition

The following information, except for our forecasts for the upcoming quarter and for 2004 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filed by us under the Securities Act of 1933, as amended, except to the extent that such incorporated information is superceded by information as of a subsequent date that is included in or incorporated by reference into any such registration statement.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 January 29, 2004, we issued a press release announcing our fourth quarter 2003 consolidated operating results. More complete information on our operating results will be included in our Annual Report on Form 10-K for the year ended December 31, 2003, which we expect to file shortly with the Securities and Exchange Commission. The entire text of our January 29, 2004 press release is reproduced below:

FOR IMMEDIATE RELEASE  
January 29, 2004

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### CenturyTel Announces Fourth Quarter 2003 Earnings

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

- o Revenues, excluding nonrecurring items, increased 3.2% to \$604.8 million from \$585.9 million, while GAAP revenues increased 3.5% to \$606.3 million from \$585.9 million.
- o Operating cash flow (as defined in the attached financial schedules), excluding nonrecurring items, rose 0.8% to \$311.4 million.
- o Net income, excluding nonrecurring items, grew 4.9% to \$89.3 million. Reported under GAAP, net income was \$82.4 million.
- o Diluted earnings per share, excluding nonrecurring items, increased 3.4% to \$.61, while GAAP diluted earnings per share was \$.57 in fourth quarter 2003.
- o Free cash flow (as defined in the attached financial schedules), excluding nonrecurring items, was \$86.8 million in fourth quarter 2003.

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| Fourth Quarter Highlights (1)<br>(In thousands, except per share<br>and customer amounts) | Quarter Ended<br>12/31/03 | Quarter Ended<br>12/31/02 | % Change |
|---|---------------------------|---------------------------|----------|
| Revenues  | \$ 604,815                | \$ 585,879                | 3.2%     |
| Operating Cash Flow   | \$ 311,442                | \$ 308,920                | 0.8%     |
| Net Income  | \$ 89,267                 | \$ 85,074                 | 4.9%     |
| Diluted Earnings Per Share  | \$ .61                    | \$ .59                    | 3.4%     |
| Average Diluted Shares Outstanding  | 145,354                   | 143,380                   | 1.4%     |
| Telephone Revenues  | \$ 522,691                | \$ 519,427                | 0.6%     |
| Other Operations Revenues   | \$ 82,124                 | \$ 66,452                 | 23.6%    |
| Telephone Access Lines  | 2,376,118                 | 2,414,564                 | (1.6)%   |
| Long Distance Customers   | 769,766                   | 648,797                   | 18.6%    |

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(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.

"During 2003, CenturyTel achieved revenue and earnings growth in a very challenging industry environment," Glen F. Post, III, chairman and chief executive officer, said. "Record cash flows generated in 2003 provided the financial liquidity for CenturyTel to reduce debt by more than \$467 million and strengthen our cash position by nearly \$200 million."

Consolidated revenues for the fourth quarter, excluding nonrecurring items, rose 3.2% to \$604.8 million from \$585.9 million. Operating cash flow, excluding nonrecurring items, grew to \$311.4 million from \$308.9 million. The Company achieved a consolidated cash flow margin, excluding nonrecurring items, of 51.5% for fourth quarter 2003. Net income for the quarter, excluding nonrecurring items, increased 4.9% to \$89.3 million from \$85.1 million in fourth quarter 2002. Diluted earnings per share, excluding nonrecurring items, increased 3.4%

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to \$.61 from \$.59.

Telephone revenues for the fourth quarter, excluding nonrecurring items, reached \$522.7 million compared to \$519.4 million in fourth quarter 2002. Growth in enhanced calling features and intrastate access revenues was partially offset by declines in intrastate toll usage and access lines. Telephone operating income, excluding nonrecurring items, was \$175.5 million while telephone operating cash flow, excluding nonrecurring items, was \$289.1 million. Excluding nonrecurring items, CenturyTel's fourth quarter 2003 telephone operating cash flow margin was 55.3% while the operating income margin was 33.6%.

