

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

**FORM 10-K**

[ X ] Annual Report Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

For the fiscal year ended December 31, 2003

or

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

*Commission file number 1-7784*

**CENTURYTEL, INC.**

(Exact name of Registrant as specified in its charter)

Louisiana  
(State or other jurisdiction of  
incorporation or organization)

72-0651161  
(IRS Employer  
Identification No.)

100 CenturyTel Drive, Monroe, Louisiana  
(Address of principal executive offices)

71203  
(Zip Code)

Registrant's telephone number, including area code - (318) 388-9000

**Securities registered pursuant to Section 12(b) of the Act:**

Title of each class -----	Name of each exchange on which registered -----
Common Stock, par value \$1.00	New York Stock Exchange Berlin Stock Exchange
Preference Share Purchase Rights	New York Stock Exchange Berlin Stock Exchange
Corporate Units issued May 2002	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act:**

**Stock Options**  
(Title of class)

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 [X] No [ ]

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. [ ]

Indicate by check mark if the Registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes [X] No [ ]

The aggregate market value of voting stock held by non-affiliates (affiliates being for these purposes only directors, executive officers and holders of more than five percent of the Company's outstanding voting securities) was \$5.0 billion as of June 30, 2003. As of February 27,

2004, there were 142,261,540 shares of common stock outstanding.

**DOCUMENTS INCORPORATED BY REFERENCE:**

Portions of the Registrant's Proxy Statement to be furnished in connection with the 2004 annual meeting of shareholders are incorporated by reference in Part III of this Report.

## PART I

### Item 1. Business

General. CenturyTel, Inc. ("CenturyTel") is a regional integrated communications company engaged primarily in providing local exchange telephone services. For the year ended December 31, 2003, local exchange telephone operations provided 87% of the consolidated revenues from continuing operations of CenturyTel and its subsidiaries (the "Company"). All of the Company's operations are conducted within the continental United States.

At December 31, 2003, the Company's local exchange telephone subsidiaries operated approximately 2.4 million telephone access lines, primarily in rural, suburban and small urban areas in 22 states, with over 70% of these lines located in Wisconsin, Missouri, Alabama, Arkansas and Washington. According to published sources, the Company is the eighth largest local exchange telephone company in the United States based on the number of access lines served. For more information, see "Telephone Operations."

The Company also provides long distance, Internet access, fiber transport, competitive local exchange carrier, security monitoring, and other communications and business information services in certain local and regional markets. For more information, see "Other Operations."

Recent acquisitions. In June 2003, the Company acquired the assets of Digital Teleport, Inc., a regional communications company providing wholesale data transport services to other communications carriers over its fiber optic network located in Missouri, Arkansas, Oklahoma and Kansas, for \$39.4 million cash. In addition, in December 2003, the Company acquired additional fiber transport assets in Arkansas, Missouri and Illinois from Level 3 Communications, Inc. for approximately \$15.8 million cash. For additional information, see "Other Operations - Fiber Transport."

On August 31, 2002, the Company purchased assets utilized in serving approximately 350,000 telephone access lines in the state of Missouri from Verizon Communications, Inc. ("Verizon") for approximately \$1.179 billion cash. On July 1, 2002, the Company purchased assets utilized in serving approximately 300,000 telephone access lines in the state of Alabama from Verizon for approximately \$1.022 billion cash. The assets purchased in these transactions included (i) the franchises authorizing the provision of local telephone service, (ii) related property and equipment comprising Verizon's local exchange operations in predominantly rural markets throughout Alabama and Missouri and (iii) Verizon's assets used to provide digital subscriber line ("DSL") and other high speed data services within the purchased exchanges. The acquired assets did not include Verizon's cellular, personal communications services ("PCS"), long distance, dial-up Internet, or directory publishing operations in these areas.

On February 28, 2002, the Company purchased the fiber network and customer base of KMC Telecom's operations in Monroe and Shreveport, Louisiana which allows the Company to offer broadband and competitive local exchange services to customers in these markets.

