



NEWS RELEASE

CenturyTel Reports Third Quarter Earnings

2007-11-01

MONROE, La., Nov. 1 /PRNewswire-FirstCall/ -- CenturyTel, Inc. (NYSE: CTL) announces operating results for third quarter 2007.

-- Operating revenues, excluding nonrecurring items, were \$708.3 million compared to \$619.2 million for third quarter 2006. Reported under GAAP, third quarter 2007 operating revenues were \$708.8 million.

-- Net income, excluding nonrecurring items, was \$108.1 million compared to \$77.9 million in third quarter 2006. Reported under GAAP, third quarter 2007 net income was \$113.2 million.

-- Diluted earnings per share, excluding nonrecurring items, was \$.97 compared to \$.66 in third quarter 2006. Reported under GAAP, third quarter 2007 diluted earnings per share was \$1.01.

-- Free cash flow (as defined in the attached financial schedules), excluding nonrecurring items, was \$167.3 million in third quarter 2007 compared to \$125.5 million in third quarter 2006.

-- Under the recently approved \$750 million share repurchase program, 786,000 shares were repurchased and retired for \$36.4 million during the quarter.

Third Quarter Highlights
(Excluding nonrecurring items)
(In thousands, except per share amounts and customer units)

Quarter Ended	Quarter Ended	% Change
9/30/07	9/30/06	

Operating Revenues	\$708,306	\$619,186	14.4%
Operating Cash Flow (1)	\$363,005	\$301,693	20.3%
Net Income	\$108,137	\$77,928	38.8%
Diluted Earnings Per Share	\$.97	\$.66	47.0%
Average Diluted Shares Outstanding	\$112,229	\$120,448	(6.8)%
Capital Expenditures	\$77,445	\$82,579	(6.2)%
Access Lines (2)	2,171,000	2,124,000	2.2%
High-speed Internet Customers	530,000	340,000	55.9%

(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.

(2) Quarter ended 9/30/2007 access lines and high-speed Internet customers include the effects of our April 2007 Madison River acquisition. Excluding the effects of this acquisition, access lines decreased 5.4% and high-speed Internet customers increased 38.8%.

"CenturyTel achieved over \$167 million in free cash flow during the third quarter and we expect to generate record free cash flow for full year 2007," Glen F. Post, III, chairman and chief executive officer, said. "Nearly 40% year-over-year growth in high-speed Internet customers, the acquisition of the Madison River properties, and the recognition of access revenue settlements drove solid financial results for the quarter."

Operating revenues, excluding nonrecurring items, for third quarter 2007 were \$708.3 million compared to \$619.2 million in third quarter 2006. Revenue increases aggregating \$106 million resulted primarily from \$49 million in revenue contribution from the Madison River properties, \$42 million related to adjustments to recognize prior period revenue settlements, and \$15 million from an increase in high-speed Internet customers in our legacy markets. These increases more than offset revenue declines of \$18 million attributable to lower access revenues and access line losses.

Operating expenses, excluding nonrecurring items, increased 7.7% to \$481.9 million from \$447.6 million in third quarter 2006, primarily due to operating costs associated with the Madison River properties acquired earlier this year. Excluding costs associated with the Madison River properties, operating expenses decreased in third quarter 2007 compared to third quarter 2006, primarily due to lower depreciation expense associated with fully depreciated assets, reduced personnel expenses and lower expenses under our amended satellite television agreement. These decreases more than offset an increase associated with growth in high-speed Internet customers.

Operating cash flow, excluding nonrecurring items, increased to \$363.0 million from \$301.7 million in third quarter 2006, primarily due to the recognition of prior period revenue settlements during third quarter 2007 and the contribution of the Madison River properties. For third quarter 2007, CenturyTel achieved an operating cash flow margin of 51.2% versus 48.7% in third quarter 2006.

"We remain focused on being the leading provider of broadband products and services to customers in our markets," Post said. "We added more than 29,000 broadband customers during the third quarter and ended the quarter with more than 29% penetration of broadband-enabled lines."

