

CENTURYTEL INC

FORM 10-Q (Quarterly Report)

Filed 8/11/1994 For Period Ending 6/30/1994

Address	P O BOX 4065 100 CENTURYTEL DR MONROE, Louisiana 71203
Telephone	318-388-9000
CIK	0000018926
Industry	Communications Services
Sector	Services
Fiscal Year	12/31

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

☒ Quarterly Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

For the quarterly period ended June 30, 1994

or

☐ Transition Report Pursuant to Section 13 or 15(d) of the Securities
Exchange Act of 1934

Commission File Number: 1-7784

CENTURY TELEPHONE ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Louisiana
(State or other jurisdiction of
incorporation or organization)

72-0651161
(I.R.S. Employer
Identification No.)

100 Century Park Drive, Monroe, Louisiana 71203
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (318) 388-9500

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

☒ Yes ☐ No

As of July 31, 1994, there were 53,389,924 shares of common stock outstanding.

CENTURY TELEPHONE ENTERPRISES, INC.

TABLE OF CONTENTS

	Page No.
Part I. Financial Information:	
Consolidated Statements of Income--Three Months and Six Months Ended June 30, 1994 and 1993.	3
Consolidated Balance Sheets--June 30, 1994 and December 31, 1993.	4
Consolidated Statements of Stockholders' Equity-- Six Months Ended June 30, 1994 and 1993.	5
Consolidated Statements of Cash Flows-- Six Months Ended June 30, 1994 and 1993.	6
Notes to Consolidated Financial Statements.	7-9
Management's Discussion and Analysis of Financial Condition and Results of Operations.	10-19
Part II. Other Information	20
Signature.	21
Index to Exhibits.	22

PART I. FINANCIAL INFORMATION

CENTURY TELEPHONE ENTERPRISES, INC. CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended June 30		Six months ended June 30	
	1994	1993	1994	1993
	(expressed in thousands, except per share amounts)			
REVENUES				
Telephone	\$ 94,969	86,875	186,739	165,826
Mobile Communications	37,911	20,463	67,121	38,337
Total revenues	132,880	107,338	253,860	204,163
EXPENSES				
Cost of sales and operating expenses	68,233	56,947	131,894	108,303
Depreciation and amortization	22,934	19,048	44,367	36,250
Total expenses	91,167	75,995	176,261	144,553
OPERATING INCOME	41,713	31,343	77,599	59,610
OTHER INCOME (EXPENSE)				
Interest expense	(10,824)	(7,467)	(19,326)	(14,379)
Gain on sale of asset	-	-	-	1,661
Earnings from unconsolidated cellular partnerships	3,411	1,970	5,975	2,342
Other income and expense	(62)	257	129	1,204
Total other income (expense)	(7,475)	(5,240)	(13,222)	(9,172)
INCOME BEFORE INCOME TAXES	34,238	26,103	64,377	50,438
INCOME TAXES	12,753	9,586	23,691	18,181
NET INCOME	\$ 21,485	16,517	40,686	32,257
PRIMARY EARNINGS PER SHARE	\$.40	.32	.76	.64
FULLY DILUTED EARNINGS PER SHARE	\$.39	.32	.74	.63
DIVIDENDS PER COMMON SHARE	\$.0800	.0775	.1600	.1550

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
CONSOLIDATED BALANCE SHEETS
(UnAUDITED)

ASSETS	June 30, 1994	December 31, 1993
- - - - -	-----	-----
	(expressed in thousands)	
CURRENT ASSETS		
Cash and cash equivalents	\$ 24,654	9,777
Accounts receivable		
Customers, less allowance for doubtful		
accounts of \$2,524,000 and \$1,473,000	37,272	34,438
Other	21,293	21,771
Materials and supplies, at cost	4,729	4,418
Other	1,344	2,068
	-----	-----
	89,292	72,472
	-----	-----
NET PROPERTY, PLANT AND EQUIPMENT	890,560	827,776
	-----	-----
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired	437,691	297,158
Other investments	111,127	98,142
Note receivable	25,000	-
Deferred charges	26,058	23,842
	-----	-----
	599,876	419,142
	-----	-----
	\$1,579,728	1,319,390
	=====	=====
LIABILITIES AND EQUITY		
- - - - -		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 15,575	14,233
Notes payable to banks	91,200	69,200
Accounts payable	44,513	49,506
Accrued expenses and other liabilities		
Salaries and benefits	17,701	15,990
Taxes	16,816	9,327
Interest	8,198	6,476
Other	5,718	5,162
Advance billings and customer deposits	11,236	9,312
	-----	-----
	210,957	179,206
	-----	-----
LONG-TERM DEBT	602,972	460,933
	-----	-----
DEFERRED CREDITS AND OTHER LIABILITIES	172,719	165,483
	-----	-----
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized		
100,000,000 shares, issued and outstanding		
53,385,094 and 51,294,705 shares	53,385	51,295
Paid-in capital	314,608	262,294
Retained earnings	241,065	208,945
Employee Stock Ownership Plan commitment	(18,280)	(9,220)
Preferred stock - non-redeemable	2,302	454
	-----	-----
	593,080	513,768
	-----	-----
	\$1,579,728	1,319,390
	=====	=====

