



NEWS RELEASE

## CenturyTel Reports Fourth Quarter 2005 Earnings

2006-02-02

MONROE, La.--(BUSINESS WIRE)--Feb. 2, 2006--CenturyTel, Inc. (NYSE: CTL) announces operating results for fourth quarter 2005 that exceeded First Call consensus estimates.

- Operating revenues increased to \$620.5 million from \$606.2 million in fourth quarter 2004.
- Operating cash flow (as defined in the attached financial schedules) was \$308.2 million.
- Net income, excluding nonrecurring items, was \$82.2 million compared to \$85.1 million in fourth quarter 2004. Net income, reported under GAAP, was \$78.3 million compared to \$84.5 million in fourth quarter 2004.
- Diluted earnings per share, excluding nonrecurring items, was \$.61 in fourth quarter 2005 compared to \$.62 in fourth quarter 2004, while GAAP diluted earnings per share was \$.59 in fourth quarter 2005 and \$.62 in fourth quarter 2004.
- Free cash flow (as defined in the attached financial schedules), excluding nonrecurring items, was \$85.0 million in fourth quarter 2005.

### Fourth Quarter Highlights

(Excluding nonrecurring items)

(In thousands, except per share amounts and customer data)

	Quarter Ended 12/31/05	Quarter Ended 12/31/04	% Change
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Operating Revenues	\$ 620,472	\$ 606,234	2.3%
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Operating Cash Flow (1)	\$ 308,197	\$ 318,920	(3.4)%
Net Income	\$ 82,184	\$ 85,105	(3.4)%
Diluted Earnings Per Share	\$ .61	\$ .62	(1.6)%
Average Diluted Shares Outstanding	135,917	138,368	(1.8)%
Capital Expenditures	\$ 132,914	\$ 131,719	0.9%
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Telephone Access Lines	2,214,149	2,313,626	(4.3)%
DSL Customers	248,706	142,575	74.4%

(1) Operating Cash Flow is a non-GAAP financial measure. A reconciliation of this item to comparable GAAP measures is included in the attached financial schedules.

"CenturyTel achieved strong cash flows during 2005, generating more than \$463 million of free cash flow for the year," Glen F. Post, III, chairman and chief executive officer, said. "Our continued focus on owning the broadband connection to our customers drove the addition of nearly 29,000 high-speed Internet subscribers during the fourth quarter and more than 106,000 for the full year 2005, an increase of nearly 75% since year end 2004."

Operating revenues rose to \$620.5 million in fourth quarter 2005 from \$606.2 million in fourth quarter 2004. Revenue increases resulted primarily from \$13.9 million of revenues generated by the metro fiber assets acquired June 30, 2005 and \$15.3 million of aggregate revenues related to increased DSL subscribers, continued growth in our fiber transport business and increased enhanced calling feature penetration. These increases more than offset anticipated revenue declines of \$14.3 million attributable to lower access revenues, reduced universal service funding, and access line losses.

Operating expenses increased 7.5% to \$448.1 million from \$416.6 million in fourth quarter 2004, due primarily to costs associated with the metro fiber assets acquired June 30, 2005, DSL subscriber growth and expenses associated with our new video and wireless reseller initiatives.

"During 2005, we continued to position CenturyTel for the future by expanding and strengthening our broadband capabilities, acquiring strategic metro fiber assets, launching satellite television service to most of our markets and introducing wireless and switched digital television services in select markets," Post said.

Operating cash flow for fourth quarter 2005 was \$308.2 million. CenturyTel achieved an operating cash flow margin of 49.7% during the quarter versus 52.6% in fourth quarter 2004. This margin decline was expected due to the growth in lower margin revenues versus the anticipated decline in higher margin revenues discussed above.

Net income, excluding nonrecurring items, was \$82.2 million compared to \$85.1 million in fourth quarter 2004. Diluted earnings per share, excluding nonrecurring items, was \$.61 in fourth quarter 2005 and \$.62 in fourth

quarter 2004.

For the year 2005, operating revenues, excluding nonrecurring items, increased to \$2.479 billion from \$2.411 billion in 2004, a 2.8% increase. Operating cash flow, excluding nonrecurring items, was \$1.274 billion for 2005 compared to \$1.258 billion a year ago. Net income, excluding nonrecurring items, increased 4.0% to \$346.3 million from \$332.8 million in 2004, while diluted earnings per share increased to \$2.58 from \$2.38 in 2004.

