



NEWS RELEASE

CenturyTel Reports Fourth Quarter 2004 Earnings and Record Broadband Growth

2005-02-03

MONROE, La.--(BUSINESS WIRE)--Feb. 3, 2005--CenturyTel, Inc. (NYSE: CTL) announces operating results for fourth quarter 2004 that met or exceeded First Call consensus estimates.

- Operating revenues, excluding nonrecurring items, increased to \$606.2 million from \$601.1 million, while GAAP operating revenues increased to \$606.2 million from \$602.6 million.
- Operating cash flow (as defined in the attached financial schedules) was \$318.9 million.
- Net income, excluding nonrecurring items, was \$85.1 million compared to \$89.3 million in fourth quarter 2003. Net income, reported under GAAP, was \$84.5 million compared to \$82.4 million in fourth quarter 2003.
- Diluted earnings per share, excluding nonrecurring items, was \$.62 in fourth quarter 2004 and \$.61 in fourth quarter 2003, while GAAP diluted earnings per share was \$.62 in fourth quarter 2004 and \$.56 in fourth quarter 2003.
- Free cash flow (as defined in the attached financial schedules), excluding nonrecurring items, was \$82.7 million in fourth quarter 2004.
- CenturyTel completed its previously announced \$400 million share repurchase program.

Fourth Quarter Highlights (1) Quarter Ended Quarter Ended
 (Excluding nonrecurring items) 12/31/04 12/31/03
 (In thousands, except per share
 amounts and customer data) % Change

Operating Revenues	\$ 606,234	\$ 601,103	.9 %
Operating Cash Flow	\$ 318,920	\$ 319,954	(.3)%
Net Income	\$ 85,105	\$ 89,267	(4.7)%
Diluted Earnings Per Share (2)	\$.62	\$.61	1.6 %
Average Diluted Shares			
Outstanding (2)	138,368	149,433	(7.4)%
Capital Expenditures	\$ 131,719	\$ 121,480	8.4 %
Telephone Access Lines	2,313,626	2,376,118	(2.6)%
Long Distance Lines (3)	1,067,817	931,761	14.6 %
DSL Connections	142,575	83,465	70.8 %

(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.

(2) Diluted earnings per share and average diluted shares outstanding reflect the application of a change in accounting related to the effect of contingent convertible debt on the diluted earnings per share calculation. Prior periods have been restated to reflect this change in accounting.

(3) In first quarter 2004, the Company began reporting long distance units on a line basis instead of a customer basis. Fourth quarter 2003 has been restated on a line basis to ensure period-to-period comparability.

"CenturyTel achieved record broadband subscriber growth as we added nearly 22,000 DSL connections in the fourth quarter," Glen F. Post, III, chairman and chief executive officer, said. "Our focus on bundled offerings and delivering quality broadband solutions that provide our customers flexibility and choice resulted in full year DSL subscriber growth of nearly 71% as we ended 2004 with more than 142,000 DSL connections."

Operating revenues, excluding nonrecurring items, rose to \$606.2 million in fourth quarter 2004 from \$601.1 million in fourth quarter 2003. Revenue increases resulted primarily from approximately \$21 million of aggregate

incremental revenues generated by the regional fiber transport operations acquired during 2003, data revenue growth primarily from DSL subscribers, continued long distance subscriber growth and increased enhanced calling feature penetration. These increases more than offset revenue declines of \$17 million attributable to lower intrastate toll revenues, universal service funding, and the effect of access line losses.

Operating expenses, excluding nonrecurring items, increased 2.0% to \$416.6 million from \$408.6 million in fourth quarter 2003, due primarily to costs associated with the fiber assets acquired during 2003 and DSL subscriber growth.

Operating cash flow, excluding nonrecurring items, was \$318.9 million. CenturyTel achieved an operating cash flow margin, excluding nonrecurring items, of 52.6% during the quarter versus 53.2% in fourth quarter 2003.

Net income, excluding nonrecurring items, was \$85.1 million compared to \$89.3 million in fourth quarter 2003. Diluted earnings per share, excluding nonrecurring items, was \$.62 in fourth quarter 2004, a 1.6% increase over the \$.61 in fourth quarter 2003.