Net income, excluding nonrecurring items, was \$108.1 million in third quarter 2007 compared to \$77.9 million in third quarter 2006. This increase was primarily driven by the after-tax impact of the prior period revenue settlements discussed above. Diluted earnings per share, excluding nonrecurring items, was \$.97 for third quarter 2007, a 47.0% increase from the \$.66 reported in third quarter 2006. This increase was driven by the higher net income and a 6.8% decline in average diluted shares outstanding as a result of share repurchases since third quarter 2006.

For the first nine months of 2007, operating revenues, excluding nonrecurring items, increased to \$1.948 billion from \$1.838 billion for the same period in 2006. Operating cash flow, excluding nonrecurring items, was \$970.1 million for the first nine months of 2007 compared to \$896.5 million a year ago. Net income, excluding nonrecurring items, was \$264.4 million in the first nine months of 2007 compared to \$223.6 million during the same period in 2006. Diluted earnings per share, excluding nonrecurring items, was \$2.34 during the first nine months of 2007 compared to \$1.84 in the first nine months of 2006.

Under generally accepted accounting principles (GAAP), net income for third quarter 2007 was \$113.2 million compared to \$76.3 million for third quarter 2006 and diluted earnings per share for third quarter 2007 was \$1.01 compared to \$.64 for third quarter 2006. Third quarter 2007 net income and diluted earnings per share reflect a net after-tax charge of \$1.4 million (\$.01 per share) related to a reduction in workforce during the quarter and a net after-tax gain of \$6.4 million (\$.06 per share) from the sale of a non-core asset. Third quarter 2006 net income and diluted earnings per share reflect a net after-tax charge of \$1.6 million (\$.01 per share) related to a reduction in workforce.

Net income under GAAP for the first nine months of 2007 was \$303.3 million compared to \$297.8 million for the first nine months of 2006 and diluted earnings per share for the first nine months of 2007 was \$2.68 compared to \$2.44 for the first nine months of 2006. See the accompanying financial schedules for detail of the Company's nonrecurring items for the nine months ended September 30, 2007 and 2006.

Outlook. For fourth quarter 2007, CenturyTel expects total revenues of \$645 to \$655 million and diluted earnings per share of \$.66 to \$.71. As a result of better than anticipated third quarter performance, the Company has increased and narrowed the range of anticipated full year 2007 diluted earnings per share guidance from \$2.90 to \$3.00 to \$3.00 to \$3.05.

CenturyTel expects to provide full year 2008 earnings per share guidance in February 2008. However, there are a couple of items that can be expected to affect 2008 results when compared to 2007. First, revenue settlements related to prior periods are anticipated to decline and negatively impact 2008 diluted earnings per share by \$.22 to \$.24. Additionally, lower Universal Service Fund receipts are expected to negatively impact 2008 diluted earnings by \$.08 to \$.10 per share. These and other items that may affect 2008 results will be further discussed during the Company's fourth quarter 2007 earnings call in February 2008.

All outlook figures provided under this section are presented excluding the potential impact of any future mergers, acquisitions or divestitures, any share repurchases after October 31, or other nonrecurring events.

Other. As previously reported, CenturyTel adopted the requirements of Staff Accounting Bulletin No. 108 (SAB 108) in fourth quarter 2006, which required the results of operations previously reported in the first, second and third quarters of 2006 to be adjusted. Third quarter 2006 and nine months ended September 30, 2006 amounts included in this press release reflect amounts adjusted for the application of SAB 108.

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 in the Investor Relations portion of the Company's Web site at <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 866.219.5631. The call will be accessible for replay through November 7, 2007, by calling 888.258.7854 and entering the access code: 1147641. 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 <http://www.centurytel.com> through November 21, 2007.

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 expansion opportunities, including successfully integrating newly-acquired properties into the Company's operations and retaining and hiring key personnel; possible changes in the demand for, or pricing of, the Company's products and services; the Company's continued access to credit markets on favorable terms; 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 (the "SEC"); 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, 2006, as updated by the Company's subsequent SEC reports. 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 November 1, 2007. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

CenturyTel (NYSE: CTL) is a leading provider of communications, high-speed Internet and entertainment services in small-to-mid-size cities through our broadband and fiber transport networks. Included in the S&P 500 Index, CenturyTel delivers advanced communications with a personal touch to customers in 25 states. Visit us at <http://www.centurytel.com>.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(UNAUDITED)