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UnAUDITED)

	Six months ended June 30	
	1994	1993
	(expressed in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 51,295	48,897
Issuance of common stock for acquisitions	2,000	2,151
Issuance of common stock through dividend reinvestment, stock purchase and incentive plans	89	133
Conversion of preferred stock into common stock	1	-
	-----	-----
Balance at end of period	53,385	51,181
	-----	-----
PAID-IN CAPITAL		
Balance at beginning of period	262,294	191,522
Issuance of common stock for acquisitions	50,311	66,407
Issuance of common stock through dividend reinvestment, stock purchase and incentive plans	1,593	1,750
Conversion of preferred stock into common stock	26	-
Amortization of unearned compensation	384	290
	-----	-----
Balance at end of period	314,608	259,969
	-----	-----
RETAINED EARNINGS		
Balance at beginning of period	208,945	155,676
Net income	40,686	32,257
Cash dividends declared		
Common stock-\$.1600 and \$.1550 per share, respectively	(8,527)	(7,759)
Preferred stock	(39)	(16)
	-----	-----
Balance at end of period	241,065	180,158
	-----	-----
ESOP COMMITMENT		
Balance at beginning of period	(9,220)	(11,100)
Commitment to ESOP	(10,000)	-
Reduction of ESOP commitment	940	940
	-----	-----
Balance at end of period	(18,280)	(10,160)
	-----	-----
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning of period	454	454
Issuance of preferred stock for acquisition	1,875	-
Conversion of preferred stock into common stock	(27)	-
	-----	-----
Balance at end of period	2,302	454
	-----	-----
TOTAL STOCKHOLDERS' EQUITY	\$593,080	481,602
	=====	=====

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UnAUDITED)

	Six months ended June 30	
	1994	1993
	(expressed in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 40,686	32,257
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	49,476	41,032
Deferred income taxes	(3,059)	(2,878)
Equity in earnings of unconsolidated cellular partnerships	(6,568)	(2,341)
Gain on sale of asset	-	(1,661)
Changes in current assets and current liabilities:		
Decrease in accounts receivable	2,658	4,354
Decrease in accounts payable	(10,157)	(1,459)
Changes in other current assets and other current liabilities, net	12,642	1,700
Other, net	4,810	4,128
	-----	-----
NET CASH PROVIDED BY OPERATING ACTIVITIES	90,488	75,132
	-----	-----
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(90,426)	(81,689)
Acquisitions, net of cash acquired	(54,847)	(34,171)
Purchase of life insurance investment	(7,094)	(7,105)
Note receivable	(25,000)	-
Other, net	1,464	382
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(175,903)	(122,583)
	-----	-----
FINANCING ACTIVITIES		
Proceeds from issuance of long-term debt	147,547	55,611
Payments of long-term debt	(62,551)	(25,474)
Notes payable, net	22,000	29,500
Proceeds from issuance of common stock	1,682	1,883
Cash dividends paid	(8,566)	(7,775)
Other, net	180	1,094
	-----	-----
NET CASH PROVIDED BY FINANCING ACTIVITIES	100,292	54,839
	-----	-----
Net increase in cash and cash equivalents	14,877	7,388
Cash and cash equivalents at beginning of period	9,777	9,771
	-----	-----
Cash and cash equivalents at end of period	\$ 24,654	17,159
	=====	=====
Supplemental cash flow information:		
Income taxes paid	\$ 17,257	19,169
	=====	=====
Interest paid	\$ 17,604	13,945
	=====	=====

See accompanying notes to consolidated financial statements.

CENTURY TELEPHONE ENTERPRISES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 1994
(UNAUDITED)

(1) Basis of Financial Reporting

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, the Company believes the disclosures which are made are adequate to make the information presented not misleading. The financial statements and footnotes included in this Form 10-Q should be read in conjunction with the financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1993. Certain 1993 amounts have been reclassified to be consistent with the 1994 presentation.

The unaudited financial information for the three months and six months ended June 30, 1994 and 1993 has not been audited by independent public accountants; however, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the three-month and six-month periods have been included therein. The results of operations for the first six months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

(2) Accounting Pronouncement

In the first quarter of 1994 the Company adopted Statement of Financial Accounting Standards No. 112 ("SFAS 112"), "Employers' Accounting for Postemployment Benefits". SFAS 112 requires the adoption of accrual accounting for workers compensation, disability and other benefits provided after employment but before retirement by requiring accrual of the expected cost when it is probable that a benefit obligation has been incurred and the amount can be reasonably estimated. Liabilities for postemployment benefits in the consolidated balance sheet as of December 31, 1993 were not materially different than those required by SFAS 112; therefore, no cumulative effect of change in accounting principle was recorded upon adoption of SFAS 112.