Other operations revenues grew 23.6% to \$82.1 million during fourth quarter 2003, compared with \$66.5 million in fourth quarter 2002. CenturyTel's long distance revenues increased 5.5% to \$42.9 million. Internet revenues increased 31.6% to \$21.6 million in fourth quarter 2003 from \$16.4 million in fourth quarter 2002. CenturyTel now serves nearly 770,000 long distance customers and more than 83,000 DSL customers, adding more than 24,500 and 7,100 customers, respectively, during the quarter. Fiber transport revenues increased \$7.4 million, primarily due to the June 2003 acquisition of fiber assets from Digital Teleport, Inc.

For the year 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 \$2.379 billion from \$1.980 billion for the same period in 2002, a 20.2% increase. Operating cash flow from continuing operations, excluding nonrecurring items, was \$1.222 billion for 2003 compared to \$1.012 billion a year ago, a 20.8% increase. Income from continuing operations, excluding nonrecurring items, increased 39.1% to \$345.8 million from \$248.5 million in 2002.

"Customer demand for long distance and Internet services continued to drive solid revenue growth of nearly \$49 million in 2003 as long distance customers grew nearly 19% and DSL customers grew more than 58%. We believe the development of our integrated bundle during 2004 will stimulate further demand for services," Post said.

Under generally accepted accounting principles (GAAP), the Company's fourth quarter 2003 net income was \$82.4 million compared to \$44.3 million in 2002, while diluted earnings per share was \$.57 for fourth quarter 2003 compared to \$.31 in fourth quarter 2002. Net income in fourth quarter 2003 reflects an \$8.8 million after-tax charge associated with various operating tax audits and an after-tax benefit of \$2.0 million related to professional fees previously accrued. Net income in fourth quarter 2002 included a \$39.0 million after-tax charge associated with the redemption of \$400 million Series I remarketable senior notes. See the accompanying financial information for additional nonrecurring items that affected the fourth quarters and full years of 2003 and 2002.

For the year 2003, prepared in accordance with GAAP, the Company reported net income of \$344.7 million, or \$2.38 per diluted share, compared to net income of \$801.6 million, or \$5.61 per diluted share for the year 2002. The 2002 results included a \$551.4 million after-tax gain, or \$3.86 per diluted share, from the sale of the Company's wireless operations in third quarter 2002.

Guidance for 2004. CenturyTel anticipates a decline in 2004 telephone revenues primarily due to lower intrastate toll usage, lower cost study adjustments, lower universal service funding and access line declines. Giving effect to these revenue declines, the incremental amortization expense, conversion and operating costs related to the new billing and customer care system, and an expected increase in the Company's effective income tax rate to 38.5% primarily due to state income taxes, CenturyTel expects full year 2004

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diluted earnings per share to be in the range of \$2.05 to \$2.20.

For first quarter 2004, CenturyTel expects total revenues of \$585 to \$600 million and diluted earnings per share of \$.49 to \$.53.

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 in identifying 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](http://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 timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; 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; 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; other risks referenced from time to time in the Company's filings with the Securities and Exchange Commission; and the effects of more general factors such as changes in interest rates, in accounting policies or practices, in operating, medical or administrative costs, in general market, labor 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 January 29, 2004. The Company undertakes no obligation to update any of its forward-looking statements.

CenturyTel's management will host a conference call at 11:00 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 1:00 p.m. CST, February 5, 2004, 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](http://www.centurytel.com)

CenturyTel, Inc. provides communications services including local, long distance, Internet access and data services to more than 3 million customers in

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22 states. The company, headquartered in Monroe, Louisiana, is publicly traded 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](http://www.centurytel.com).

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CenturyTel, Inc.  
CONSOLIDATED STATEMENTS OF INCOME  
THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002  
(UNAUDITED)

