



NEWS RELEASE

CenturyTel Reports Second Quarter Earnings

2005-07-28

MONROE, La.--(BUSINESS WIRE)--July 28, 2005--CenturyTel, Inc. (NYSE: CTL) announces operating results for second quarter 2005.

- Operating revenues increased to \$606.4 million from \$603.6 million in second quarter 2004.
- Net income rose 2.2% to \$85.1 million compared to \$83.3 million in second quarter 2004.
- Diluted earnings per share increased 8.5% to \$.64 from \$.59 in second quarter 2004.
- Free cash flow (as defined in the attached financial schedules) was \$113.6 million in second quarter 2005.
- Through the second quarter, the Company had invested \$114 million to repurchase 3.5 million shares of common stock under its \$200 million share repurchase program.

Second Quarter Highlights (In thousands, except per share amounts and customer units)	Quarter Ended 6/30/05	Quarter Ended 6/30/04	%Change
Operating Revenues			
Operating Cash Flow (1)	\$ 606,413	\$ 603,555	0.5%
Net Income	\$ 316,334	\$ 320,662	(1.3)%
Diluted Earnings Per Share	\$ 85,118	\$ 83,284	2.2%
Average Diluted Shares	\$.64	\$.59	8.5%

Outstanding	135,345	142,968	(5.3)%
Capital Expenditures	\$ 102,011	\$ 94,269	8.2%

Telephone Access Lines	2,273,279	2,350,505	(3.3)%
Long Distance Lines	1,122,343	1,003,328	11.9%
DSL Connections	194,847	108,820	79.1%

(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 continued to diversify its revenue mix in the second quarter with solid year over year revenue growth in data and fiber transport services of 11.6% and 18.1%, respectively," Glen F. Post, III, chairman and chief executive officer, said. "Further executing on this strategy, we acquired metropolitan fiber networks in 16 markets expanding the opportunity for our enterprise business and positioning us as a leading fiber transport provider near our existing markets."

Operating revenues rose 0.5% to \$606.4 million in second quarter 2005 from \$603.6 million in second quarter 2004. This increase primarily resulted from revenue generated by data revenue growth from DSL subscribers, growth in our fiber transport business and increased enhanced calling feature penetration. These increases more than offset revenue declines attributable to access line losses and lower access and long distance revenues.

Operating expenses increased 1.7% to \$420.5 million from \$413.6 million in second quarter 2004 primarily due to growth in our DSL subscriber base and increases in access expense and employee related expenses that were partially offset by lower operating taxes.

Operating cash flow decreased to \$316.3 million from \$320.7 million. CenturyTel achieved an operating cash flow margin of 52.2% during the quarter versus 53.1% in second quarter 2004.

"We generated over \$113 million of free cash flow and returned more than \$60 million to shareholders through share repurchases and cash dividends during the second quarter," Post said.

Net income increased 2.2% to \$85.1 million from \$83.3 million in second quarter 2004. The increase was primarily driven by lower interest expense and a \$4.6 million pre-tax charge in second quarter 2004 associated with the prepayment of the Company's \$100 million Series B Senior Notes. Diluted earnings per share was \$.64 for second quarter 2005, an 8.5% increase from the \$.59 reported in second quarter 2004, driven by higher net income and the decline in fully diluted shares outstanding as a result of share repurchases since second quarter 2004.

As of July 27, 2005, the investment banks that sold approximately 12.9 million shares to the Company in late May 2005 under accelerated share repurchase agreements had repurchased approximately 32% of these 12.9 million shares at a weighted average price per share of approximately \$33.94.

The results for second quarter 2005 and second quarter 2004 discussed above reflect results reported in accordance with generally accepted accounting principles (GAAP).

For the first six months of 2005, operating revenues increased to \$1.202 billion from \$1.197 billion for the same period in 2004. Operating cash flow was \$625.4 million for the first half of 2005 compared to \$631.2 million a year ago. Net income, excluding nonrecurring items, was \$165.1 million in the first six months of 2005 compared to \$166.6 million during the same period in 2004. Diluted earnings per share, excluding nonrecurring items, increased 6.0% to \$1.23 during the first half of 2005 compared to \$1.16 in the first half of 2004.