"Data revenue growth of 12.8% for the fourth quarter and 12.7% for full year 2004 reflects our customers' strong demand for broadband solutions. Additionally, we continued to invest in our broadband networks during the year to deliver advanced communications solutions. At year end 2004, nearly 71% of our access lines were DSL-enabled. Also, we upgraded our LightCore fiber optic network to offer IP services to our wholesale and enterprise customers," Post said.

For the year 2004, operating revenues, excluding nonrecurring items, increased to \$2.411 billion from \$2.366 billion in 2003, a 1.9% increase. Operating cash flow, excluding nonrecurring items, was \$1.258 billion for 2004 compared to \$1.255 billion a year ago. Net income, excluding nonrecurring items, decreased 3.8% to \$332.8 million from \$345.8 million in 2003, while diluted earnings per share increased to \$2.38 from \$2.36 in 2003. Fourth quarter and full year 2004 diluted earnings per share reflect reductions of approximately \$.01 and \$.035, respectively, due to the recently adopted accounting change in the calculation of earnings per share for contingent convertibles. Prior periods have been restated to reflect this accounting change.

Under generally accepted accounting principles (GAAP), net income for fourth quarter 2004 was \$84.5 million compared to \$82.4 million for fourth quarter 2003. Diluted earnings per share for fourth quarter 2004 was \$.62 compared to \$.56 for fourth quarter 2003. Fourth quarter 2004 results reflect an after-tax \$616,000 charge for the impairment of a non-operating investment. Fourth quarter 2003 results were negatively impacted by \$6.8 million of aggregate after-tax adjustments for operating taxes and interest associated with various operating tax audits and the related revenue effect, as well as other nonrecurring items detailed in the accompanying financial information.

For the year 2004, prepared in accordance with GAAP, the Company reported net income of \$337.2 million, or \$2.41 per diluted share, compared to net income of \$344.7 million, or \$2.35 per diluted share, for the year 2003. The 2004 results included a favorable \$4.4 million net after-tax for an adjustment for over-depreciated assets and the related revenue effect and for an adjustment for the impairment of a non-operating investment. The 2003 results included adjustments for operating taxes and interest costs associated with various operating tax audits, as well as other nonrecurring items detailed in the accompanying financial information.

Other Information. Earlier today the Company announced that its Board had approved a \$200 million share repurchase program and a definitive agreement to purchase for \$65 million in cash certain metro fiber assets from KMC Telecom Holdings, Inc.

Guidance for 2005. As previously announced, CenturyTel expects 2005 diluted earnings per share to be negatively impacted \$.05 to \$.07 due to lower universal service funding. We also expect our satellite entertainment and wireless service initiatives to negatively impact diluted earnings per share an additional \$.04 to \$.07. CenturyTel believes the Company can continue to drive revenue growth primarily from the further penetration of its bundled offerings and continued expansion in its fiber business. Giving effect to these expectations, the incremental amortization expense related to the new billing and customer care system, the anticipation of continued access line declines and the estimated \$.03 impact from the change in accounting for stock options, CenturyTel expects 2005 diluted earnings per share to be in the range of \$2.20 to \$2.35.

For first quarter 2005, CenturyTel expects total revenues of \$585 to \$595 million and diluted earnings per share of \$.53 to \$.57. The anticipated decline in revenues from fourth quarter 2004 is primarily due to a network access revenue settlement during the fourth quarter that increased revenue approximately \$8 million.

These outlook figures assume the successful mitigation of the dilutive effect of the \$500 million in Equity Units currently scheduled to settle in May 2005, and exclude nonrecurring items, any costs associated with transactions related to the Equity Units, share repurchases, 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 readers 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 statements. Reconciliations of additional non-GAAP financial measures that may be discussed during the earnings call described below will be available in the Investor Relations portion of 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.

Investor Call. As previously announced, CenturyTel's management will host a conference call at 10:30 a.m. Central Time today. Interested parties can access the call by dialing 888.535.2555. The call will be accessible for replay through February 9, 2005, by calling 888.266.2081 and entering the conference ID number 624572. Investors can also listen to CenturyTel's earnings conference call and replay by accessing the Investor Relations portion of the Company's Web site at www.centurytel.com prior to February 23, 2005.

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 and hiring adequate numbers of qualified staff; 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 successfully take steps to mitigate the dilutive effect of the \$500 million of Equity Units currently scheduled to settle in May 2005; 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, 2003. 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 February 3, 2005. The Company undertakes no obligation to update any of its forward-looking statements.