| In thousands, except<br>per share amounts | Three months ended December 31, 2003 |                                    |  | Three months ended December 31, |                                    |  |
|---|--------------------------------------|------------------------------------|--|---------------------------------|------------------------------------|--|
|   | As<br>reported                       | Less<br>non-<br>recurring<br>items | As adjusted<br>excluding<br>non-<br>recurring<br>items | As<br>reported                  | Less<br>non-<br>recurring<br>items | As adjus<br>excludin<br>non-<br>recurri<br>items |
| <b>TELEPHONE OPERATIONS</b>               |                                      |                                    |  |                                 |                                    |  |
| Operating revenues                        |                                      |                                    |  |                                 |                                    |  |
| Local service                             | \$ 188,464                           | -                                  | 188,464  | 186,248                         | -                                  | 186,248  |
| Network access                            | 289,224                              | 1,500 (1)                          | 287,724  | 285,978                         | -                                  | 285,978  |
| Other                                     | 46,503                               | -                                  | 46,503   | 47,201                          | -                                  | 47,201   |
|   | 524,191                              | 1,500                              | 522,691  | 519,427                         | -                                  | 519,427  |
| Operating expenses                        |                                      |                                    |  |                                 |                                    |  |
| Plant operations                          | 127,199                              | -                                  | 127,199  | 127,957                         | -                                  | 127,957  |
| Customer operations                       | 43,526                               | -                                  | 43,526   | 45,018                          | -                                  | 45,018   |
| Corporate and other                       | 70,351                               | 7,500 (1)                          | 62,851   | 56,655                          | -                                  | 56,655   |
| Depreciation and<br>amortization          | 113,601                              | -                                  | 113,601  | 112,980                         | -                                  | 112,980  |
|   | 354,677                              | 7,500                              | 347,177  | 342,610                         | -                                  | 342,610  |
| Telephone operating<br>income             | 169,514                              | (6,000)                            | 175,514  | 176,817                         | -                                  | 176,817  |
| <b>OTHER OPERATIONS</b>                   |                                      |                                    |  |                                 |                                    |  |
| Operating revenues                        |                                      |                                    |  |                                 |                                    |  |
| Long distance                             | 42,916                               | -                                  | 42,916   | 40,665                          | -                                  | 40,665   |
| Internet                                  | 21,588                               | -                                  | 21,588   | 16,402                          | -                                  | 16,402   |
| Other                                     | 17,620                               | -                                  | 17,620   | 9,385                           | -                                  | 9,385  |
|   | 82,124                               | -                                  | 82,124   | 66,452                          | -                                  | 66,452   |
| Operating expenses                        |                                      |                                    |  |                                 |                                    |  |
| Cost of sales and<br>other                | 59,797                               | -                                  | 59,797   | 49,258                          | 1,929 (4)                          | 47,329   |
| Depreciation and<br>amortization          | 5,380                                | -                                  | 5,380  | 4,901                           | -                                  | 4,901  |
|   | 65,177                               | -                                  | 65,177   | 54,159                          | 1,929                              | 52,230   |
| Other operating income                    | 16,947                               | -                                  | 16,947   | 12,293                          | (1,929)                            | 10,364   |

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|  |           |             |          |          |              |      |
|--|-----------|-------------|----------|----------|--------------|------|
| TOTAL OPERATING INCOME                     | 186,461   | (6,000)     | 192,461  | 189,110  | (1,929)      | 191  |
| OTHER INCOME (EXPENSE)                     |           |             |          |          |              |      |
| Interest expense                           | (60,842)  | (7,500) (1) | (53,342) | (57,019) | -            | (57) |
| Income from unconsolidated cellular entity | 1,265     | -           | 1,265    | 1,730    | -            | 1    |
| Other income and expense                   | 3,188     | 3,000 (2)   | 188      | (63,458) | (60,730) (5) | (2)  |
| Income tax expense                         | (47,630)  | 3,675 (3)   | (51,305) | (26,018) | 21,930 (6)   | (47) |
| NET INCOME                                 | \$ 82,442 | (6,825)     | 89,267   | 44,345   | (40,729)     | 85   |
| BASIC EARNINGS PER SHARE                   | \$ 0.57   | (0.05)      | 0.62     | 0.31     | (0.29)       |      |
| DILUTED EARNINGS PER SHARE                 | \$ 0.57   | (0.05)      | 0.61     | 0.31     | (0.28)       |      |
| SHARES OUTSTANDING                         |           |             |          |          |              |      |
| Basic                                      | 144,204   |             | 144,204  | 142,465  |              | 142  |
| Diluted                                    | 145,354   |             | 145,354  | 143,380  |              | 143  |
| DIVIDENDS PER COMMON SHARE                 | \$ 0.0550 |             | 0.0550   | 0.0525   |              | 0.   |

NONRECURRING ITEMS

- (1) - Operating taxes, including related revenue effect, and interest associated with various operating tax audits.
- (2) - Reversal of costs previously accrued to defend unsolicited takeover proposal.
- (3) - Tax effect of items (1) and (2).
- (4) - Write-off costs associated with abandoned project.
- (5) - Redemption premium on remarketable notes, net of unamortized premium (\$59.9 million), and write-off of nonoperating investment (\$781,000).
- (6) - Tax effect of items (4) and (5).