For the first six months of 2005, under generally accepted accounting principles (GAAP), net income was \$164.7 million compared to \$166.6 million for the first six months of 2004. The \$164.7 million of net income for the first half of 2005 includes \$3.7 million after-tax expense related to CenturyTel's purchase and retirement of approximately \$400 million of Series J Notes and \$3.3 million net benefit related to the settlement of various income tax audits.

For the third quarter 2005, CenturyTel expects total revenues of \$635 to \$650 million and diluted earnings per share of \$.65 to \$.70. For the full year 2005, diluted earnings per share is expected to be in the range of \$2.40 to \$2.50, an increase over the \$2.25 to \$2.35 range previously provided. This increase in 2005 diluted earnings per share guidance is primarily due to the better than anticipated results during second quarter 2005, continuation of our successful cost containment efforts and fewer fully diluted shares outstanding as a result of share repurchases during the second quarter. Third quarter and full year 2005 guidance also include the anticipated results of operations attributable to the metro fiber assets acquired from KMC at the end of the second quarter.

These outlook figures are presented on a GAAP basis, excluding nonrecurring items and the potential impact of any future mergers, acquisitions, divestitures, share repurchases 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. Reconciliation 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 888.423.4863. The call will be accessible for replay through August 3, 2005, by calling 888.266.2081 and entering the access code: 736032. 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 August 18, 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 collect its receivables from financially troubled communications companies; the Company's ability to successfully negotiate collective bargaining agreements on reasonable terms; 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, 2004. 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 July 28, 2005. The Company undertakes no obligation to update any of its forward-looking statements.

Included in the S&P 500 Index, CenturyTel (NYSE: CTL) is a leading provider of a full array of communications services primarily to rural areas and small to mid-size cities in 26 states. Visit CenturyTel at www.centurytel.com.

CenturyTel, Inc.

CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2005 AND 2004

(UNAUDITED)

	Three months ended	Three months ended		
In thousands, except per share amounts	June 30, 2005	June 30, 2004	Increase (decrease)	
OPERATING REVENUES				
Local service	\$177,265	180,142	(1.6%)	
Network access	239,404	245,515	(2.5%)	
Long distance	44,443	45,727	(2.8%)	
Data	76,049	68,169	11.6%	
Fiber transport and CLEC	21,636	18,321	18.1%	
Other	47,616	45,681	4.2%	
	606,413	603,555	0.5%	
OPERATING EXPENSES				
Cost of services and products	194,873	190,226	2.4%	
Selling, general and administrative	95,206	92,667	2.7%	
Depreciation and amortization	130,452	130,751	(0.2%)	
	420,531	413,644	1.7%	
OPERATING INCOME	185,882	189,911	(2.1%)	
OTHER INCOME (EXPENSE)				
Interest expense	(49,647)	(53,089)	(6.5%)	
Income from unconsolidated cellular entity	724	2,126	(65.9%)	
Other income (expense)	1,220	(3,811)	(132.0%)	
Income tax expense	(53,061)	(51,853)	2.3%	
NET INCOME	\$ 85,118	83,284	2.2%	
BASIC EARNINGS PER SHARE	\$ 0.65	0.60	8.3%	
DILUTED EARNINGS PER SHARE	\$ 0.64	0.59	8.5%	
SHARES OUTSTANDING				

Basic	130,299	138,066	(5.6%)
Diluted	135,345	142,968	(5.3%)

DIVIDENDS PER COMMON SHARE \$ 0.06 0.0575 4.3%

CenturyTel, Inc.

CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2005 AND 2004
(UNAUDITED)

Six months ended June 30, 2005

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

OPERATING REVENUES

Local service	\$ 354,250	354,250
Network access	469,682	469,682
Long distance	91,958	91,958
Data	148,955	148,955
Fiber transport and CLEC	41,879	41,879
Other	94,971	94,971

1,201,695	-	1,201,695
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OPERATING EXPENSES

Cost of services and products	386,866	386,866
Selling, general and administrative	189,460	189,460
Depreciation and amortization	262,627	262,627

838,953	-	838,953
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OPERATING INCOME	362,742	-	362,742
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OTHER INCOME (EXPENSE)

Interest expense	(102,272)	(1,196)(1)	(101,076)
Income from unconsolidated cellular entity	2,037	2,037	
Other income (expense)	2,755	(1,574)(2)	4,329
Income tax expense	(100,528)	2,395 (3)	(102,923)

NET INCOME	\$ 164,734	(375)	165,109
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BASIC EARNINGS PER SHARE	\$ 1.25		1.26
DILUTED EARNINGS PER SHARE	\$ 1.23		1.23