CenturyTel, Inc. (NYSE: CTL) provides a full range of local, long distance, Internet and broadband services to consumers in 22 states. Included in the S&P 500 Index, CenturyTel is a leading provider of integrated communications services to rural areas and smaller cities in the United States. Visit CenturyTel at www.centurytel.com.

CenturyTel, Inc.

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED DECEMBER 31, 2004 AND 2003
(UNAUDITED)

Three months ended December 31, 2004

	As adjusted		Less	excluding
In thousands, except per share amounts	As reported	non-recurring items	non-recurring	non-recurring items

OPERATING REVENUES

Local service	\$ 178,035			178,035
Network access	242,017			242,017
Long distance	46,938			46,938
Data	72,410			72,410
Fiber transport and CLEC	19,543			19,543
Other	47,291			47,291
	-----	-	-----	
	606,234			606,234
	-----			-----

OPERATING EXPENSES

Cost of services and products	192,638			192,638
Selling, general and administrative	94,676			94,676
Depreciation and amortization	129,304			129,304
	-----	-	-----	
	416,618			416,618
	-----			-----

OPERATING INCOME 189,616 - 189,616

OTHER INCOME (EXPENSE)

Interest expense	(53,245)			(53,245)
Income from unconsolidated cellular entity	953			953
Other income (expense)	(268)	(1,000)	(1)	732
Income tax expense	(52,567)	384	(2)	(52,951)

NET INCOME	\$ 84,489	(616)		85,105
	=====	=====		=====

BASIC EARNINGS PER SHARE \$	0.63	0.00	0.64
DILUTED EARNINGS PER SHARE \$	0.62	0.00	0.62

SHARES OUTSTANDING

Basic	133,324	133,324
Diluted	138,368	138,368

DIVIDENDS PER COMMON SHARE \$	0.0575	0.0575
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Three months ended December 31, 2003

As adjusted

Less excluding

non- non-

As recurring recurring

In thousands, except per share amounts

	reported	items	items
	-----	-----	-----

OPERATING REVENUES

Local service	\$ 178,056	178,056
Network access	254,155	1,500 (3) 252,655
Long distance	42,916	42,916
Data	64,182	64,182
Fiber transport and CLEC	14,580	14,580
Other	48,714	48,714

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	602,603	1,500 601,103
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OPERATING EXPENSES

Cost of services and products	187,197	187,197
Selling, general and administrative	101,452	7,500 (3) 93,952
Depreciation and amortization	127,493	127,493

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	416,142	7,500 408,642
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OPERATING INCOME	186,461	(6,000)	192,461
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OTHER INCOME (EXPENSE)

Interest expense	(60,842)	(7,500)(3)	(53,342)
Income from unconsolidated cellular entity	1,265	1,265	
Other income (expense)	3,188	3,000 (4)	188

Income tax expense (47,630) 3,675 (5) (51,305)

NET INCOME \$ 82,442 (6,825) 89,267

BASIC EARNINGS PER SHARE \$ 0.57 (0.05) 0.62
 DILUTED EARNINGS PER SHARE \$ 0.56 (0.05) 0.61

SHARES OUTSTANDING

Basic 144,204 144,204
 Diluted 149,433 149,433

DIVIDENDS PER COMMON SHARE \$ 0.055 0.055

	Increase (decrease)	Increase (decrease) excluding	
In thousands, except per share amounts	as reported	nonrecurring items	

OPERATING REVENUES

Local service	(0.0%)	(0.0%)	
Network access	(4.8%)	(4.2%)	
Long distance	9.4%	9.4%	
Data	12.8%	12.8%	
Fiber transport and CLEC	34.0%	34.0%	
Other	(2.9%)	(2.9%)	
	0.6%	0.9%	

OPERATING EXPENSES

Cost of services and products	2.9%	2.9%	
Selling, general and administrative	(6.7%)	0.8%	
Depreciation and amortization	1.4%	1.4%	
	0.1%	2.0%	

OPERATING INCOME 1.7% (1.5%)

OTHER INCOME (EXPENSE)

Interest expense	(12.5%)	(0.2%)
Income from unconsolidated cellular entity	(24.7%)	(24.7%)
Other income (expense)	(108.4%)	289.4%
Income tax expense	10.4%	3.2%

NET INCOME 2.5% (4.7%)

BASIC EARNINGS PER SHARE 10.5% 3.2%
DILUTED EARNINGS PER SHARE 10.7% 1.6%

SHARES OUTSTANDING

Basic	(7.5%)	(7.5%)
Diluted	(7.4%)	(7.4%)

DIVIDENDS PER COMMON SHARE 4.5% 4.5%

NONRECURRING ITEMS

- (1) - Impairment of nonoperating investment.
- (2) - Tax effect of item (1).
- (3) - Operating taxes, including related revenue effect, and interest associated with various operating tax audits.
- (4) - Reversal of costs previously accrued to defend unsolicited takeover proposal.
- (5) - Tax effect of items (3) and (4).