Three months ended September 30, 2007

In thousands, except per share amounts	As adjusted		
	Less non-reported	excluding non-recurring items	recurring items
OPERATING REVENUES			
Voice*	\$229,862	229,862	
Network access	248,490	527 (1)	247,963
Data	134,630	134,630	
Fiber transport and CLEC	41,811		41,811
Other*	54,040	54,040	
	708,833	527	708,306
OPERATING EXPENSES			
Cost of services and products	246,430	1,967 (1)	244,463
Selling, general and administrative	101,612	774 (1)	100,838
Depreciation and amortization	136,606		136,606
	484,648	2,741	481,907
OPERATING INCOME	224,185	(2,214)	226,399
OTHER INCOME (EXPENSE)			
Interest expense	(55,176)	(55,176)	
Other income (expense)	14,761	10,437 (2)	4,324
Income tax expense	(70,568)	(3,158)(3)	(67,410)
NET INCOME	\$113,202	5,065	108,137
BASIC EARNINGS PER SHARE	\$1.04	0.05	0.99
DILUTED EARNINGS PER SHARE	\$1.01	0.05	0.97
AVERAGE SHARES OUTSTANDING			
Basic	108,996	108,996	
Diluted	112,229	112,229	
DIVIDENDS PER COMMON SHARE	\$0.0650		0.0650

Three months ended September 30, 2006

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

amounts	reported	items	items
OPERATING REVENUES			
Voice*	218,665		218,665
Network access	219,897	560 (1)	219,337
Data	91,473	91 (1)	91,382
Fiber transport and CLEC	37,487		37,487
Other*	52,315		52,315
	619,837	651	619,186
OPERATING EXPENSES			
Cost of services and products	226,536	3,092 (1)	223,444
Selling, general and administrative	94,212	163 (1)	94,049
Depreciation and amortization	130,147		130,147
	450,895	3,255	447,640
OPERATING INCOME	168,942	(2,604)	171,546
OTHER INCOME (EXPENSE)			
Interest expense	(47,857)		(47,857)
Other income (expense)	2,818		2,818
Income tax expense	(47,579)	1,000 (3)	(48,579)
NET INCOME	76,324	(1,604)	77,928
BASIC EARNINGS PER SHARE	0.66	(0.01)	0.68
DILUTED EARNINGS PER SHARE	0.64	(0.01)	0.66
AVERAGE SHARES OUTSTANDING			
Basic	115,221		115,221
Diluted	120,448		120,448
DIVIDENDS PER COMMON SHARE	0.0625		0.0625

In thousands, except per share amounts	Increase (decrease)	
	Increase as reported	excluding (decrease) nonrecurring items
OPERATING REVENUES		
Voice*	5.1%	5.1%
Network access	13.0%	13.1%
Data	47.2%	47.3%
Fiber transport and CLEC	11.5%	11.5%
Other*	3.3%	3.3%

	14.4%	14.4%
OPERATING EXPENSES		
Cost of services and products	8.8%	9.4%
Selling, general and administrative	7.9%	7.2%
Depreciation and amortization	5.0%	5.0%
	7.5%	7.7%
OPERATING INCOME	32.7%	32.0%
OTHER INCOME (EXPENSE)		
Interest expense	15.3%	15.3%
Other income (expense)	423.8%	53.4%
Income tax expense	48.3%	38.8%
NET INCOME	48.3%	38.8%
BASIC EARNINGS PER SHARE	57.6%	45.6%
DILUTED EARNINGS PER SHARE	57.8%	47.0%
AVERAGE SHARES OUTSTANDING		
Basic	(5.4%)	(5.4%)
Diluted	(6.8%)	(6.8%)
DIVIDENDS PER COMMON SHARE	4.0%	4.0%

NONRECURRING ITEMS

- (1) - Severance and related costs due to workforce reductions in third quarters of 2007 and 2006, including revenue impact.
- (2) - Gain on sale of non-core asset.
- (3) - Tax effect of above items.