On July 31, 2000 and September 29, 2000, affiliates of the Company acquired assets utilized to provide local exchange telephone service to over 490,000 telephone access lines from Verizon in four separate transactions for approximately \$1.5 billion in cash. Under these transactions:

- o On July 31, 2000, the Company purchased approximately 231,000 telephone access lines and related assets throughout Arkansas for approximately \$842 million in cash.

- o On July 31, 2000, Spectra Communications Group, LLC ("Spectra") purchased approximately 127,000 telephone access lines and related assets throughout Missouri for approximately \$297 million cash. At closing, the Company made a preferred equity investment in Spectra of approximately \$55 million (which represented a 57.1% interest) and financed substantially all of the remainder of the purchase price. In the first quarter of 2001, the Company purchased an additional 18.6% interest in Spectra for \$47.1 million. In the fourth quarter of 2003, the Company purchased an additional 24.3% interest in Spectra for \$32.4 million in cash.

- o On September 29, 2000, the Company purchased approximately 70,500 telephone access lines and related assets throughout Wisconsin for approximately \$197 million in cash.

- o On September 29, 2000, Telephone USA of Wisconsin, LLC ("TelUSA") purchased approximately 62,900 telephone access lines and related assets throughout Wisconsin for approximately \$172 million in cash. The Company owns 89% of TelUSA, which was organized to acquire and operate these Wisconsin properties. At closing, the Company made an equity investment in TelUSA of approximately \$37.8 million and financed substantially all of the remainder of the purchase price.

In August 2000, the Company acquired the assets of CSW Net, Inc., a regional Internet service provider that offers dial-up and dedicated Internet access, and web site and domain hosting to more than 18,000 customers in 28 communities in Arkansas.

The Company continually evaluates the possibility of acquiring additional communications assets in exchange for cash, securities or both, and at any given time may be engaged in discussions or negotiations regarding additional acquisitions. The Company generally does not announce its acquisitions or dispositions until it has entered into a preliminary or definitive agreement. Although the Company's primary focus will continue to be on acquiring interests that are proximate to its properties or that serve a customer base large enough for the Company to operate efficiently, other communications interests may also be acquired and these acquisitions could have a material impact upon the Company.

Recent Dispositions. On August 1, 2002, the Company sold substantially all of its wireless operations principally to an affiliate of ALLTEL Corporation ("Alltel") for an aggregate of approximately \$1.59 billion in cash. In connection with this transaction, the Company divested its (i) interests in its majority-owned and operated cellular systems, which at June 30, 2002 served approximately 783,000 customers and had access to approximately 7.8 million pops (the estimated population of licensed cellular telephone markets multiplied by the Company's proportionate equity interest in the licensed operators thereof), (ii) minority cellular equity interests representing approximately 1.8 million pops at June 30, 2002, and (iii) licenses to provide PCS covering 1.3 million pops in Wisconsin and Iowa. As a result, the Company's wireless operations are reflected as discontinued operations in the Company's accompanying consolidated financial statements.

In the second quarter of 2001, the Company sold to Leap Wireless International, Inc. 30 PCS operating licenses for an aggregate of \$205 million. The Company received approximately \$118 million of the purchase price in cash at closing and collected the remainder in installments through the fourth quarter of 2001.

In June 1999, the Company sold all of the operations of its Brownsville and McAllen, Texas, cellular systems to Western Wireless Corporation for approximately \$96 million cash. The Company received its proportionate share of the sale proceeds of approximately \$45 million after-tax.

In May 1999, the Company sold substantially all of its Alaska telephone and wireless operations for approximately \$300 million after-tax. In February 2000, the Company sold its interest in Alaska RSA #1, which completed the Company's divestiture of its Alaska operations.

Where to find additional information. The Company makes available free of charge on its website ([www.centurytel.com](http://www.centurytel.com)) filings made with the Securities and Exchange Commission ("SEC") on Forms 10-K, 10-Q and 8-K as soon as reasonably practicable after such filings are made with the SEC.