CenturyTel, Inc.

CONSOLIDATED STATEMENTS OF INCOME
TWELVE MONTHS ENDED DECEMBER 31, 2004 AND 2003
(UNAUDITED)

Twelve months ended December 31, 2004

	As		
	adjusted		
	Less	excluding	
	non-	non-	
	As	recurring	recurring
In thousands, except per share amounts	reported	items	items
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OPERATING REVENUES

Local service	\$ 716,028	716,028
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Network access	966,011	(3,091)(1)	969,102
Long distance	186,997		186,997
Data	275,777	(422)(1)	276,199
Fiber transport and CLEC	74,409		74,409
Other	188,150		188,150

2,407,372 (3,513) 2,410,885

OPERATING EXPENSES

Cost of services and products	755,413		755,413
Selling, general and administrative	397,102		397,102
Depreciation and amortization	500,904	(13,221)(1)	514,125

1,653,419 (13,221) 1,666,640

OPERATING INCOME 753,953 9,708 744,245

OTHER INCOME (EXPENSE)

Interest expense	(211,051)		(211,051)
Income from unconsolidated cellular entity	7,067		7,067
Other income (expense)	(2,597)	(2,500)(2)	(97)
Income tax expense	(210,128)	(2,767)(3)	(207,361)

NET INCOME \$ 337,244 4,441 332,803
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BASIC EARNINGS PER SHARE \$ 2.45 0.03 2.42
DILUTED EARNINGS PER SHARE \$ 2.41 0.03 2.38

SHARES OUTSTANDING

Basic	137,215		137,215
Diluted	142,144		142,144

DIVIDENDS PER COMMON SHARE \$ 0.2300 0.2300

Twelve months ended December 31, 2003

As
adjusted
Less excluding
non- non-
As recurring recurring

In thousands, except per share reported items items
amounts -----

OPERATING REVENUES

Local service	\$ 712,565		712,565
Network access	1,001,462	1,500 (4)	999,962
Long distance	173,884		173,884
Data	244,998		244,998
Fiber transport and CLEC	43,041		43,041
Other	191,660		191,660
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	2,367,610	1,500	2,366,110
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OPERATING EXPENSES

Cost of services and products	739,210		739,210
Selling, general and administrative	374,352	2,541 (4)	371,811
Depreciation and amortization	503,652		503,652
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	1,617,214	2,541	1,614,673
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OPERATING INCOME 750,396 (1,041) 751,437

OTHER INCOME (EXPENSE)

Interest expense	(226,751)	(7,500)(4)	(219,251)
Income from unconsolidated cellular entity	6,160		6,160
Other income (expense)	2,154	3,000 (5)	(846)
Income tax expense	(187,252)	4,466 (6)	(191,718)

NET INCOME \$ 344,707 (1,075) 345,782
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BASIC EARNINGS PER SHARE \$ 2.40 (0.01) 2.41

DILUTED EARNINGS PER
SHARE \$ 2.35 (0.01) 2.36

SHARES OUTSTANDING

Basic	143,583		143,583
Diluted	148,779		148,779

DIVIDENDS PER COMMON

SHARE \$ 0.220 0.220

In thousands, except per share amounts	Increase Increase (decrease) (decrease) excluding	as	nonrecurring
	reported	reported	items