* Revenues from voice mail services previously reflected in "Other" revenues have been reclassified to "Voice" revenues for all periods.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
NINE MONTHS ENDED SEPTEMBER 30, 2007 AND 2006
(UNAUDITED)

Nine months ended September 30, 2007

As adjusted
Less excluding
non- non-

In thousands, except per share amounts As reported recurring items recurring items

OPERATING REVENUES

Voice*	\$664,435		664,435
Network access	726,091	49,514 (1)	676,577
Data	338,700		338,700
Fiber transport and CLEC	120,851	13 (1)	120,838
Other*	149,602	1,869 (2)	147,733
	1,999,679	51,396	1,948,283

OPERATING EXPENSES

Cost of services and products	686,349	(2,085)(3)	688,434
Selling, general and administrative	290,525	774 (3)	289,751
Depreciation and amortization	398,701		398,701
	1,375,575	(1,311)	1,376,886

OPERATING INCOME 624,104 52,707 571,397

OTHER INCOME (EXPENSE)

Interest expense	(159,804)		(159,804)
Other income (expense)	28,131	10,437 (4)	17,694
Income tax expense	(189,094)	(24,248)(5)	(164,846)

NET INCOME \$303,337 38,896 264,441

BASIC EARNINGS PER SHARE \$2.77 0.36 2.41
 DILUTED EARNINGS PER SHARE \$2.68 0.34 2.34

AVERAGE SHARES OUTSTANDING

Basic	109,478		109,478
Diluted	114,086		114,086

DIVIDENDS PER COMMON SHARE \$0.1950 0.1950

Nine months ended September 30, 2006

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

OPERATING REVENUES

Voice*	657,559		657,559
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Network access	666,883	1,688 (6)	665,195
Data	259,158	275 (6)	258,883
Fiber transport and CLEC	109,318		109,318
Other*	147,117	147,117	
	1,840,035	1,963	1,838,072
OPERATING EXPENSES			
Cost of services and products	665,282	8,585 (6)	656,697
Selling, general and administrative	285,748	845 (6)	284,903
Depreciation and amortization	397,146		397,146
	1,348,176	9,430	1,338,746
OPERATING INCOME	491,859	(7,467)	499,326
OTHER INCOME (EXPENSE)			
Interest expense	(148,582)	(148,582)	
Other income (expense)	130,874	118,649 (7)	12,225
Income tax expense	(176,357)	(36,976)(8)	(139,381)
NET INCOME	297,794	74,206	223,588
BASIC EARNINGS PER SHARE	2.53	0.63	1.90
DILUTED EARNINGS PER SHARE	2.44	0.60	1.84
AVERAGE SHARES OUTSTANDING			
Basic	117,685	117,685	
Diluted	123,348	123,348	
DIVIDENDS PER COMMON SHARE	0.1875		0.1875

In thousands, except per share amounts	Increase (decrease)		nonrecurring items
	Increase as reported	excluding (decrease)	
OPERATING REVENUES			
Voice*	1.0%	1.0%	
Network access	8.9%	1.7%	
Data	30.7%	30.8%	
Fiber transport and CLEC		10.5%	10.5%
Other*	1.7%	0.4%	
	8.7%	6.0%	
OPERATING EXPENSES			
Cost of services and products		3.2%	4.8%

Selling, general and administrative	1.7%	1.7%
Depreciation and amortization	0.4%	0.4%
	2.0%	2.8%
OPERATING INCOME	26.9%	14.4%
OTHER INCOME (EXPENSE)		
Interest expense	7.6%	7.6%
Other income (expense)	(78.5%)	44.7%
Income tax expense	7.2%	18.3%
NET INCOME	1.9%	18.3%
BASIC EARNINGS PER SHARE	9.5%	26.8%
DILUTED EARNINGS PER SHARE	9.8%	27.2%
AVERAGE SHARES OUTSTANDING		
Basic	(7.0%)	(7.0%)
Diluted	(7.5%)	(7.5%)
DIVIDENDS PER COMMON SHARE	4.0%	4.0%

NONRECURRING ITEMS

- (1) - Revenue recorded upon settlement of a dispute with a carrier (\$49.0 million) and revenue impact of severance and related costs due to workforce reductions (\$0.5 million).
- (2) - Reimbursement of amounts upon a change in our satellite television arrangement.
- (3) - Severance and related costs due to workforce reductions (\$2.7 million), net of reimbursement of amounts upon a change in our satellite television arrangement (\$4.1 million).
- (4) - Gain on sale of non-core asset.
- (5) - Tax effects of items (1) through (4).
- (6) - Severance and related costs due to workforce reduction, including revenue impact.
- (7) - Includes gain recorded upon redemption of Rural Telephone Bank stock (\$117.8 million) and gain recorded upon sale of Arizona properties (\$0.9 million).
- (8) - Includes \$43.4 million net tax expense related to Items (6) and (7), net of \$6.4 million net tax benefit due to the resolution of various income tax audit issues.