(3) Net Property, Plant and Equipment

Net property, plant and equipment is composed of the following:

	June 30, 1994	December 31, 1993
	-----	-----
	(expressed in thousands)	
Telephone, at original cost	\$1,029,212	979,449
Accumulated depreciation	(295,329)	(288,479)
	-----	-----
	733,883	690,970
	-----	-----
Mobile Communications, at cost	145,754	113,252
Accumulated depreciation	(39,711)	(27,736)
	-----	-----
	106,043	85,516
	-----	-----
Other, at cost	80,548	77,737
Accumulated depreciation	(29,914)	(26,447)
	-----	-----
	50,634	51,290
	-----	-----
	\$ 890,560	827,776
	=====	=====

(4) Long-Term Debt

On May 6, 1994, the Company completed the issuance of \$50,000,000 of 10-year, 7.75% senior notes and \$100,000,000 of 30-year, 8.25% senior notes. The proceeds were used to reduce certain of the Company's short-term bank indebtedness. Interest payments will be due semi-annually beginning November 1, 1994 and principal payments are due in 2004 and 2024 upon maturity of the 10-year and 30-year notes, respectively. The 30-year notes are subject to redemption at any time on or after May 1, 2004 at the option of the Company.

(5) Sale of Asset

The Company sold a minority investment in a telephone company in the first quarter of 1993 which resulted in a pre-tax gain of \$1,661,000 (\$1,080,000 after-tax; \$.02 per share).

(6) Acquisitions

On April 8, 1993, the Company consummated the acquisition of San Marcos Telephone Company, Inc. ("SMTC") in a stock and cash transaction and acquired SM Telecorp, Inc., an affiliate of SMTC, for cash. Subsequent to the acquisitions, the Company changed the names of San Marcos Telephone Company, Inc. and the principal operating subsidiary of SM Telecorp, Inc. to Century Telephone of San Marcos, Inc. and Century Telecommunications, Inc., respectively. The total acquisition price for both companies approximated \$100,000,000 (based on Century's stock price on April 8, 1993). As a result of the acquisitions, which were accounted for as purchases, the Company acquired approximately 22,500 telephone access lines in and around San Marcos, Texas, along with a 35% ownership interest in the Austin, Texas Metropolitan Statistical Area ("MSA") wireline cellular market and a 9.6% interest in the Texas Rural Service Area ("RSA") #16 wireline cellular market, together representing approximately 309,000 pops (the Company's pro rata share of population of the licensed areas).

On February 10, 1994, the Company acquired Celutel, Inc. ("Celutel") in a stock and cash transaction. Approximately \$51,400,000 of the purchase price was paid in cash, with the remainder paid through the issuance of approximately 1,900,000 shares of Century's common stock, the closing price of which was \$26.25 per share on February 10, 1994. In connection with the acquisition, Century refinanced approximately \$41,700,000 of Celutel's debt. The acquisition was accounted for as a purchase and approximately \$140,000,000 of cost in excess of net assets acquired was recorded as a result of the acquisition. Celutel currently provides cellular service to approximately 31,700 customers in five non-wireline provider systems in MSA's in Mississippi and Texas.

On March 31, 1994, the Company acquired a local exchange telephone company in Michigan which currently serves approximately 2,500 access lines and which owns a minority interest of approximately 11% in a cellular partnership operated by the Company. The acquisition, which was accounted for as a purchase, was consummated through the issuance of approximately 98,000 shares of Century's common stock and 75,000 shares of Century's preferred stock. The closing price of Century's common stock was \$23.125 per share on March 31, 1994.

(7) Expected Sale of Cellular Interest

In June 1994 the Company entered into a definitive agreement to sell (subject to, among other things, Federal Communications Commission approval) its ownership interest in a cellular RSA in Minnesota. The sales price will be \$21,500,000 and the Company expects to recognize a gain of approximately \$.16 per share upon future consummation of the transaction.

(8) Note Receivable

In May 1994 Century loaned the parent company of a telephone company \$25,000,000. The loan bears interest at prime plus 1 1/2%; interest is payable quarterly beginning in August 1994. Quarterly principal payments are scheduled to begin in August 1995 with the unpaid balance becoming due in May 1998. The Company received a security interest in the parent company's capital stock, a guaranty from such company's principal stockholder and certain first refusal rights to acquire certain properties under various specified circumstances.

CENTURY TELEPHONE ENTERPRISES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in the Company's annual report on Form 10-K for the year ended December 31, 1993. The results of operations for the three months and/or six months ended June 30, 1994 are not necessarily indicative of the results of operations which might be expected for the entire year.

RESULTS OF OPERATIONS

Three Months Ended June 30, 1994 Compared to Three Months Ended June 30, 1993

Net income for the second quarter of 1994 was \$21,485,000 compared to \$16,517,000 during the second quarter of 1993. This increase was primarily due to a \$10,370,000 increase in operating income and a \$1,441,000 increase in earnings from unconsolidated cellular partnerships. These factors were partially offset by increases in interest expense and income tax expense of \$3,357,000 and \$3,167,000, respectively.