Under generally accepted accounting principles (GAAP), net income for fourth quarter 2005 was \$78.3 million compared to \$84.5 million for fourth quarter 2004. Diluted earnings per share for fourth quarter 2005 was \$.59 compared to \$.62 for fourth quarter 2004. Fourth quarter 2005 and fourth quarter 2004 results reflect after-tax charges of \$3.9 million and \$.6 million, respectively, related to the impairment of certain non-operating investments.

For the year 2005, prepared in accordance with GAAP, the Company reported net income of \$334.5 million, or \$2.49 per diluted share, compared to net income of \$337.2 million, or \$2.41 per diluted share, for the year 2004. See the accompanying financial schedules for detail of the Company's nonrecurring items for the years 2005 and 2004.

Outlook for 2006. As previously announced, CenturyTel expects 2006 diluted earnings per share to be negatively impacted by \$.14 to \$.18 due to settlement revenues recognized in 2005 that are not expected to occur in 2006 and positively impacted by \$.03 to \$.05 from lower 2006 interest expense. We also anticipate our satellite entertainment, wireless and digital television service initiatives will negatively impact 2006 diluted earnings per share an additional \$.03 to \$.05. 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 items, the anticipation of access line declines of 4.5% to 5.5% in 2006, the \$.04 to \$.06 negative impact of expected lower universal service funding and the estimated \$.02 to \$.03 negative impact from the change in accounting for stock options, CenturyTel expects 2006 diluted earnings per share to be in the range of \$2.20 to \$2.35.

CenturyTel expects first quarter 2006 total revenues of \$605 to \$615 million and diluted earnings per share of \$.52 to \$.56. The anticipated decline in revenues from fourth quarter 2005 is primarily due to access line declines and anticipated lower universal service funding.

The Company expects a reduction in its capital expenditures in 2006 to approximately \$325 million, a \$90 million decrease from 2005. Subject to incremental investments related to new initiatives that drive growth or efficiencies, CenturyTel expects to maintain capital expenditures at a similar level beyond 2006. CenturyTel also anticipates receiving approximately \$120 million in cash on a pre-tax basis in the first half of 2006 from the redemption of its Rural Telephone Bank stock.

These 2006 outlook figures exclude nonrecurring items, future share repurchase initiatives, 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](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.

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 866.261.7147. The call will be accessible for replay through February 8, 2006, by calling 888.266.2081 and entering the conference ID number 836323. 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](http://www.centurytel.com) prior to February 23, 2006.

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 collect its receivables from financially troubled communications companies; the Company's ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; the effect of adverse weather; 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 tax 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, 2004. You should be aware that new factors may emerge from time to time and it is not possible for management to identify all such factors, nor can it predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further 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 2, 2006. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

CenturyTel (NYSE: CTL) delivers advanced communications with a personal touch. The Company, included in the S&P 500 Index, is a leading provider of consumer and business communications solutions in rural areas and small to mid-size cities in 26 states. Visit CenturyTel at [www.centurytel.com](http://www.centurytel.com).

CenturyTel, Inc.  
 CONSOLIDATED STATEMENTS OF INCOME  
 THREE MONTHS ENDED DECEMBER 31, 2005 AND 2004  
 (UNAUDITED)

	Three months ended December 31, 2005	
	As adjusted Less non- recurring	excluding non- recurring items
In thousands, except per share amounts	As reported	items
OPERATING REVENUES		
Local service	\$ 172,081	172,081
Network access	232,570	232,570
Long distance	48,126	48,126
Data	80,904	80,904
Fiber transport and CLEC	37,214	37,214
Other	49,577	49,577
	620,472	- 620,472

OPERATING EXPENSES			
Cost of services and products	212,339		212,339
Selling, general and administrative	99,936		99,936
Depreciation and amortization	135,778		135,778
	448,053	-	448,053
OPERATING INCOME	172,419	-	172,419
OTHER INCOME (EXPENSE)			
Interest expense	(49,625)		(49,625)
Income from unconsolidated cellular entity	1,603		1,603
Other income (expense)	(283)	(6,250)(1)	5,967
Income tax expense	(45,780)	2,400 (2)	(48,180)
NET INCOME	\$ 78,334	(3,850)	82,184
BASIC EARNINGS PER SHARE	\$ 0.60	(0.03)	0.63
DILUTED EARNINGS PER SHARE	\$ 0.59	(0.03)	0.61
AVERAGE SHARES OUTSTANDING			
Basic	130,730		130,730
Diluted	135,917		135,917
DIVIDENDS PER COMMON SHARE	\$ 0.06		0.06