* Revenues from voice mail services previously reflected in "Other" revenues have been reclassified to "Voice" revenues for all periods.

CenturyTel, Inc.
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2007 AND DECEMBER 31, 2006
(UNAUDITED)

	September 30, 2007	December 31, 2006
(in thousands)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$58,714	25,668
Other current assets	269,166	264,449
Total current assets	327,880	290,117
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	8,598,777	7,893,760
Accumulated depreciation	(5,453,958)	(4,784,483)
Net property, plant and equipment	3,144,819	3,109,277
GOODWILL AND OTHER ASSETS		
Goodwill	3,997,028	3,431,136
Other	762,923	610,477
Total goodwill and other assets	4,759,951	4,041,613
TOTAL ASSETS	\$8,232,650	7,441,007
LIABILITIES AND EQUITY CURRENT LIABILITIES		
Short-term debt and current maturities of long-term debt	\$254,895	178,012
Other current liabilities	425,021	439,553
Total current liabilities	679,916	617,565
LONG-TERM DEBT	2,747,576	2,412,852
DEFERRED CREDITS AND OTHER LIABILITIES	1,440,737	1,219,639
STOCKHOLDERS' EQUITY	3,364,421	3,190,951
TOTAL LIABILITIES AND EQUITY	\$8,232,650	7,441,007

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

Three months ended September 30, 2007

In thousands	As adjusted		
	Less non-reported	excluding non-recurring items	recurring items
Operating cash flow and cash flow margin			
Operating income	\$224,185	(2,214)(1)	226,399
Add: Depreciation and amortization	136,606	-	136,606
Operating cash flow	\$360,791	(2,214)	363,005
Revenues	\$708,833	527 (1)	708,306
Operating income margin (operating income divided by revenues)		31.6%	32.0%
Operating cash flow margin (operating cash flow divided by revenues)		50.9%	51.2%
Free cash flow (prior to debt service requirements and dividends)			
Net income	\$113,202	5,065 (2)	108,137
Add: Depreciation and amortization	136,606	-	136,606
Less: Capital expenditures	(77,445)	-	(77,445)
Free cash flow	\$172,363	5,065	167,298
Free cash flow	\$172,363		
Gain on asset dispositions	(10,436)		
Deferred income taxes	13,106		
Changes in current assets and current liabilities	(42,321)		
Increase in other noncurrent assets	4,400		
Decrease in other noncurrent liabilities	(2,542)		
Retirement benefits	6,745		
Excess tax benefits from share-based compensation	(122)		
Other, net	12,770		
Add: Capital expenditures	77,445		
Net cash provided by operating activities	\$231,408		

Three months ended September 30, 2006

In thousands	As reported	As adjusted Less non-recurring excluding non-recurring items items	As reported
Operating cash flow and cash flow margin			
Operating income	168,942	(2,604)(1)	171,546
Add: Depreciation and amortization	130,147		130,147
Operating cash flow	299,089	(2,604)	301,693
Revenues	619,837	651 (1)	619,186
Operating income margin (operating income divided by revenues)	27.3%		27.7%
Operating cash flow margin (operating cash flow divided by revenues)	48.3%		48.7%
Free cash flow (prior to debt service requirements and dividends)			
Net income	76,324	(1,604)(3)	77,928
Add: Depreciation and amortization	130,147	-	130,147
Less: Capital expenditures	(82,579)	-	(82,579)
Free cash flow	123,892	(1,604)	125,496
Free cash flow	123,892		
Gain on asset dispositions	-		
Deferred income taxes	11,262		
Changes in current assets and current liabilities	(14,012)		
Increase in other noncurrent assets	4,132		
Decrease in other noncurrent liabilities	(1,729)		
Retirement benefits	10,406		
Excess tax benefits from share-based compensation	(2,913)		
Other, net	2,574		
Add: Capital expenditures	82,579		
Net cash provided by operating activities	216,191		

NONRECURRING ITEMS

- (1) - Severance and related costs due to workforce reduction, including revenue impact (presented on a pre-tax basis).
- (2) - After-tax effect of gain on sale of non-core asset and severance and related costs due to workforce reduction.
- (3) - After-tax effect of severance and related costs due to workforce reduction.