	Three months ended June 30	
	1994	1993
	(expressed in thousands, except per share amounts)	
Operating income		
Telephone	\$33,896	28,015
Mobile Communications	7,817	3,328
	41,713	31,343
Interest expense	(10,824)	(7,467)
Earnings from unconsolidated cellular partnerships	3,411	1,970
Other income and expense	(62)	257
Income taxes	(12,753)	(9,586)
Net income	\$21,485	16,517
	=====	=====
Fully diluted earnings per share	\$.39	.32
	=====	=====

Fully diluted earnings per share increased to \$.39 for the three months ended June 30, 1994 from \$.32 for the three months ended June 30, 1993, a 21.9% increase. The average number of fully diluted shares outstanding increased 4.0% as a result of shares issued for acquisitions and through the Company's dividend reinvestment, stock purchase and incentive plans. The dilutive effect during the second quarter of 1994 resulting from the February 1994 acquisition of Celutel, Inc. ("Celutel") was approximately two and one-half cents on fully diluted earnings per share.

The mobile communications operating income reflects the operations of the cellular partnerships in which the Company has a majority interest. The minority interest partners' share of the income (or loss) of such partnerships is reflected as an expense in other income and expense. The Company's share of income (or loss) from the cellular partnerships in which it has less than a majority interest is reflected in earnings from unconsolidated cellular partnerships. The operating income of the mobile communications segment during the second quarter of 1994 includes the operations of Celutel.

Contributions to revenues and operating income by the Company's telephone operations and mobile communications operations for the three months ended June 30, 1994 and 1993 were as follows:

	Three months ended June 30	
	1994	1993
Revenues		
Telephone operations	71.5%	80.9
Mobile Communications operations	28.5%	19.1
Operating income		
Telephone operations	81.3%	89.4
Mobile Communications operations	18.7%	10.6

Telephone Operations

	Three months ended June 30	
	1994	1993
	(expressed in thousands)	
Revenues		
Local	\$23,967	22,317
Network access and long distance	60,018	53,419
Other	10,984	11,139
	94,969	86,875
Expenses		
Plant operations	20,377	21,010
Customer operations	8,356	7,955
Corporate and other	14,584	13,707
Depreciation and amortization	17,756	16,188
	61,073	58,860
Operating income	\$33,896	28,015
	=====	=====

Telephone operating income increased \$5,881,000 (21.0%) due to an increase in revenues of \$8,094,000 (9.3%) which more than offset an increase in operating expenses of \$2,213,000 (3.8%).

The increase in revenues was primarily due to the partial recovery of increased operating expenses through revenue pools in which the Company participates with other telephone companies, increased recovery from the Federal Communications Commission ("FCC") mandated Universal Service Fund ("USF"), increased minutes of use, improved settlement factors and growth in access lines. During the second quarter of 1994, revenues from the USF increased approximately \$2,300,000 over such revenues during the second quarter of 1993. For additional information relating to telephone revenues, see Six Months Ended June 30, 1994 Compared to Six Months Ended June 30, 1993 - Telephone Operations.

During the second quarter of 1994, the Company's liability for long-term disability was substantially reduced as a result of the death of a former executive officer. While operating expenses, exclusive of depreciation and amortization, increased \$645,000 (1.5%) in the second quarter of 1994 compared to the second quarter of 1993, such increase was net of a reduction of approximately \$1,100,000 in postemployment benefit expense.

Depreciation and amortization increased \$1,568,000 in the second quarter of 1994 compared to the second quarter of 1993. The second quarter of 1994 included depreciation recorded in anticipation of the approval of increases, as of January 1, 1994, in depreciation rates in certain jurisdictions. Higher levels of plant in service also contributed to the increased depreciation.

Mobile Communications Operations

	Three months ended June 30	
	1994	1993
	(expressed in thousands)	
Revenues		
Cellular service	\$34,954	18,486
Equipment and paging	2,957	1,977
	37,911	20,463
Expenses		
Sales and marketing	8,294	4,043
General, administrative and customer service	8,503	5,696
Cost of sales and other operating	8,119	4,536
Depreciation and amortization	5,178	2,860
	30,094	17,135
Operating income	\$ 7,817	3,328
	=====	=====

Mobile communications operating income increased \$4,489,000 (134.9%) to \$7,817,000 in the second quarter of 1994 from \$3,328,000 in the second quarter of 1993. Mobile communications revenues increased \$17,448,000 (85.3%) which more than offset an increase in operating expenses of \$12,959,000 (75.6%).

The increase in cellular service revenues was substantially due to (i) an increase in the number of cellular units in service and (ii) service revenues generated by Celutel which aggregated approximately \$6,900,000 during the second quarter of 1994. The average number of cellular units in service in majority-owned markets during the second quarter of 1994 and 1993 was 169,000 and 84,700, respectively. The average monthly cellular service revenue per subscriber declined to \$69 during the second quarter of 1994 from \$73 during the second quarter of 1993, primarily due to the continued trend that a higher percentage of recent subscribers tend to be lower-usage customers. The average monthly service revenue per subscriber may further decline as market penetration increases and additional lower-usage customers are activated. The Company will continue to attempt to stimulate cellular usage by promoting the availability of certain enhanced services and by increasing coverage areas through the construction of additional cell sites.