The Company also makes available free of charge on its website its Corporate Governance Guidelines, its Corporate Compliance Program and the charters of its audit, compensation, risk evaluation, and nominating and corporate governance committees. The Company will furnish printed copies of these materials upon the request of any shareholder.

Other. As of December 31, 2003, the Company had approximately 6,720 employees, approximately 1,800 of whom were members of 13 different bargaining units represented by the International Brotherhood of Electrical Workers and the Communications Workers of America. Relations with employees continue to be generally good.

CenturyTel was incorporated under Louisiana law in 1968 to serve as a holding company for several telephone companies acquired over the previous 15 to 20 years. CenturyTel's principal executive offices are located at 100 CenturyTel Drive, Monroe, Louisiana 71203 and its telephone number is (318) 388-9000.

## TELEPHONE OPERATIONS

According to published sources, the Company is the eighth largest local exchange telephone company in the United States, based on the approximately 2.4 million access lines it served at December 31, 2003. All of the Company's access lines are digitally switched. Through its operating telephone subsidiaries, the Company provides services to predominantly rural, suburban and small urban markets in 22 states. The following table sets forth certain information with respect to the Company's access lines as of December 31, 2003 and 2002.

State	December 31, 2003		December 31, 2002	
	Number of access lines	Percent of access lines	Number of access lines	Percent of access lines
Wisconsin (1)	478,134	20%	490,116	21%
Missouri (2)	472,884	20	478,207	20
Alabama	283,501	12	289,015	12
Arkansas	264,787	11	268,220	11
Washington	186,329	8	188,733	8
Michigan	111,104	5	112,713	5
Louisiana	103,726	4	104,408	4
Colorado	95,726	4	96,799	4
Ohio	82,995	3	84,452	4
Oregon	75,530	3	76,751	3
Montana	64,863	3	65,666	3
Texas	46,397	2	48,931	2
Minnesota	30,469	1	30,930	1
Tennessee	27,084	1	27,365	1
Mississippi	24,420	1	24,156	1
New Mexico	6,512	*	6,565	*
Idaho	5,974	*	5,976	*
Wyoming	5,669	*	5,494	*
Indiana	5,401	*	5,468	*
Iowa	2,082	*	2,099	*
Arizona	2,000	*	1,986	*
Nevada	531	*	514	*

2,376,118	100%	2,414,564	100%
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\* Represents less than 1%.

(1) As of December 31, 2003 and 2002, approximately 59,130 and 61,060, respectively, of these lines were owned and operated by CenturyTel's 89%-owned affiliate.

(2) As of December 31, 2002, approximately 130,740 of these lines were owned and operated by an affiliate of which CenturyTel owned 75.7%.

As indicated in the following table, the Company has experienced growth in its telephone operations over the past five years, a substantial portion of which was attributable to the third quarter 2002 and third quarter 2000 acquisitions of telephone properties from Verizon and the expansion of services.

	Year ended or as of December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands)				
Access lines	2,376,118	2,414,564	1,797,643	1,800,565	1,272,867
% Residential	76%	76	76	76	75
% Business	24%	24	24	24	25
Operating revenues	\$ 2,071,980	1,733,592	1,505,733	1,253,969	1,126,112
Capital expenditures	\$ 317,357	319,536	351,010	275,523	233,512

As discussed further below, the Company's access lines (exclusive of acquisitions) have declined in recent years, and are expected to continue to decline. To offset these declines, the Company hopes to expand its telephone operations by (i) acquiring additional telephone properties, (ii) providing service to new customers, (iii) increasing network usage, (iv) further penetrating its existing customer base with existing services and (v) providing additional services which may be made possible by advances in technology, improvements in the Company's infrastructure and the bundling of integrated services. See "-Services" and "-Regulation and Competition."