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

Nine months ended September 30, 2007

In thousands	As reported	As adjusted Less non- recurring items	excluding non- recurring items
Operating cash flow and cash flow margin			
Operating income	\$624,104	52,707 (1)	571,397
Add: Depreciation and amortization	398,701	-	398,701
Operating cash flow	\$1,022,805	52,707	970,098
Revenues	\$1,999,679	51,396 (2)	1,948,283
Operating income margin (operating income divided by revenues)		31.2%	29.3%
Operating cash flow margin (operating cash flow divided by revenues)		51.1%	49.8%
Free cash flow (prior to debt service requirements and dividends)			
Net income	\$303,337	38,896 (3)	264,441
Add: Depreciation and amortization	398,701	-	398,701
Less: Capital expenditures	(184,301)	-	(184,301)
Free cash flow	\$517,737	38,896	478,841
Free cash flow	\$517,737		
Gain on asset dispositions	(10,436)		
Deferred income taxes	43,111		

Changes in current assets and current liabilities	28,514
Decrease in other noncurrent assets	8,053
Increase (decrease) in other noncurrent liabilities	(14,209)
Retirement benefits	21,392
Excess tax benefits from share-based compensation	(6,434)
Other, net	17,404
Add: Capital expenditures	184,301
Net cash provided by operating activities	\$789,433

Nine months ended September 30, 2006

In thousands	As adjusted	
	Less non-recurring items reported	excluding non-recurring items
Operating cash flow and cash flow margin		
Operating income	491,859	(7,467)(4) 499,326
Add: Depreciation and amortization	397,146	397,146
Operating cash flow	889,005	(7,467) 896,472
Revenues	1,840,035	1,963 (4) 1,838,072
Operating income margin (operating income divided by revenues)	26.7%	27.2%
Operating cash flow margin (operating cash flow divided by revenues)	48.3%	48.8%
Free cash flow (prior to debt service requirements and dividends)		
Net income	297,794	74,206 (5) 223,588
Add: Depreciation and amortization	397,146	397,146
Less: Capital expenditures	(213,034)	(213,034)
Free cash flow	481,906	74,206 407,700
Free cash flow	481,906	
Gain on asset dispositions	(118,649)	
Deferred income taxes	33,413	

Changes in current assets and current liabilities	(14,472)	
Decrease in other noncurrent assets		4,429
Increase (decrease) in other noncurrent liabilities	557	
Retirement benefits	25,332	
Excess tax benefits from share-based compensation	(7,860)	
Other, net	4,818	
Add: Capital expenditures	213,034	
Net cash provided by operating activities	622,508	

NONRECURRING ITEMS

- (1) - Includes (i) \$49.0 million revenue recorded upon settlement of a dispute with a carrier; (ii) \$5.9 million reimbursement of amounts upon a change in our satellite television arrangement, net of (iii) impact of severance and related costs due to workforce reduction (\$2.2 million).
- (2) - Includes (i) \$49.0 million revenue recorded upon settlement of a dispute with a carrier; (ii) \$1.9 million reimbursement of amounts upon a change in our satellite television arrangement and (iii) revenue impact of severance and related costs due to workforce reduction (\$.5 million).
- (3) - Includes after-tax gain on sale of non-core asset and the after-tax effect of Item (1).
- (4) - Severance and related costs due to workforce reduction, including related revenue impact.
- (5) - Includes (i) the after-tax effect of gains on sales of assets (primarily gain on Rural Telephone Bank stock redemption), (ii) the after-tax effect of Item (4) and (iii) a \$6.4 million net tax benefit due to the resolution of various income tax audit issues.

SOURCE CenturyTel, Inc.

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