Sales and marketing expenses increased \$4,251,000 due primarily to an increase in commissions paid to agents for selling cellular services to new customers and to the Celutel acquisition.

The increase of \$2,807,000 in general, administrative and customer service expenses was primarily due to costs incurred in connection with the Celutel operations and increased costs associated with serving a larger number of cellular customers.

Cost of sales and other operating expenses increased \$3,583,000 due to expenses incurred in connection with providing service to a larger number of subscribers, the development and operation of the Company's Rural Service Area ("RSA") cellular systems, and the Celutel acquisition.

Depreciation and amortization increased \$2,318,000 due to a higher level of plant in service and to depreciation and amortization associated with the Celutel acquisition.

Interest Expense

Interest expense increased \$3,357,000 during the second quarter of 1994 compared to the second quarter of 1993 due to a 42% increase in average debt outstanding (primarily due to debt issued in connection with the Celutel acquisition).

Earnings from Unconsolidated Cellular Partnerships

The increase of \$1,441,000 in earnings from unconsolidated cellular partnerships during the second quarter of 1994 compared to the second quarter of 1993 is due to the improvement in profitability of cellular partnerships in which the Company owns less than a majority interest.

Other Income and Expense

Other income and expense decreased \$319,000 in the second quarter of 1994 compared to the second quarter of 1993.

The increased profitability of the Company's majority-owned and operated cellular partnerships resulted in a corresponding increase in the expense recorded to reflect the minority interest partners' share of the profits.

Other income and expense also includes the results of operations of subsidiaries of the Company which are not included in telephone operations or mobile communications operations including, but not limited to, the Company's competitive access subsidiary and the Company's non-regulated long distance operations. Although not material to consolidated operations, the combined results of such subsidiaries were less favorable during the second quarter of 1994 compared to the second quarter of 1993 primarily due to losses incurred by recently-formed or recently-acquired subsidiaries.

Income Taxes

Income tax expense increased \$3,167,000 during the second quarter of 1994 compared to the second quarter of 1993 primarily due to an increase in income before taxes.

Six Months Ended June 30, 1994 Compared to Six Months Ended June 30, 1993

Net income for the six months ended June 30, 1994 was \$40,686,000 compared to \$32,257,000 for the six months ended June 30, 1993. This increase was primarily due to a \$17,989,000 increase in operating income and a \$3,633,000 increase in earnings from unconsolidated cellular partnerships. These factors were partially offset by increases in interest expense and income tax expense of \$4,947,000 and \$5,510,000, respectively, and by a decrease of \$1,075,000 in other income and expense. The first six months of 1993 included a \$1,661,000 pre-tax gain on the sale of a minority investment in a telephone company.

	Six months ended June 30	
	1994	1993
	(expressed in thousands, except per share amounts)	
Operating income		
Telephone	\$64,786	53,815
Mobile Communications	12,813	5,795
	77,599	59,610
Interest expense	(19,326)	(14,379)
Gain on sale of asset	-	1,661
Earnings from unconsolidated cellular partnerships	5,975	2,342
Other income and expense	129	1,204
Income taxes	(23,691)	(18,181)
Net income	\$40,686	32,257
	=====	=====
Fully diluted earnings per share	\$.74	.63
	=====	=====

Fully diluted earnings per share increased to \$.74 for the six months ended June 30, 1994 from \$.63 for the six months ended June 30, 1993, a 17.5% increase. The average number of fully diluted shares outstanding increased 4.7% as a result of shares issued for acquisitions and through the Company's dividend reinvestment, stock purchase and incentive plans.

The operating income of the telephone segment during the six months ended June 30, 1993 includes three months of operations of Century Telephone of San Marcos, Inc. ("San Marcos") which was acquired in April 1993.

The mobile communications operating income reflects the operations of the cellular partnerships in which the Company has a majority interest. The minority interest partners' share of the income (or loss) of such partnerships is reflected as an expense in other income and expense. The Company's share of income (or loss) from the cellular partnerships in which it has less than a majority interest is reflected in earnings from unconsolidated cellular partnerships. The operating income of the mobile communications segment during the six months ended June 30, 1994 includes the operations of Celutel since its acquisition on February 10, 1994.

Contributions to revenues and operating income by the Company's telephone operations and mobile communications operations for the six months ended June 30, 1994 and 1993 were as follows:

	Six months ended June 30	
	1994	1993
Revenues		
Telephone operations	73.6%	81.2
Mobile Communications operations	26.4%	18.8
Operating income		
Telephone operations	83.5%	90.3
Mobile Communications operations	16.5%	9.7

Telephone Operations

	Six months ended June 30	
	1994	1993
	(expressed in thousands)	
Revenues		
Local	\$ 47,472	43,190
Network access and long distance	117,925	102,687
Other	21,342	19,949
	186,739	165,826
Expenses		
Plant operations	41,590	39,721
Customer operations	16,864	14,926
Corporate and other	28,688	26,279
Depreciation and amortization	34,811	31,085
	121,953	112,011
Operating income	\$ 64,786	53,815
	=====	=====

Telephone operating income increased \$10,971,000 (20.4%) due to an increase in revenues of \$20,913,000 (12.6%) which more than offset an increase in operating expenses of \$9,942,000 (8.9%).