CenturyTel, Inc.

CONSOLIDATED STATEMENTS OF INCOME  
TWELVE MONTHS ENDED DECEMBER 31, 2003 AND 2002  
(UNAUDITED)

| In thousands, except per share amounts | Twelve months ended December 31, 2003 |                          |   | Twelve months ended December 31, 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                          | \$ 754,063                            | -                        | 754,063                                   | 604,580                               | -                        | 604,580                                   |
| Network access                         | 1,135,223                             | 1,500 (1)                | 1,133,723                                 | 972,303                               | (7,645) (4)              | 964,658                                   |
| Other                                  | 182,694                               | -                        | 182,694                                   | 156,709                               | -                        | 156,709                                   |
|  | 2,071,980                             | 1,500                    | 2,070,480                                 | 1,733,592                             | (7,645)                  | 1,725,947                                 |

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|   |            |             |           |           |              |      |
|---|------------|-------------|-----------|-----------|--------------|------|
| Operating expenses  |            |             |           |           |              |      |
| Plant operations  | 505,786    | -           | 505,786   | 433,187   |              | 43   |
| Customer operations   | 167,594    | -           | 167,594   | 148,502   | -            | 14   |
| Corporate and other   | 259,635    | 2,541 (1)   | 257,094   | 211,924   | 15,000 (5)   | 19   |
| Depreciation and amortization                                 | 450,851    | -           | 450,851   | 396,866   | -            | 39   |
|   | 1,383,866  | 2,541       | 1,381,325 | 1,190,479 | 15,000       | 1,17 |
| Telephone operating income                                    | 688,114    | (1,041)     | 689,155   | 543,113   | (22,645)     | 56   |
| OTHER OPERATIONS  |            |             |           |           |              |      |
| Operating revenues  |            |             |           |           |              |      |
| Long distance   | 173,884    | -           | 173,884   | 146,536   | -            | 14   |
| Internet  | 79,933     | -           | 79,933    | 58,665    | -            | 5    |
| Other   | 54,948     | -           | 54,948    | 33,203    | -            | 3    |
|   | 308,765    | -           | 308,765   | 238,404   | -            | 23   |
| Operating expenses  |            |             |           |           |              |      |
| Cost of sales and other                                       | 226,693    | -           | 226,693   | 180,076   | 1,929 (6)    | 17   |
| Depreciation and amortization                                 | 19,790     | -           | 19,790    | 14,760    | -            | 1    |
|   | 246,483    | -           | 246,483   | 194,836   | 1,929        | 19   |
| Other operating income  | 62,282     | -           | 62,282    | 43,568    | (1,929)      | 4    |
| Corporate overhead costs allocable to discontinued operations | -          | -           | -         | (11,275)  | -            | (1)  |
| TOTAL OPERATING INCOME  | 750,396    | (1,041)     | 751,437   | 575,406   | (24,574)     | 59   |
| OTHER INCOME (EXPENSE)  |            |             |           |           |              |      |
| Interest expense  | (226,751)  | (7,500) (1) | (219,251) | (221,845) | -            | (22) |
| Income from unconsolidated cellular entity                    | 6,160      | -           | 6,160     | 5,582     | -            |      |
| Nonrecurring gains and losses                                 | -          | -           | -         | 3,709     | 3,709 (7)    |      |
| Other income and expense                                      | 2,154      | 3,000 (2)   | (846)     | (63,814)  | (63,730) (8) |      |
| Income tax expense  | (187,252)  | 4,466 (3)   | (191,718) | (105,505) | 29,608 (9)   | (13) |
| INCOME FROM CONTINUING OPERATIONS                             | 344,707    | (1,075)     | 345,782   | 193,533   | (54,987)     | 24   |
| DISCONTINUED OPERATIONS, NET OF TAX                           | -          | -           | -         | 608,091   | 531,625 (10) | 7    |
| NET INCOME  | \$ 344,707 | (1,075)     | 345,782   | 801,624   | 476,638      | 32   |
| BASIC EARNINGS PER SHARE                                      |            |             |           |           |              |      |
| From continuing   |            |             |           |           |              |      |