Three months ended December 31,  
2004

In thousands, except per share amounts	As reported	As adjusted excluding non-recurring items	Increase (decrease) as reported	Increase (decrease) excluding non-recurring items
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OPERATING  
REVENUES

Local service	\$ 178,035	178,035	(3.3%)	(3.3%)
Network access	242,017	242,017	(3.9%)	(3.9%)
Long distance	46,938	46,938	2.5%	2.5%
Data	72,410	72,410	11.7%	11.7%
Fiber transport and CLEC	19,543	19,543	90.4%	90.4%
Other	47,291	47,291	4.8%	4.8%
	606,234	- 606,234	2.3%	2.3%

OPERATING  
EXPENSES

Cost of services and products	192,638	192,638	10.2%	10.2%
Selling, general and administrative	94,676	94,676	5.6%	5.6%
Depreciation and amortization	129,304	129,304	5.0%	5.0%
	416,618	- 416,618	7.5%	7.5%

OPERATING INCOME 189,616 - 189,616 (9.1%) (9.1%)

OTHER INCOME  
(EXPENSE)

Interest expense	(53,245)	(53,245)	(6.8%)	(6.8%)
Income from unconsolidated				

cellular					
entity	953	953	68.2%	68.2%	
Other income					
(expense)	(268)	(1,000)(3)	732	5.6%	715.2%
Income tax					
expense	(52,567)	384 (4)	(52,951)	(12.9%)	(9.0%)
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NET INCOME	\$ 84,489	(616)	85,105	(7.3%)	(3.4%)
=====					

BASIC EARNINGS					
PER SHARE	\$ 0.63	-	0.64	(4.8%)	(1.6%)
DILUTED					
EARNINGS PER					
SHARE	\$ 0.62	-	0.62	(4.8%)	(1.6%)

AVERAGE SHARES					
OUTSTANDING					
Basic	133,324	133,324	(1.9%)	(1.9%)	
Diluted	138,368	138,368	(1.8%)	(1.8%)	

DIVIDENDS PER					
COMMON SHARE	\$ 0.0575		0.0575	4.3%	4.3%

- NONRECURRING  
ITEMS
- (1) - Impairment of nonoperating investment.
  - (2) - Tax effect of item (1).
  - (3) - Impairment of separate nonoperating investment.
  - (4) - Tax effect of item (3).

CenturyTel, Inc.  
CONSOLIDATED STATEMENTS OF INCOME  
TWELVE MONTHS ENDED DECEMBER 31, 2005 AND 2004  
(UNAUDITED)

Twelve months ended December 31,  
2005

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

OPERATING REVENUES

Local service	\$ 702,400		702,400
Network access	959,838		959,838
Long distance	189,872		189,872
Data	318,770		318,770
Fiber transport and CLEC	115,454		115,454
Other	192,918		192,918
	2,479,252	-	2,479,252

OPERATING EXPENSES

Cost of services and products	821,929	5,853 (1)	816,076
Selling, general and administrative	388,989		388,989
Depreciation and amortization	531,931		531,931
	1,742,849	5,853	1,736,996

OPERATING INCOME 736,403 (5,853) 742,256

OTHER INCOME (EXPENSE)

Interest expense	(201,801)	(1,196)(2)	(200,605)
Income from unconsolidated cellular entity	4,910		4,910
Other income (expense)	(1,742)	(14,253)(3)	12,511
Income tax expense	(203,291)	9,511 (4)	(212,802)

NET INCOME \$ 334,479 (11,791) 346,270

BASIC EARNINGS PER SHARE \$ 2.55 (0.09) 2.64  
 DILUTED EARNINGS PER SHARE \$ 2.49 (0.09) 2.58

AVERAGE SHARES OUTSTANDING

Basic	130,841		130,841
Diluted	136,087		136,087

DIVIDENDS PER COMMON SHARE \$ 0.24 0.24

Twelve months ended December 31,  
 2004

As Increase

In thousands, except per share amounts	As reported	Less non- recurring items	adjusted excluding non- recurring items	(decrease) Increase (decrease) as reported	excluding non- recurring items
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OPERATING  
REVENUES

Local service \$	716,028		716,028	(1.9%)	(1.9%)
Network access	966,011	(3,091)	969,102	(0.6%)	(1.0%)
Long distance	186,997		186,997	1.5%	1.5%
Data	275,777	(422)	276,199	15.6%	15.4%
Fiber transport and					
CLEC	74,409		74,409	55.2%	55.2%
Other	188,150		188,150	2.5%	2.5%
	2,407,372	(3,513)	2,410,885	3.0%	2.8%