The increase in revenues was partially due (approximately \$6,000,000) to San Marcos which contributed six months of revenues during the six-month period ended June 30, 1994 compared to three months of revenues during the comparable period in 1993. The remaining increase in revenues was primarily due to the partial recovery of increased operating expenses through revenue pools in which the Company participates with other telephone companies, increased recovery from the FCC mandated USF, increased minutes of use, improved settlement factors and growth in access lines. During the first six months of 1994, revenues from the USF increased approximately \$4,000,000 over such revenues during the first six months of 1993.

The Public Service Commission of Wisconsin ("PSCW") previously ordered the Wisconsin state support fund existing at July 1, 1993 to be phased-out. Certain of the Company's subsidiaries affected by the order have received approval from the PSCW for increased rates and/or compensation which offset most of the amounts that the Company's subsidiaries had been receiving from the state support fund. Approval for such additional revenue was obtained through expedited rate cases. In July 1994 the Wisconsin Telecommunications Act of 1993 was signed into law. The act provides, among other things, for local exchange competition in markets which have more than 50,000 access lines.

Certain long distance carriers have requested the Company to reduce intrastate access tariffed rates for certain of its telephone subsidiaries. In March 1994 a long distance carrier filed a petition with the Louisiana Public Service Commission requesting that the commission investigate and lower the rates for intrastate access charges charged to long distance carriers by certain local exchange telephone companies, including the subsidiaries of the Company which operate in Louisiana. There is no assurance that this request will not result in reduced intrastate access revenues.

During the first six months of 1994, operating expenses, exclusive of depreciation and amortization, increased \$6,216,000 (7.7%) due substantially to expenses of approximately \$3,800,000 associated with the San Marcos operations. The remainder of the increase in operating expenses was due to increases in salaries and wages, employee benefits and other general operating expenses, net of a reduction of approximately \$1,100,000 in postemployment benefit expense (see Three Months Ended June 30, 1994 Compared to Three Months Ended June 30, 1993 - Telephone Operations).

During the first six months of 1994, depreciation and amortization increased \$3,726,000 due partially to \$1,100,000 of depreciation and amortization related to the San Marcos operations. In addition, the six months ended June 30, 1994 included depreciation recorded in anticipation of the approval of increases, as of January 1, 1994, in depreciation rates in certain jurisdictions. Higher levels of plant in service also contributed to the increased depreciation.

The Company's regulated telephone operations are subject to the provisions of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation." Under SFAS 71 the Company is required to account for the economic effects of the rate-making process, including the recognition of depreciation and amortization of plant and equipment over lives approved by the regulators. The ongoing applicability of SFAS 71 to the Company's regulated telephone operations are being constantly monitored due to the changing regulatory environment and to increasing competition. Should the regulated operations of the Company no longer qualify for the application of SFAS 71 at some future date, the required accounting impact could result in a material, non-cash charge against earnings.

Mobile Communications Operations

	Six months ended June 30	
	1994	1993
	(expressed in thousands)	
Revenues		
Cellular service	\$62,029	34,279
Equipment and paging	5,092	4,058
	67,121	38,337
Expenses		
Sales and marketing	14,572	7,576
General, administrative and customer service	15,683	10,794
Cost of sales and other operating	14,497	9,007
Depreciation and amortization	9,556	5,165
	54,308	32,542
Operating income	\$12,813	5,795

Mobile communications operating income increased \$7,018,000 (21.1%) to \$12,813,000 during the six months ended June 30, 1994 from \$5,795,000 during the six months ended June 30, 1993. Mobile communications revenues increased \$28,784,000 (75.1%) which more than offset an increase in operating expenses of \$21,766,000 (66.9%).

The increase in cellular service revenues was substantially due to (i) an increase in the number of cellular units in service and (ii) service revenues generated by Celutel since it was acquired by the Company on February 10, 1994 which aggregated approximately \$10,800,000 during the six-month period ended June 30, 1994. The average number of cellular units in service in majority-owned markets during the six months ended June 30, 1994 and 1993 was 152,800 and 81,300, respectively. The average monthly cellular service revenue per subscriber declined to \$68 during the first six months of 1994 from \$70 during the first six months of 1993, primarily due to the continued trend that a higher percentage of recent subscribers tend to be lower-usage customers. The average monthly service revenue per subscriber may further decline as market penetration increases and additional lower-usage customers are activated. The Company will continue to attempt to stimulate cellular usage by promoting the availability of certain enhanced services and by increasing coverage areas through the construction of additional cell sites.

Sales and marketing expenses increased \$6,996,000 due primarily to an increase in commissions paid to agents for selling cellular services to new customers and to the Celutel acquisition.

The increase of \$4,889,000 in general, administrative and customer service expenses was primarily due to costs incurred in connection with the Celutel operations and increased costs associated with serving a larger number of cellular customers.