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|                              |    |         |        |         |         |        |
|------------------------------|----|---------|--------|---------|---------|--------|
| operations                   | \$ | 2.40    | (0.01) | 2.41    | 1.36    | (0.39) |
| From discontinued operations | \$ | -       | -      | -       | 4.29    | 3.75   |
| Basic earnings per share     | \$ | 2.40    | (0.01) | 2.41    | 5.66    | 3.37   |
| DILUTED EARNINGS PER SHARE   |    |         |        |         |         |        |
| From continuing operations   | \$ | 2.38    | (0.01) | 2.39    | 1.35    | (0.38) |
| From discontinued operations | \$ | -       | -      | -       | 4.26    | 3.72   |
| Diluted earnings per share   | \$ | 2.38    | (0.01) | 2.39    | 5.61    | 3.34   |
| SHARES OUTSTANDING           |    |         |        |         |         |        |
| Basic                        |    | 143,583 |        | 143,583 | 141,613 | 14     |
| Diluted                      |    | 144,700 |        | 144,700 | 142,879 | 14     |
| DIVIDENDS PER COMMON SHARE   |    |         |        |         |         |        |
|                              | \$ | 0.2200  |        | 0.2200  | 0.2100  | 0      |

NONRECURRING ITEMS

- (1) - Includes (i) operating taxes (\$7.5 million), net of related revenue effect (\$1.5 million), and interest cost (\$7.5 million) associated with various operating tax audits and (ii) partial recovery of amounts previously written off in connection with WorldCom bankruptcy (\$4.9 million; see Note 5).
- (2) - Reversal of costs previously accrued to defend unsolicited takeover proposal.
- (3) - Net out of period income tax adjustments (\$2.5 million credit), net of tax effect of items (1) and (2).
- (4) - Reserve for refunds of access charges to interexchange carriers.
- (5) - Reserve for uncollectible receivables, primarily WorldCom.
- (6) - Write off costs associated with abandoned project.
- (7) - Gain on sale of PCS license.
- (8) - Redemption premium on remarketable notes, net of unamortized premium (\$59.9 million); costs to defend unsolicited takeover proposal (\$3.0 million); and write-off of nonoperating investment (\$781,000).
- (9) - Tax effect of items (4) through (8).
- (10) - 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).

CenturyTel, Inc.  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2003 AND DECEMBER 31, 2002  
(UNAUDITED)

|                           | Dec. 31,<br>2003 | Dec. 31,<br>2002 |
|---------------------------|------------------|------------------|
| -----                     |                  |                  |
| (in thousands)            |                  |                  |
| ASSETS                    |                  |                  |
| CURRENT ASSETS            |                  |                  |
| Cash and cash equivalents | \$ 203,181       | 3,661            |
| Other current assets      | 259,758          | 292,241          |
|                           | -----            |                  |
| Total current assets      | 462,939          | 295,902          |

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|  |              |             |
|--|--------------|-------------|
| -----                                  |              |             |
| PROPERTY, PLANT AND EQUIPMENT          |              |             |
| Telephone                              | 6,596,600    | 6,347,900   |
| Other                                  | 587,555      | 521,292     |
| Accumulated depreciation               | (3,728,674)  | (3,337,547) |
|  | -----        |             |
| Net property, plant and equipment      | 3,455,481    | 3,531,645   |
|  | -----        |             |
| INVESTMENTS AND OTHER ASSETS           |              |             |
| Goodwill                               | 3,425,001    | 3,427,281   |
| Other                                  | 552,431      | 515,580     |
|  | -----        |             |
| Total investments and other assets     | 3,977,432    | 3,942,861   |
|  | -----        |             |
| TOTAL ASSETS                           | \$ 7,895,852 | 7,770,408   |
|  | =====        |             |
|  |              |             |
| LIABILITIES AND EQUITY                 |              |             |
| CURRENT LIABILITIES                    |              |             |
| Current maturities of long-term debt   | \$ 72,453    | 70,737      |
| Other current liabilities              | 398,930      | 317,367     |
|  | -----        |             |
| Total current liabilities              | 471,383      | 388,104     |
|  |              |             |
| LONG-TERM DEBT                         | 3,109,302    | 3,578,132   |
| DEFERRED CREDITS AND OTHER LIABILITIES | 836,651      | 716,168     |
| STOCKHOLDERS' EQUITY                   | 3,478,516    | 3,088,004   |
|  | -----        |             |
| TOTAL LIABILITIES AND EQUITY           | \$ 7,895,852 | 7,770,408   |
|  | =====        |             |