## Services

The Company's local exchange telephone subsidiaries derive revenue from providing (i) local telephone services, (ii) network access services and (iii) other related services. The following table reflects the percentage of telephone operating revenues derived from these respective services:

	2003	2002	2001
Local service	36.4%	34.9	32.6
Network access	54.8	56.1	58.1
Other	8.8	9.0	9.3
	100.0%	100.0	100.0

Local service. Local service revenues are derived from providing local exchange telephone services in the Company's service areas, including basic dial-tone service through the Company's regular switched network and local private line services. Access lines declined 1.6% in 2003, 1.1% in 2002 (exclusive of the 2002 Verizon acquisitions) and 0.2% in 2001. The Company believes these declines in the number of access lines were primarily due to general economic conditions in the Company's markets and the displacement of traditional wireline telephone services by other competitive service providers, including the Company's DSL product offering. Even as the economy recovers, the Company believes that any rebound in access lines will be limited by continued access line losses caused primarily by the impact of other competitive services. Based on current conditions, the Company expects access lines to decline between 1 and 2% for 2004.

The use of digital switches, high-speed data circuits and related software has been an important component of the Company's growth strategy because it allows the Company to offer enhanced voice services (such as call forwarding, conference calling, caller identification, selective call ringing and call waiting) and data services (such as data private line, digital subscriber line, frame relay and local area/wide area networks) and to thereby increase utilization of existing access lines. In 2003 the Company continued to expand the availability of enhanced services offered in certain service areas.

Network access. Network access revenues primarily relate to (i) services provided by the Company to long distance carriers, wireless carriers and other carriers and customers in connection with the use of the Company's facilities to originate and terminate their interstate and intrastate voice and data transmissions and (ii) the receipt of universal support funds which allows the Company to recover a portion of its costs under federal and state cost recovery mechanisms (see - "Regulation and Competition - High-cost support funds" below). Certain of the Company's interstate network access revenues are based on tariffed access charges prescribed by the Federal Communications Commission ("FCC"); the remainder of such revenues are derived under revenue sharing arrangements with other local exchange carriers ("LECs") administered by the National Exchange Carrier Association ("NECA"), a quasi-governmental non-profit organization formed by the FCC in 1983 for such

purposes.

Certain of the Company's intrastate network access revenues are derived through access charges billed by the Company to intrastate long distance carriers and other LEC customers. Such intrastate network access charges are based on tariffed access charges, which are subject to state regulatory commission approval. Additionally, certain of the Company's intrastate network access revenues, along with intrastate and intra-LATA (Local Access and Transport Areas) long distance revenues, are derived through revenue sharing arrangements with other LECs.

AT&T filed a petition with the FCC in December 2003 seeking forbearance from enforcing certain provisions of the Telecommunications Act of 1996 that allows LECs to file access tariffs on a streamlined basis and, if certain criteria are met, deems those tariffs lawful. Certain of the Company's telephone subsidiaries file interstate tariffs directly with the FCC using this streamlined filing approach. As a result of recent court rulings, tariffs that have been "deemed lawful" in effect nullify an interexchange carrier's ability to seek refunds should the earnings from the tariffs ultimately result in earnings above the authorized rate of return prescribed by the FCC. The Company has not recognized any revenues in excess of the authorized rate of return applicable to those carriers who historically have requested refunds pending resolution of the "deemed lawful" tariff issue. The Company will continue to monitor the status of the AT&T petition with the FCC. Although it is possible the Company could benefit favorably upon resolution of this issue, there is no assurance that a favorable outcome will occur.

Other. Other telephone revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for long distance companies and (iii) participating in the publication of local directories.

Certain large communications companies for which the Company currently provides billing and collection services continue to indicate their desire to reduce their billing and collection expenses, which has resulted and may continue to result in reductions of the Company's billing and collection revenues. In addition, the Company expects its 2004 directory revenues to decline from 2003 levels due to reduced revenues associated with the Verizon properties acquired in 2002.

For further information on regulatory, technological and competitive changes that could impact the Company's revenues, see "-Regulation and Competition" and "Special Considerations."