SHARES OUTSTANDING

Basic	131,241	131,241
Diluted	136,257	136,257

DIVIDENDS PER COMMON SHARE	\$ 0.1200		0.1200
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Six months ended June 30, 2004

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

OPERATING REVENUES

Local service	358,200	358,200
Network access	486,472	486,472
Long distance	90,316	90,316
Data	133,797	133,797
Fiber transport and CLEC	35,753	35,753
Other	92,721	92,721
	1,197,259	- 1,197,259

OPERATING EXPENSES

Cost of services and products	371,775	371,775
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Selling, general and administrative	194,273		194,273
Depreciation and amortization	257,743		257,743
	823,791	-	823,791
OPERATING INCOME	373,468	-	373,468
OTHER INCOME (EXPENSE)			
Interest expense	(105,632)		(105,632)
Income from unconsolidated cellular entity	4,185		4,185
Other income (expense)	(1,507)		(1,507)
Income tax expense	(103,951)		(103,951)
NET INCOME	166,563	-	166,563
BASIC EARNINGS PER SHARE	1.19		1.19
DILUTED EARNINGS PER SHARE	1.16		1.16
SHARES OUTSTANDING			
Basic	140,325		140,325
Diluted	145,197		145,197
DIVIDENDS PER COMMON SHARE	0.1150		0.1150

Increase
(decrease)

Increase excluding
(decrease) nonrecurring

In thousands, except per share amounts as reported items

OPERATING REVENUES			
Local service	(1.1%)		(1.1%)
Network access	(3.5%)		(3.5%)
Long distance	1.8%		1.8%
Data	11.3%		11.3%
Fiber transport and CLEC	17.1%		17.1%
Other	2.4%		2.4%
	0.4%		0.4%

OPERATING EXPENSES

Cost of services and products	4.1%	4.1%
Selling, general and administrative	(2.5%)	(2.5%)
Depreciation and amortization	1.9%	1.9%
	1.8%	1.8%

OPERATING INCOME (2.9%) (2.9%)

OTHER INCOME (EXPENSE)

Interest expense	(3.2%)	(4.3%)
Income from unconsolidated cellular entity	(51.3%)	(51.3%)
Other income (expense)	(282.8%)	(387.3%)
Income tax expense	(3.3%)	(1.0%)

NET INCOME (1.1%) (0.9%)

BASIC EARNINGS PER SHARE 5.0% 5.9%
DILUTED EARNINGS PER SHARE 6.0% 6.0%

SHARES OUTSTANDING

Basic	(6.5%)	(6.5%)
Diluted	(6.2%)	(6.2%)

DIVIDENDS PER COMMON SHARE 4.3% 4.3%

NONRECURRING ITEMS

(1) - Write-off of unamortized deferred debt costs associated with purchasing and retiring approximately \$400 million of Series J notes.

(2) - Includes (i) \$4.8 million debt extinguishment charge related to purchasing and retiring approximately \$400 million of Series J notes, net of (ii) \$3.2 million of interest income related to the settlement of various income tax audits.

(3) - Includes (i) \$1.1 million net tax benefit of Items (1) and (2)

and (ii) \$1.3 million tax benefit related to the settlement of various income tax audits.

CenturyTel, Inc.

CONSOLIDATED BALANCE SHEETS
JUNE 30, 2005 AND DECEMBER 31, 2004
(UNAUDITED)

June 30, Dec. 31,
2005 2004

(in thousands)

ASSETS

CURRENT ASSETS

Cash and cash equivalents	\$ 100,462	167,215
Other current assets	250,895	252,632

Total current assets	351,357	419,847

NET PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment	7,633,844	7,431,017
Accumulated depreciation	(4,313,990)	(4,089,616)

Net property, plant and equipment	3,319,854	3,341,401

GOODWILL AND OTHER ASSETS

Goodwill	3,444,198	3,433,864
Other	594,629	601,841

Total goodwill and other assets	4,038,827	4,035,705

TOTAL ASSETS \$ 7,710,038 7,796,953

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LIABILITIES AND EQUITY

CURRENT LIABILITIES

Current maturities of long-term debt	\$ 144,135	249,617
Other current liabilities	457,163	442,001