CAPITAL EXPENDITURES  
TWELVE MONTHS ENDED DECEMBER 31, 2003 AND 2002

|                                    | Twelve months ended December 31, |         | Increa  |
|------------------------------------|----------------------------------|---------|---------|
|                                    | 2003                             | 2002    | (decrea |
|                                    | -----                            |         | -----   |
|                                    | (in thousands)                   |         |         |
| CAPITAL EXPENDITURES               |                                  |         |         |
| Telephone                          | \$ 317,357                       | 319,536 | (0      |
| Wireless (discontinued operations) | -                                | 27,242  | (100    |
| Other                              | 60,582                           | 66,731  | (9      |
|                                    | -----                            |         |         |
| Total capital expenditures         | \$ 377,939                       | 413,509 | (8      |
|                                    | =====                            |         |         |

CAPITAL EXPENDITURES  
THREE MONTHS ENDED DECEMBER 31, 2003 AND 2002

|  | Three months ended December 31, |      | Increa  |
|--|---------------------------------|------|---------|
|  | 2003                            | 2002 | (decrea |

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| -----<br>(in thousands)<br>----- |    |         |         |
|----------------------------------|----|---------|---------|
| CAPITAL EXPENDITURES             |    |         |         |
| Telephone                        | \$ | 100,909 | 98,209  |
| Other                            |    | 20,571  | 17,284  |
| -----                            |    |         |         |
| Total capital expenditures       | \$ | 121,480 | 115,493 |
| =====                            |    |         |         |

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

|   | Three months ended December 31, 2003 |                          |   | Three months ended<br>December 31, 2002 |
|---|--------------------------------------|--------------------------|---|---|
|   | As reported                          | Less non-recurring items | As adjusted excluding non-recurring items |   |
| -----   |                                      |                          |   |   |
| Consolidated operating cash flow and cash flow margin                       |                                      |                          |   |   |
| Operating income  | \$ 186,461                           | (6,000) (1)              | 192,461                                   | 189,100                                 |
| Add: Depreciation and amortization  | 118,981                              |                          | 118,981                                   | 117,800                                 |
| -----   |                                      |                          |   |   |
| Consolidated operating cash flow  | \$ 305,442                           | (6,000)                  | 311,442                                   | 306,900                                 |
| =====   |                                      |                          |   |   |
| Revenues  | \$ 606,315                           | 1,500 (1)                | 604,815                                   | 585,800                                 |
| =====   |                                      |                          |   |   |
| Consolidated cash flow margin<br>(operating cash flow divided by revenues)  | 50.4%                                |                          | 51.5%                                     | 52.0%                                   |
| =====   |                                      |                          |   |   |
| Telephone operating cash flow, operating income margin and cash flow margin |                                      |                          |   |   |
| Telephone operating income  | \$ 169,514                           | (6,000) (1)              | 175,514                                   | 176,800                                 |
| Add: Depreciation and amortization  | 113,601                              | -                        | 113,601                                   | 112,900                                 |
| -----   |                                      |                          |   |   |
| Telephone operating cash flow   | \$ 283,115                           | (6,000)                  | 289,115                                   | 289,700                                 |
| =====   |                                      |                          |   |   |
| Telephone revenues  | \$ 524,191                           | 1,500 (1)                | 522,691                                   | 519,400                                 |
| =====   |                                      |                          |   |   |
| Telephone operating income margin<br>(operating income divided by revenues) | 32.3%                                |                          | 33.6%                                     | 34.0%                                   |
| =====   |                                      |                          |   |   |
| Telephone cash flow margin<br>(operating cash flow divided by revenues)     | 54.0%                                |                          | 55.3%                                     | 55.0%                                   |
| =====   |                                      |                          |   |   |