OPERATING REVENUES			
Local service	0.5%	0.5%	
Network access	(3.5%)	(3.1%)	
Long distance	7.5%	7.5%	
Data	12.6%	12.7%	
Fiber transport and CLEC		72.9%	72.9%
Other	(1.8%)	(1.8%)	
	1.7%	1.9%	
OPERATING EXPENSES			
Cost of services and products	2.2%	2.2%	
Selling, general and administrative	6.1%	6.8%	
Depreciation and amortization	(0.5%)	2.1%	
	2.2%	3.2%	
OPERATING INCOME	0.5%	(1.0%)	
OTHER INCOME (EXPENSE)			
Interest expense	(6.9%)	(3.7%)	
Income from unconsolidated cellular entity	14.7%	14.7%	
Other income (expense)	(220.6%)	(88.5%)	
Income tax expense	12.2%	8.2%	
NET INCOME	(2.2%)	(3.8%)	
BASIC EARNINGS PER SHARE	2.1%	0.4%	
DILUTED EARNINGS PER SHARE	2.6%	0.8%	
SHARES OUTSTANDING			
Basic	(4.4%)	(4.4%)	
Diluted	(4.5%)	(4.5%)	
DIVIDENDS PER COMMON SHARE	4.5%	4.5%	

NONRECURRING ITEMS

- (1) - Adjustment for overdepreciated assets, including related revenue effect.
- (2) - Impairment of nonoperating investment.

- (3) - Tax effect of items (1) and (2).
- (4) - 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).
- (5) - Reversal of costs previously accrued to defend unsolicited takeover proposal.
- (6) - Net out of period income tax adjustments (\$2.5 million credit), net of tax effect of items (4) and (5).

CenturyTel, Inc.

CONSOLIDATED BALANCE SHEETS
DECEMBER 31, 2004 AND DECEMBER 31, 2003
(UNAUDITED)

December December
31, 31,
2004 2003

(in thousands)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 167,215	203,181
Other current assets	252,632	259,758

Total current assets	419,847	462,939
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NET PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	7,431,017	7,184,155
Accumulated depreciation	(4,089,616)	(3,728,674)

Net property, plant and equipment	3,341,401	3,455,481
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INVESTMENTS AND OTHER ASSETS

Goodwill	3,433,864	3,425,001
Other	601,841	552,431

Total investments and other assets	4,035,705	3,977,432
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TOTAL ASSETS	\$ 7,796,953	7,895,852
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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Current maturities of long-term debt	\$ 249,617	72,453
Other current liabilities	442,001	398,930
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Total current liabilities	691,618	471,383

LONG-TERM DEBT	2,762,019	3,109,302
DEFERRED CREDITS AND OTHER LIABILITIES	933,551	836,651
STOCKHOLDERS' EQUITY	3,409,765	3,478,516
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TOTAL LIABILITIES AND EQUITY	\$ 7,796,953	7,895,852
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CenturyTel, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

Three months ended December 31, 2004

In thousands	As adjusted	
	Less non-recurring reported items	excluding non-recurring items
Operating cash flow and cash flow margin		
Operating income	\$ 189,616	- 189,616
Add: Depreciation and amortization	129,304	- 129,304
	-----	-----
Operating cash flow	\$ 318,920	- 318,920
	=====	=====

Revenues	\$ 606,234	- 606,234
	=====	=====

Operating income margin (operating income divided by revenues)	31.3%	31.3%
	=====	=====

Operating cash flow margin

(operating cash flow divided by revenues)	52.6%	52.6%
	=====	=====

Free cash flow (prior to debt service requirements and dividends)			
Net income	\$ 84,489	(616)(1)	85,105
Add: Depreciation and amortization	129,304	-	129,304
Less: Capital expenditures	(131,719)	-	(131,719)
	-----	-----	
Free cash flow	\$ 82,074	(616)	82,690
	=====	=====	=====

Free cash flow	\$ 82,074
Income from unconsolidated cellular entity	(953)
Deferred income taxes	(1,034)
Changes in current assets and current liabilities	12,430
Increase in other noncurrent assets	(5,240)
Decrease in other noncurrent liabilities	(1,524)
Retirement benefits	3,954
Other, net	(1,389)
Add: Capital expenditures	131,719

Net cash provided by operating activities	\$ 220,037
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Three months ended December 31, 2003

		As adjusted	
		Less	excluding
In thousands		non-	non-
		As	recurring
		reported	recurring
		items	items
		-----	-----
Operating cash flow and cash flow margin			
Operating income	\$ 186,461	(6,000)(2)	192,461
Add: Depreciation and amortization	127,493		127,493
	-----	-----	
Operating cash flow	\$ 313,954	(6,000)	319,954
	=====	=====	=====