Cost of sales and other operating expenses increased \$5,490,000 due to expenses incurred in connection with providing service to a larger number of subscribers, the development and operation of the Company's RSA cellular systems, and the Celutel acquisition.

Depreciation and amortization increased \$4,391,000 due to a higher level of plant in service and to depreciation and amortization associated with the Celutel acquisition.

Interest Expense

Interest expense increased \$4,947,000 during the six months ended June 30, 1994 compared to the six months ended June 30, 1993 primarily due to a 39% increase in average debt outstanding (significantly due to debt issued in connection with the Celutel acquisition) which was partially offset by the effect of lower average interest rates.

Gain on Sale of Asset

During the first quarter of 1993, the Company sold its minority investment in a telephone company which resulted in a pre-tax gain of \$1,661,000 (\$1,080,000 after-tax).

Earnings from Unconsolidated Cellular Partnerships

Earnings from unconsolidated cellular partnerships increased \$3,633,000 during the first six months of 1994 compared to the first six months of 1993 due to the Company's share of income from the partnership

interests acquired in the San Marcos acquisition and to the improvement in profitability of other cellular partnerships in which the Company owns less than a majority interest.

Other Income and Expense

Other income and expense for the first six months of 1994 was \$129,000 compared to \$1,204,000 during the first six months of 1993.

The increased profitability of the Company's majority-owned and operated cellular partnerships resulted in a corresponding increase in the expense recorded to reflect the minority interest partners' share of the profits.

Other income and expense also includes the results of operations of subsidiaries of the Company which are not included in telephone operations or mobile communications operations including, but not limited to, the Company's competitive access subsidiary and the Company's non-regulated long distance operations. Although not material to consolidated operations, the combined results of such subsidiaries were less favorable during the first six months of 1994 compared to the first six months of 1993 primarily due to losses incurred by recently- formed or recently-acquired subsidiaries.

Income Taxes

Income tax expense increased \$5,510,000 during the six months ended June 30, 1994 compared to the six months ended June 30, 1993 primarily due to an increase in income before taxes.

LIQUIDITY AND CAPITAL RESOURCES

Excluding cash used for acquisitions, the Company relies on cash provided by operations to provide a substantial portion of its cash needs. The Company's telephone operations have historically provided a stable source of cash flow which has helped the Company continue its capital improvement program. Cash provided by mobile communications operations has increased each year since that segment became cash-flow positive in 1991.

Net cash provided by operating activities was \$90,488,000 during the first six months of 1994 compared to \$75,132,000 during the first six months of 1993. The Company's accompanying consolidated statements of cash flows identifies major differences between net income and net cash provided by operating activities for each of these periods. For additional information relating to the telephone and mobile communications operations of the Company, see Results of Operations.

Net cash used in investing activities was \$175,903,000 and \$122,583,000 for the six months ended June 30, 1994 and 1993, respectively. Cash used in connection with the Celutel acquisition during the first six months of 1994 was \$54,847,000. Cash used in connection with the San Marcos acquisitions was \$34,171,000 during the first six months of 1993. Payments for property, plant and equipment were \$8,737,000 more in the first six months of 1994 than in the comparable period during 1993. Capital expenditures for the six months ended June 30, 1994 were \$70,659,000 for telephone, \$16,313,000 for mobile communications and \$3,454,000 for other operations.

In connection with the corporate restructuring of a local exchange telephone company that has been viewed from time to time as an acquisition candidate, Century loaned the telephone company's newly-formed parent company \$25,000,000 in May 1994. In exchange, the Company received a security interest in the parent company's capital stock, a guaranty from such company's principal stockholder and certain first refusal rights to acquire certain properties under various specified circumstances. For additional information see Note 8 of Notes to Consolidated Financial Statements.

Net cash provided by financing activities during the first six months of 1994 and 1993 was \$100,292,000 and \$54,839,000, respectively. Net borrowings, including notes payable and long-term debt, were \$47,359,000 more in the first six months of 1994 than in the comparable period of 1993, primarily due to the borrowings incurred in connection with the acquisition of Celutel. During the first quarter of 1994, the Company filed a shelf registration statement registering \$400,000,000 of senior unsecured debt securities under which the Company issued \$150,000,000 of senior notes on May 6, 1994. See Note 4 of Notes to Consolidated Financial Statements. The proceeds were used to discharge the Company's indebtedness under a \$90,000,000 bridge loan incurred to fund substantially all of the Company's cash requirements in connection with the acquisition of Celutel in February 1994, and to reduce the Company's short-term bank indebtedness under various credit facilities bearing interest at rates ranging from 4.0% to 4.6%.