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Other Operations operating cash flow,  
operating income margin and cash  
flow margin

|                                    |    |        |   |        |      |
|------------------------------------|----|--------|---|--------|------|
| Other Operations operating income  | \$ | 16,947 | - | 16,947 | 12,2 |
| Add: Depreciation and amortization |    | 5,380  | - | 5,380  | 4,9  |

|                                      |    |        |   |        |      |
|--------------------------------------|----|--------|---|--------|------|
| Other Operations operating cash flow | \$ | 22,327 | - | 22,327 | 17,1 |
|--------------------------------------|----|--------|---|--------|------|

|                           |    |        |   |        |      |
|---------------------------|----|--------|---|--------|------|
| Other Operations revenues | \$ | 82,124 | - | 82,124 | 66,4 |
|---------------------------|----|--------|---|--------|------|

|   |  |       |  |       |     |
|---|--|-------|--|-------|-----|
| Other Operations operating income margin (operating income divided by revenues) |  | 20.6% |  | 20.6% | 18. |
|---|--|-------|--|-------|-----|

|   |  |       |  |       |     |
|---|--|-------|--|-------|-----|
| Other Operations cash flow margin (operating cash flow divided by revenues) |  | 27.2% |  | 27.2% | 25. |
|---|--|-------|--|-------|-----|

Free cash flow (prior to debt  
service requirements and dividends)

|                                    |    |           |             |           |         |
|------------------------------------|----|-----------|-------------|-----------|---------|
| Net income                         | \$ | 82,442    | (6,825) (2) | 89,267    | 44,3    |
| Add: Depreciation and amortization |    | 118,981   | -           | 118,981   | 117,8   |
| Less: Capital expenditures         |    | (121,480) | -           | (121,480) | (115,4) |

|                |    |        |         |        |      |
|----------------|----|--------|---------|--------|------|
| Free cash flow | \$ | 79,943 | (6,825) | 86,768 | 46,7 |
|----------------|----|--------|---------|--------|------|

|   |    |          |  |  |        |
|---|----|----------|--|--|--------|
| Free cash flow                                      | \$ | 79,943   |  |  | 46,7   |
| Income from unconsolidated cellular entity          |    | (1,265)  |  |  | (1,7)  |
| Deferred income taxes                               |    | 60,684   |  |  | 27,7   |
| Changes in current assets and current liabilities   |    | 32,553   |  |  | (35,3) |
| Increase in other noncurrent assets                 |    | (5,248)  |  |  | (6,9)  |
| Increase (decrease) in other noncurrent liabilities |    | (1,361)  |  |  | 12,9   |
| Retirement benefits                                 |    | (40,336) |  |  | (18,0) |
| Other, net  |    | (6,908)  |  |  | 17,5   |
| Add: capital expenditures                           |    | 121,480  |  |  | 115,4  |

|   |    |         |  |  |       |
|---|----|---------|--|--|-------|
| Net cash provided by operating activities | \$ | 239,542 |  |  | 158,3 |
|---|----|---------|--|--|-------|

- (1) Operating taxes (\$7.5 million), including revenue effect (\$1.5 million), associated with various operating tax audits.
- (2) Includes (i) interest cost (\$4.9 million after-tax) related to operating tax audits; (ii) benefit from reversal of costs previously accrued to defend unsolicited takeover proposal (\$2.0 million after-tax); and (iii) after tax effect of item (1)
- (3) Write off costs associated with abandoned project.
- (4) Redemption premium on remarketable notes, net of unamortized premium (\$39.0 million after tax); write off costs associated with abandoned project (\$1.3 million after tax); and write off of

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nonoperating investment (\$508,000 after tax).