OPERATING  
EXPENSES

Cost of services and products	755,413		755,413	8.8%	8.0%
Selling, general and administrative	397,102		397,102	(2.0%)	(2.0%)
Depreciation and amortization	500,904	(13,221)	514,125	6.2%	3.5%
	1,653,419	(13,221)	1,666,640	5.4%	4.2%

OPERATING

INCOME	753,953	9,708	744,245	(2.3%)	(0.3%)
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OTHER INCOME  
(EXPENSE)

Interest expense	(211,051)		(211,051)	(4.4%)	(4.9%)
Income from unconsolidated cellular entity	7,067		7,067	(30.5%)	(30.5%)
Other income					

(expense)	(2,597)	(2,500)	(6)	(97)	(32.9%)	(12,997.9%)
Income tax						
expense	(210,128)	(2,767)	(7)	(207,361)	(3.3%)	2.6%

NET INCOME	\$ 337,244	4,441	332,803	(0.8%)	4.0%
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BASIC EARNINGS

PER SHARE	\$ 2.45	0.03	2.42	4.1%	9.1%
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DILUTED

EARNINGS PER

SHARE	\$ 2.41	0.03	2.38	3.3%	8.4%
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AVERAGE SHARES

OUTSTANDING

Basic	137,215	137,215	(4.6%)	(4.6%)
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Diluted	142,144	142,144	(4.3%)	(4.3%)
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DIVIDENDS PER

COMMON SHARE	\$ 0.23	0.23	4.3%	4.3%
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NONRECURRING

ITEMS

- (1) - Expenses associated with Hurricanes Katrina and Rita.
- (2) - Write-off of unamortized deferred debt costs associated with purchasing and retiring approximately \$400 million of Series J notes.
- (3) - Includes (i) a \$16.2 million impairment of nonoperating investment and a \$4.8 million debt extinguishment charge related to purchasing and retiring approximately \$400 million of Series J notes, net of (ii) a \$3.5 million gain on sale of nonoperating investment and \$3.2 million of interest income related to the settlement of various income tax audits.
- (4) - Includes (i) \$1.3 million tax benefit related to the settlement of various income tax audits and (ii) \$8.2 million net tax benefit of items (1), (2) and (3).
- (5) - Adjustment for overdepreciated assets, including related revenue effect.
- (6) - Impairment of separate nonoperating investment.
- (7) - Tax effect of items (5) and (6).

CenturyTel, Inc.  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2005 AND DECEMBER 31, 2004  
(UNAUDITED)

December 31, December 31,  
2005      2004

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(in thousands)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$	158,846	167,215
Other current assets		264,170	252,632
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Total current assets		423,016	419,847
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NET PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment		7,801,377	7,431,017
Accumulated depreciation		(4,496,891)	(4,089,616)
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Net property, plant and equipment		3,304,486	3,341,401
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GOODWILL AND OTHER ASSETS

Goodwill		3,432,649	3,433,864
Other		602,556	601,841
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Total goodwill and other assets		4,035,205	4,035,705
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TOTAL ASSETS	\$	7,762,707	7,796,953
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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Current maturities of long-term debt	\$	276,736	249,617
Other current liabilities		469,494	442,001
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Total current liabilities		746,230	691,618

LONG-TERM DEBT		2,376,070	2,762,019
DEFERRED CREDITS AND OTHER LIABILITIES		1,023,134	933,551
STOCKHOLDERS' EQUITY		3,617,273	3,409,765
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TOTAL LIABILITIES AND EQUITY	\$	7,762,707	7,796,953
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CenturyTel, Inc.  
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES

(UNAUDITED)

Three months ended December 31,  
2005

In thousands	As adjusted		
	Less non-recurring reported	excluding non-recurring items	recurring items
Operating cash flow and cash flow margin			
Operating income	\$ 172,419	-	172,419
Add: Depreciation and amortization	135,778	-	135,778
Operating cash flow	\$ 308,197	-	308,197
=====			
Revenues	\$ 620,472	-	620,472
=====			
Operating income margin (operating income divided by revenues)	27.8%		27.8%
=====			
Operating cash flow margin (operating cash flow divided by revenues)	49.7%		49.7%
=====			
Free cash flow (prior to debt service requirements and dividends)			
Net income	\$ 78,334	(3,850)(1)	82,184
Add: Depreciation and amortization	135,778	-	135,778
Less: Capital expenditures	(132,914)	-	(132,914)
Free cash flow	\$ 81,198	(3,850)	85,048
=====			
Free cash flow	\$ 81,198		
Income from unconsolidated cellular entity	(1,603)		
Deferred income taxes	36,112		