Budgeted capital expenditures for 1994 total \$142,000,000 for telephone operations and \$50,000,000 for mobile communications operations (of which approximately \$10,000,000 will be funded by minority interest partners in cellular partnerships operated by the Company). The Company anticipates that capital expenditures in its telephone operations will continue to include the installation of fiber optic cable, the replacement of mechanical switches with digital switches and the upgrading of its plant and equipment to provide enhanced services. Mobile communications capital expenditures are expected to continue to focus primarily on the construction of additional cell sites and the upgrading of the Company's cellular systems to increase capacity and enhance the Company's ability to provide digital service in the future. Revised budgeted capital expenditures for other operations total \$11,000,000, which includes capital construction costs currently planned to be expended by the Company's recently-formed competitive access subsidiary which in May 1994 obtained a franchise from Fort Worth, Texas to provide voice, data and certain video services in the Fort Worth market. The Company will continue to pursue the acquisition and development of other franchised competitive access markets.

As of June 30, 1994 Century's telephone subsidiaries had available for use \$84,100,000 of commitments for long-term financing from the Rural Electrification Administration ("REA") and the Company had \$54,600,000 of undrawn committed bank lines of credit. In addition, approximately \$40,000,000 of uncommitted credit facilities were available to the Company at June 30, 1994. Applications for additional long-term financing for the Company's telephone subsidiaries have been filed with the REA and are in various stages of processing. Federal budget proposals which could significantly reduce the availability of new loan commitments to the Company's telephone subsidiaries under the REA program in future fiscal years were considered in prior years and are expected to continue to be considered. If the Company's telephone subsidiaries are unable to borrow additional funds through the REA program and are forced to borrow from conventional lenders at market rates, the cost of new loans might increase.

Although the Company currently expects to participate to some extent in the upcoming auction of personal communications services ("PCS") licenses, there can be no assurance that it will be successful in obtaining any such license. The Federal Communications Commission auction of PCS broadband spectrum is expected to take place later this year or early in 1995.

PART II. OTHER INFORMATION

CENTURY TELEPHONE ENTERPRISES, INC.

Item 4. Submission of Matters to a Vote of Security Holders

On April 28, 1994, Century held its annual meeting of shareholders and elected four Class III directors to serve for a term of three years. The following votes were cast for each of the following nominees for director or were withheld with respect to such nominee:

	For -----	Withheld -----
Calvin Czeschin	110,025,892	1,867,593
F. Earl Hogan	109,518,446	2,375,039
Harvey P. Perry	109,379,757	2,513,728
Jim D. Reppond	109,252,013	2,641,472

The Class I and Class II directors whose terms continued after the meeting are:

Class I -----	Class II -----
William R. Boles, Jr.	Ernest Butler, Jr.
W. Bruce Hanks	James B. Gardner
C.G. Melville, Jr.	R.L. Hargrove, Jr.
Glen F. Post, III	Johnny Hebert
Clarke M. Williams	Tom S. Lovett

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

11 Computations of Earnings Per Share.

B. Report on Form 8-K

The following items were reported in the Form 8-K dated April 22, 1994:

Item 5. Other Events - News release reporting results of operations for the quarter ended March 31, 1994.

Item 7. Exhibit 12 - Statement regarding computations of ratio of earnings to fixed charges.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

CENTURY TELEPHONE ENTERPRISES, INC.

Date: August 10, 1994

/s/ Murray H. Greer

Murray H. Greer

Controller

(Principal Accounting Officer)

CENTURY TELEPHONE ENTERPRISES, INC.

INDEX TO EXHIBITS

Exhibit
Number

11 Computations of Earnings Per Share, included herein.

EXHIBIT 11

CENTURY TELEPHONE ENTERPRISES, INC.

COMPUTATIONS OF EARNINGS PER SHARE (UNAUDITED)

	Three months ended June 30		Six months ended June 30	
	1994	1993	1994	1993
	(expressed in thousands, except per share amounts)			
Net income	\$21,485	16,517	40,686	32,257
Preferred stock dividend requirements	(30)	(6)	(43)	(12)
Net income applicable to common stock	21,455	16,511	40,643	32,245
Dividends applicable to Series H and Series K Preferred Stock	30	6	43	12
Interest on 6% convertible debentures and amortization of deferred debt costs incurred in connection with the issuance of the debentures, net of taxes	1,146	1,164	2,292	2,328
Net income as adjusted for purposes of computing fully diluted earnings per share	\$22,631	17,681	42,978	34,585
	=====	=====	=====	=====
Weighted average number of shares:				
Outstanding during period	53,365	50,618	52,825	49,867
Common stock equivalent shares	519	790	525	666
Employee Stock Ownership Plan shares not committed to be released	(338)	-	(193)	-
	-----	-----	-----	-----
Total number of shares for computing primary earnings per share	53,546	51,408	53,157	50,533
Incremental common shares attributable to additional dilutive effect of convertible securities	4,742	4,656	4,702	4,729
	-----	-----	-----	-----
Total number of shares as adjusted for purposes of computing fully diluted earnings per share	58,288	56,064	57,859	55,262
	=====	=====	=====	=====
Earnings per average common share	\$.40	.33	.77	.65
	=====	=====	=====	=====
Primary earnings per share	\$.40	.32	.76	.64
	=====	=====	=====	=====
Fully diluted earnings per share	\$.39	.32	.74	.63
	=====	=====	=====	=====