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

|  | Twelve months ended December 31, 2003 |                                    |  | Twelve mo     |
|--|---------------------------------------|------------------------------------|--|---------------|
|  | As<br>reported                        | Less<br>non-<br>recurring<br>items | As adjusted<br>excluding<br>non-<br>recurring<br>items | As<br>reporte |
| Consolidated operating cash flow from continuing operations and cash flow margin   |                                       |                                    |  |               |
| Operating income   | \$ 750,396                            | (1,041) (1)                        | 751,437  | 575,4         |
| Add: Depreciation and amortization   | 470,641                               |                                    | 470,641  | 411,6         |
|  |                                       |                                    |  |               |
| Consolidated operating cash flow from continuing operations                        | \$ 1,221,037                          | (1,041)                            | 1,222,078  | 987,0         |
|  |                                       |                                    |  |               |
| Revenues from continuing operations  | \$ 2,380,745                          | 1,500                              | 2,379,245  | 1,971,9       |
|  |                                       |                                    |  |               |
| Consolidated cash flow margin (operating cash flow divided by revenues)            | 51.3%                                 |                                    | 51.4%  | 50.           |
|  |                                       |                                    |  |               |
| Telephone operating cash flow, operating income margin and cash flow margin        |                                       |                                    |  |               |
| Telephone operating income   | \$ 688,114                            | (1,041) (1)                        | 689,155  | 543,1         |
| Add: Depreciation and amortization   | 450,851                               | -                                  | 450,851  | 396,8         |
|  |                                       |                                    |  |               |
| Telephone operating cash flow  | \$ 1,138,965                          | (1,041)                            | 1,140,006  | 939,9         |
|  |                                       |                                    |  |               |
| Telephone revenues   | \$ 2,071,980                          | 1,500                              | 2,070,480  | 1,733,5       |
|  |                                       |                                    |  |               |
| Telephone operating income margin (operating income divided by revenues)           | 33.2%                                 |                                    | 33.3%  | 31.           |
|  |                                       |                                    |  |               |
| Telephone cash flow margin (operating cash flow divided by revenues)               | 55.0%                                 |                                    | 55.1%  | 54.           |
|  |                                       |                                    |  |               |
| Other Operations operating cash flow, operating income margin and cash flow margin |                                       |                                    |  |               |
| Other Operations operating income  | \$ 62,282                             | -                                  | 62,282   | 43,5          |
| Add: Depreciation and amortization   | 19,790                                | -                                  | 19,790   | 14,7          |

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|   |              |             |           |        |
|---|--------------|-------------|-----------|--------|
| Other Operations operating cash flow  | \$ 82,072    | -           | 82,072    | 58,3   |
| Other Operations revenues   | \$ 308,765   | -           | 308,765   | 238,4  |
| Other Operations operating income margin (operating income divided by revenues) | 20.2%        |             | 20.2%     | 18.    |
| Other Operations cash flow margin (operating cash flow divided by revenues)     | 26.6%        |             | 26.6%     | 24.    |
| Free cash flow (prior to debt service requirements and dividends)               |              |             |           |        |
| Net income  | \$ 344,707   | (1,075) (2) | 345,782   | 801,6  |
| Add: Depreciation and amortization (7)  | 470,641      | -           | 470,641   | 424,5  |
| Less: Capital expenditures (7)  | (377,939)    | -           | (377,939) | (413,5 |
| Free cash flow  | \$ 437,409   | (1,075)     | 438,484   | 812,6  |
| Free cash flow  | \$ 437,409   |             |           | 812,6  |
| Income from discontinued operations, net of tax                                 | -            |             |           | (608,0 |
| Less: depreciation and amortization of discontinued operations                  | -            |             |           | (12,8  |
| Nonrecurring gains and losses   | -            |             |           | (3,7   |
| Income from unconsolidated cellular entity                                      | (6,160)      |             |           | (5,5   |
| Deferred income taxes   | 128,706      |             |           | 71,1   |
| Changes in current assets and current liabilities                               | 160,984      |             |           | 69,6   |
| Increase in other noncurrent assets   | (23,528)     |             |           | (30,5  |
| Increase (decrease) in other noncurrent liabilities                             | (6,151)      |             |           | 35,4   |
| Retirement benefits   | (14,739)     |             |           | (9,4   |
| Other, net  | 13,504       |             |           | 61,2   |
| Add: capital expenditures   | 377,939      |             |           | 413,5  |
| Net cash provided by operating activities from continuing operations            | \$ 1,067,964 |             |           | 793,43 |

- (1) Operating taxes (\$7.5 million), net of related revenue effect (\$1.5 million), associated with various operating tax audits, net of partial recovery of amounts previously written off in connection with WorldCom bankruptcy (\$4.9 million; see Note 3).
- (2) Includes (i) interest cost (\$4.9 million after-tax) related to operating tax audits; (ii) benefit from reversal of costs previously accrued to defend unsolicited takeover proposal (\$2.0 million after-tax); (iii) net out of period income tax adjustments (\$2.5 million credit); and (iv) 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

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- WorldCom (\$15.0 million).
- (4) Reserve for refunds of access charges to interexchange carriers.
  - (5) Write off costs associated with abandoned project.
  - (6) 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 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).
  - (7) 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.

January 29, 2004

By: /s/ Neil A. Sweasy

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Neil A. Sweasy  
Vice President and Controller