Revenues	\$ 602,603	1,500 (2)	601,103
	=====	=====	=====

Operating income margin (operating income divided by revenues)	30.9%		32.0%
	=====		=====

Operating cash flow margin (operating cash flow divided by revenues)	52.1%		53.2%
	=====		=====

Free cash flow (prior to debt service requirements and dividends)			
Net income	\$ 82,442	(6,825)(3)	89,267
Add: Depreciation and amortization	127,493	-	127,493
Less: Capital expenditures	(121,480)	-	(121,480)
	-----	-----	
Free cash flow	\$ 88,455	(6,825)	95,280
	=====	=====	=====

Free cash flow	\$ 88,455
Income from unconsolidated cellular entity	(1,265)
Deferred income taxes	60,684
Changes in current assets and current liabilities	32,553
Increase in other noncurrent assets	(5,248)
Decrease in other noncurrent liabilities	(1,361)
Retirement benefits	(40,336)
Other, net	(15,420)
Add: Capital expenditures	121,480

Net cash provided by operating activities	\$ 239,542
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NONRECURRING ITEMS

- (1) - Impairment of nonoperating investment (presented on an after-tax basis).
- (2) - Operating taxes (\$7.5 million), net of revenue effect (\$1.5 million), associated with various operating tax audits.
- (3) - 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 (2).

CenturyTel, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

Twelve months ended December 31, 2004

In thousands	As reported	As adjusted Less non- recurring items	Less non- recurring items
Operating cash flow and cash flow margin			
Operating income	\$ 753,953	9,708	(1) 744,245
Add: Depreciation and amortization	500,904	(13,221)	(1) 514,125
Operating cash flow	\$1,254,857	(3,513)	1,258,370
Revenues	\$2,407,372	(3,513)	(1)2,410,885
Operating income margin (operating income divided by revenues)	31.3%		30.9%
Operating cash flow margin (operating cash flow divided by revenues)	52.1%		52.2%
Free cash flow (prior to debt service requirements and dividends)			
Net income	\$ 337,244	4,441	(2) 332,803
Add: Depreciation and amortization	500,904	(13,221)	(1) 514,125

Less: Capital expenditures (385,316) - (385,316)

Free cash flow \$ 452,832 (8,780) 461,612

Free cash flow \$ 452,832
 Income from unconsolidated cellular entity (7,067)
 Deferred income taxes 74,374
 Changes in current assets and current liabilities 58,322
 Increase in other noncurrent assets (31,714)
 Decrease in other noncurrent liabilities (6,220)
 Retirement benefits 26,954
 Other, net 3,034
 Add: Capital expenditures 385,316

Net cash provided by operating activities \$ 955,831

Twelve months ended December 31, 2003

In thousands	As adjusted Less non- reported	excluding non- recurring items	recurring recurring items
Operating cash flow and cash flow margin			
Operating income	750,396	(1,041)(3)	751,437
Add: Depreciation and amortization	503,652		503,652
Operating cash flow	1,254,048	(1,041)	1,255,089
Revenues	2,367,610	1,500 (3)	2,366,110
Operating income margin (operating income divided by revenues)	31.7%		31.8%

Operating cash flow margin (operating cash flow divided by revenues)	53.0%	53.0%
	=====	=====

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

Net income	344,707	(1,075)(4)	345,782
Add: Depreciation and amortization	503,652	-	503,652
Less: Capital expenditures	(377,939)	-	(377,939)
	-----	-----	-----
Free cash flow	470,420	(1,075)	471,495
	=====	=====	=====

Free cash flow	470,420
Income from unconsolidated cellular entity	(6,160)
Deferred income taxes	128,706
Changes in current assets and current liabilities	160,984
Increase in other noncurrent assets	(23,528)
Decrease in other noncurrent liabilities	(6,151)
Retirement benefits	(14,739)
Other, net	(19,507)
Add: Capital expenditures	377,939

Net cash provided by operating activities	1,067,964
	=====

NONRECURRING ITEMS

- (1) - Adjustment for overdepreciated assets, including related revenue effect (presented on a pre-tax basis).
- (2) - Adjustment for overdepreciated assets, including related revenue effect, and impairment of nonoperating investment (presented on an after-tax basis).
- (3) - 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).
- (4) - 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 (3).

MULTIMEDIA AVAILABLE:

<http://www.businesswire.com/cgi-bin/mmg.cgi?eid=4814409>

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