Total current liabilities	601,298	691,618
LONG-TERM DEBT	2,709,399	2,762,019
DEFERRED CREDITS AND OTHER LIABILITIES	956,234	933,551
STOCKHOLDERS' EQUITY	3,443,107	3,409,765
TOTAL LIABILITIES AND EQUITY	\$ 7,710,038	7,796,953

CenturyTel, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

In thousands	Three months ended June 30, 2005	Three months ended June 30, 2004
Operating cash flow and cash flow margin		
Operating income	\$ 185,882	189,911
Add: Depreciation and amortization	130,452	130,751
Operating cash flow	\$ 316,334	320,662
Revenues	\$ 606,413	603,555
Operating income margin (operating income divided by revenues)	30.7%	31.5%
Operating cash flow margin (operating cash flow divided by revenues)	52.2%	53.1%

Free cash flow (prior to debt service requirements)

and dividends)

Net income	\$ 85,118	83,284
Add: Depreciation and amortization	130,452	130,751
Less: Capital expenditures	(102,011)	(94,269)

Free cash flow	\$ 113,559	119,766
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Free cash flow	\$ 113,559	119,766
Income from unconsolidated cellular entity	(724)	(2,126)
Deferred income taxes	3,806	30,365
Changes in current assets and current liabilities	(8,669)	(25,425)
Increase in other noncurrent assets	(119)	(6,877)
Increase in other noncurrent liabilities	145	405
Retirement benefits	6,513	7,033
Other, net	5,572	2,508
Add: Capital expenditures	102,011	94,269

Net cash provided by operating activities	\$ 222,094	219,918
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CenturyTel, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(UNAUDITED)

Six months ended June 30, 2005

In thousands	As adjusted	
	Less non-recurring items reported	excluding non-recurring items
Operating cash flow and cash flow margin		
Operating income	\$ 362,742	362,742
Add: Depreciation and amortization	262,627	262,627
Operating cash flow	\$ 625,369	- 625,369

Revenues	\$1,201,695	-	1,201,695
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Operating income margin (operating income divided by revenues)	30.2%		30.2%
	=====		=====

Operating cash flow margin (operating cash flow divided by revenues)	52.0%		52.0%
	=====		=====

Free cash flow (prior to debt service requirements and dividends)			
Net income	\$ 164,734	(375)(1)	165,109
Add: Depreciation and amortization	262,627		262,627
Less: Capital expenditures	(176,914)		(176,914)
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Free cash flow	\$ 250,447	(375)	250,822
	=====	=====	=====

Free cash flow	\$ 250,447
Income from unconsolidated cellular entity	(2,037)
Deferred income taxes	25,947
Changes in current assets and current liabilities	18,954
Increase in other noncurrent assets	(1,477)
Decrease in other noncurrent liabilities	(584)
Retirement benefits	12,517
Other, net	(1,768)
Add: Capital expenditures	176,914

Net cash provided by operating activities	\$ 478,913
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Six months ended June 30, 2004

In thousands	As reported	As adjusted Less non- recurring items	excluding non- recurring items
Operating cash flow and cash flow margin			
Operating income	373,468		373,468
Add: Depreciation and amortization	257,743		257,743
Operating cash flow	631,211	-	631,211
Revenues	1,197,259	-	1,197,259
Operating income margin (operating income divided by revenues)	31.2%		31.2%
Operating cash flow margin (operating cash flow divided by revenues)	52.7%		52.7%
Free cash flow (prior to debt service requirements and dividends)			
Net income	166,563		166,563
Add: Depreciation and amortization	257,743		257,743
Less: Capital expenditures	(156,014)		(156,014)
Free cash flow	268,292	-	268,292
Free cash flow	268,292		
Income from unconsolidated cellular entity	(4,185)		
Deferred income taxes	57,038		
Changes in current assets and current liabilities	32,270		
Increase in other noncurrent			

assets	(17,909)
Decrease in other noncurrent liabilities	(3,544)
Retirement benefits	17,863
Other, net	(2,481)
Add: Capital expenditures	156,014

Net cash provided by operating activities	503,358
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NONRECURRING ITEMS

(1) - Includes (i) \$3.7 million after-tax expense related to purchasing and retiring approximately \$400 million of Series J notes, net of (ii) \$3.3 million net benefit related to the settlement of various income tax audits.

MULTIMEDIA AVAILABLE:

<http://www.businesswire.com/cgi-bin/mmg.cgi?eid=4940750>

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