### **Federal Financing Programs**

Certain of the Company's telephone subsidiaries receive long-term financing from the Rural Utilities Service ("RUS") or the Rural Telephone Bank ("RTB"). The RUS has made long-term loans to telephone companies since 1949 for the purpose of improving telephone service in rural areas. The RUS continues to make new loans at interest rates that range from 5% to 7% based on borrower qualifications and the cost of funds to the United States government. The RTB, established in 1971, makes long-term loans at interest rates based on its average cost of funds as determined by statutory formula (which ranged from 5.7% to 6.1% for the RTB's fiscal year ended September 30, 2003), and in some cases makes loans concurrently with RUS loans. Approximately 25% of the Company's telephone plant is pledged to secure obligations of the Company's telephone subsidiaries to the RUS and RTB. The Company's telephone subsidiaries that are indebted to government agencies generally may not loan or advance any funds to CenturyTel, but may pay dividends if certain financial covenants are met.

For additional information regarding the Company's financing, see the Company's consolidated financial statements included in Item 8 herein.

### **Regulation and Competition**

Traditionally, LECs operated as regulated monopolies having the exclusive right and responsibility to provide local telephone services. (These LECs are sometimes referred to below as "incumbent LECs" or "ILECs"). Consequently, most of the Company's intrastate telephone operations have traditionally been regulated extensively by various state regulatory agencies (generally called public service commissions or public utility commissions) and its interstate operations have been regulated by the FCC. As discussed in greater detail below, passage of the Telecommunications Act of 1996 (the "1996 Act"), coupled with state legislative and regulatory initiatives and technological changes, fundamentally altered the telephone industry by reducing the regulation of LECs and attracting a substantial increase in the number of competitors and capital invested in existing and new services. CenturyTel anticipates that these trends towards reduced regulation and increased competition will continue.

State regulation. The local service rates and intrastate access charges of substantially all of the Company's telephone subsidiaries are regulated by state regulatory commissions which typically have the power to grant and revoke franchises authorizing companies to provide communications services. Most commissions have traditionally regulated pricing through "rate of return" regulation that focuses on authorized levels of earnings by LECs. Most of these commissions also (i) regulate the purchase and sale of LECs, (ii) prescribe depreciation rates and certain accounting procedures, (iii) oversee implementation of several federal telecommunications laws and (iv) regulate various other matters, including certain service standards and operating procedures.

In recent years, state legislatures and regulatory commissions in most of the 22 states in which the Company operates have either reduced the regulation of LECs or have announced their intention to do so, and it is expected that this trend will continue. Wisconsin, Missouri, Alabama, Arkansas and several other states have implemented laws or rulings which require or permit LECs to opt out of "rate of return" regulation in exchange for agreeing to alternative forms of regulation which typically permit the LEC greater freedom to establish local service rates in exchange for agreeing not to charge rates in excess of specified caps. As discussed further below, subsidiaries operating over half of the

Company's access lines in various states have agreed to be governed by alternative regulation plans, and the Company continues to explore its options for similar treatment in other states. The Company believes that reduced regulatory oversight of certain of the Company's telephone operations may allow the Company to offer new and competitive services faster than under the traditional regulatory process. For a discussion of legislative, regulatory and technological changes that have introduced competition into the local exchange industry, see "-Developments Affecting Competition."

Alternative regulation plans govern some or all of the access lines operated by the Company in Wisconsin, Missouri, Alabama and Arkansas, which are the Company's four largest state markets. The following summary describes the alternative regulation plans applicable to the Company in these states.