Changes in current assets and  
 current liabilities (2,366)  
 Increase in other noncurrent  
 assets (1,177)  
 Increase (decrease) in other  
 noncurrent liabilities 142  
 Retirement benefits (30,804)  
 Other, net (1,467)  
 Add: Capital expenditures 132,914

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 Net cash provided by operating  
 activities \$ 212,949  
 =====

Three months ended December 31,  
 2004  
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In thousands	As adjusted	Less non-	excluding non-	As recurring	recurring
	reported	items	items	reported	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)(2)	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	(8,185)
Increase (decrease) in other noncurrent liabilities	(1,524)
Retirement benefits	3,954
Other, net	1,556
Add: Capital expenditures	131,719
	-----
Net cash provided by operating activities	\$ 220,037
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#### NONRECURRING ITEMS

- (1) - Impairment of nonoperating investment (presented on an after-tax basis).
- (2) - Impairment of separate nonoperating investment (presented on an after-tax basis).

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

Twelve months ended December 31,  
2005

	-----	
	As	
	adjusted	
	Less	excluding
	non-	non-
In thousands	As	recurring recurring
	reported	items items
	-----	-----

Operating cash flow and cash flow

margin				
Operating income	\$ 736,403	(5,853)(1)	742,256	
Add: Depreciation and amortization	531,931	-	531,931	
	-----	-----		
Operating cash flow	\$1,268,334	(5,853)	1,274,187	
	=====	=====	=====	

Revenues	\$2,479,252	-	2,479,252	
	=====	=====	=====	

Operating income margin (operating income divided by revenues)	29.7%		29.9%	
	=====		=====	

Operating cash flow margin (operating cash flow divided by revenues)	51.2%		51.4%	
	=====		=====	

Free cash flow (prior to debt service requirements and dividends)				
Net income	\$ 334,479	(11,791)(2)	346,270	
Add: Depreciation and amortization	531,931	-	531,931	
Less: Capital expenditures	(414,872)	-	(414,872)	
	-----	-----		
	\$ 451,538	(11,791)	463,329	
	=====	=====	=====	

Free cash flow	\$ 451,538			
Income from unconsolidated cellular entity	(4,910)			
Deferred income taxes	69,530			
Changes in current assets and current liabilities	27,001			
Increase in other noncurrent assets	(5,384)			
Increase (decrease) in other noncurrent liabilities	2,638			
Retirement benefits	(16,815)			
Other, net	7,848			
Add: Capital expenditures	414,872			
	-----			
Net cash provided by operating activities	\$ 946,318			

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Twelve months ended December 31,  
2004

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In thousands	As adjusted		
	Less non-As reported	excluding non-recurring items	recurring items
Operating cash flow and cash flow margin			
Operating income	753,953	9,708 (3)	744,245
Add: Depreciation and amortization	500,904	(13,221)(3)	514,125
Operating cash flow	1,254,857	(3,513)	1,258,370
=====			
Revenues	2,407,372	(3,513)(3)	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 (4)	332,803
Add: Depreciation and amortization	500,904	(13,221)(3)	514,125
Less: Capital expenditures	(385,316)	-	(385,316)
	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	(34,740)
Increase (decrease) in other noncurrent liabilities	(6,220)
Retirement benefits	26,954
Other, net	6,060
Add: Capital expenditures	385,316
	-----
Net cash provided by operating activities	955,831
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#### NONRECURRING ITEMS

- (1) - Expenses associated with Hurricanes Katrina and Rita (presented on a pre-tax basis).
- (2) - Includes (i) a \$10.0 million after-tax impairment of nonoperating investment, a \$3.7 million after-tax expense related to purchasing and retiring approximately \$400 million of Series J notes and a \$3.6 million after-tax expense associated with Hurricanes Katrina and Rita, net of (ii) a \$3.3 million net benefit related to the settlement of various income tax audits and a \$2.2 million after-tax gain on sale of nonoperating investment.
- (3) - Adjustment for overdepreciated assets, including related revenue effect (presented on a pre-tax basis).
- (4) - Adjustment for overdepreciated assets, including related revenue effect, and impairment of separate nonoperating investment (presented on an after-tax basis).

#### MULTIMEDIA AVAILABLE:

<http://www.businesswire.com/cgi-bin/mmg.cgi?eid=5070715>

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