- o Approximately 70% of the Company's Wisconsin access lines are regulated under various alternative regulation plans. Each of these alternative regulation plans has a five-year term and permits the Company to adjust local rates within specified parameters if it meets certain quality-of-service and infrastructure-development commitments. These plans also include initiatives designed to promote competition. The Company's Wisconsin access lines acquired in mid-2000 continue to be regulated under "rate of return" regulation.
- o All of the Company's Missouri LECs are regulated under a price-cap regulation plan (effective in 2002) whereby basic service rates are adjusted annually based on an inflation-based factor; non-basic services may be increased up to 8% annually. The plan also allows LECs to rebalance local basic service rates up to four times in the first four years of such regulation as a result of access rate or toll reductions.
- o Since 1995, the Company's Alabama telephone properties acquired from Verizon in 2002 have been subject to an alternative regulation plan. Under this plan, local rates were frozen initially for five years, after which time such rates can be raised by an amount equal to consumer price index increases less 1%; non-basic service rates can be increased up to 10% per year.
- o In January 2004, the Company's Alabama telephone properties and the other independent LECs in the state filed comments recommending that the Alabama Public Service Commission ("Alabama PSC") adopt an alternative regulation plan, with modifications, proposed by BellSouth. This plan would allow exchanges identified as competitive exchanges full pricing flexibility for all services. Exchanges considered less competitive in nature would have the flexibility to increase basic rates up to 5% a year and increase non-basic rates up to 10% a year. The Company is currently awaiting a decision by the Alabama PSC concerning this proposal.
- o The Company's Arkansas LECs, excluding the properties acquired from Verizon in 2000, are regulated under an alternative regulation plan adopted in 1997, which initially froze basic local and access rates for three years, after which time such rates can be adjusted based on an inflation-based factor. Other local rates can be adjusted without commission approval; however, such rates are subject to commission review if certain petition criteria are met.

Notwithstanding the movement toward alternative regulation, LECs operating approximately 41% of the Company's total access lines continue to be subject to "rate of return" regulation for intrastate purposes. These LECs remain subject to the powers of state regulatory commissions to conduct earnings reviews and adjust service rates, either of which could lead to revenue reductions.

FCC regulation. The FCC regulates interstate services provided by the Company's telephone subsidiaries primarily by regulating the interstate access charges that are billed to long distance companies and other communications companies by the Company for use of its network in connection with the origination and termination of interstate voice and data transmissions. Additionally, the FCC has prescribed certain rules and regulations for telephone companies, including a uniform system of accounts and rules regarding the separation of costs between jurisdictions and, ultimately, between interstate services. LECs must obtain FCC approval to use certain radio frequencies, or to transfer control of any such licenses.

Effective January 1, 1991, the FCC adopted price-cap regulation relating to interstate access rates for the Regional Bell Operating Companies. All other LECs may elect to be subject to price-cap regulation. Under price-cap regulation, limits imposed on a company's interstate rates are adjusted periodically to reflect inflation, productivity improvement and changes in certain non-controllable costs. In May 1993 the FCC adopted an optional incentive regulatory plan for LECs not subject to price-cap regulation. A LEC electing the optional incentive regulatory plan would, among other things, file tariffs based primarily on historical costs and not be allowed to participate in the relevant NECA pooling arrangements. The Company has not elected price-cap regulation or the optional incentive regulatory plan for its incumbent operations. However, the properties acquired from Verizon in 2002 are operated under price-cap regulation. In connection with this acquisition, the Company obtained a waiver of the FCC's "all or nothing" rule. This waiver is valid until the FCC reviews the future appropriateness of the "all or nothing" rule. Absent the waiver, present FCC rules require a carrier that purchases access lines subject to price-cap regulation to convert all of its properties to price-cap regulation.

In 2001, the FCC modified its interstate access charge rules and universal service support system for rate of return LECs. This order, among other things,

- (i) increased the caps on the subscriber line charges ("SLC") to the levels paid by most subscribers nationwide; (ii) allowed limited SLC deaveraging, which enhanced the competitiveness of rate of return carriers by giving them pricing flexibility; (iii) lowered per minute rates collected for federal access charges; (iv) created a new explicit universal service support mechanism that replaced other implicit support mechanisms in a manner designed to ensure that rate structure changes do not affect the overall recovery of interstate access costs by rate of return carriers serving high cost areas and (v) preserved the historic 11.25% authorized interstate return rate for rate of return LECs. The effect of this order on the Company was revenue neutral for interstate purposes, but did result in a reduction in intrastate revenues in Arkansas and Ohio (where intrastate access rates must mirror the interstate access rates).

The FCC is currently examining several issues that could have a substantial impact on the Company's revenues, including a broad inquiry initiated in 2001 into all currently regulated forms of intercarrier compensation. As discussed further below, certain providers of competitive communications services are not required to compensate ILECs for the use of their networks. The Company relies on access revenues as an important source of revenues. Depending on the final outcome of the FCC's intercarrier compensation issue, the Company could suffer a material loss of access revenues.

All forms of federal support available to ILECs are currently available to any local competitor that qualifies as an "eligible telecommunications carrier." This support could encourage additional competitors to enter the Company's high-cost service areas, and, as discussed further below, place financial pressure on the FCC's support programs.

High-cost support funds, revenue sharing arrangements and related matters. A significant number of the Company's telephone subsidiaries recover a portion of their costs under federal and state cost recovery mechanisms that traditionally have allowed LECs serving small communities and rural areas to provide communications services on terms and at prices reasonably comparable to those available in urban areas.

As mandated by the 1996 Act, in May 2001 the FCC modified its existing universal service support mechanism for rural telephone companies. The FCC adopted an interim mechanism for a five-year period, effective July 1, 2001, based on embedded, or historical, costs that will provide predictable levels of support to rural local exchange carriers, including substantially all of the Company's local exchange carriers. During 2003 and 2002 the Company's telephone subsidiaries received \$199.2 million and \$192.4 million, respectively, from the federal Universal Service High Cost Loop Fund, representing 8.4% and 9.8%, respectively, of the Company's consolidated revenues from continuing operations for 2003 and 2002. The Company anticipates its 2004 revenues from the federal Universal Service High Cost Loop Fund will be lower than 2003 levels due to increases in the nationwide average cost per loop factor used by the FCC to allocate funds among all recipients. Wireless and other competitive service providers continue to seek eligible telecommunications carrier ("ETC") status in order to be eligible to receive Universal Service Fund support, which is placing additional financial pressure on the amount of money needed to provide support to all eligible service providers, including support payments the Company receives from the High Cost Loop Fund. As a result of the limited growth in the size of the High Cost Loop Fund and changes in requests for support from the Universal Service Fund, the Company has no assurance it will continue to receive payments from the Universal Service Fund commensurate with those received in the past.

In late 2002, the FCC requested that the Federal-State Joint Board ("FSJB") on Universal Service review various FCC rules governing high cost universal service support, including rules regarding eligibility to receive support payments in markets served by LECs and competitive carriers. On February 7, 2003, the FSJB issued a notice for public comment on whether present rules fulfill their purpose and whether or not modifications are needed. On February 27, 2004, the FSJB sent the FCC a series of recommendations concerning the process of designating ETCs and suggestions for gaining better control over the disbursement of high-cost universal service support in markets where one or more ETCs are present. Specifically, the FSJB recommended that the FCC adopt permissive federal guidelines designating service and operational criteria for states to consider using in proceedings to designate ETC's. The FSJB also recommended that the FCC limit the scope of high-cost support to a single connection that provides access to the public telephone network. However, the FSJB did not specify a process for determining which single connection should be used or how best to address the numerous administrative issues associated with a single connection. The FSJB declined to recommend that the FCC modify the methodology used to calculate support in study areas with multiple ETCs, instead recommending that the FSJB and the FCC consider possible modifications to the basis of support as part of an overall review of the high-cost support mechanism for rural and non-rural carriers sometime in 2006. The FCC has taken various other steps in anticipation of restructuring universal service support mechanisms, including opening a docket that will change the method of funding contributions. The FCC is still considering various contribution methodologies prior to issuing an order. The Congress is also exploring various universal service issues ranging from targeted universal service legislation to re-writing the 1996 Act. The Company has been and will continue to be active in monitoring these developments.

In addition, the Company's telephone subsidiaries received \$33.3 million and \$31.7 million in 2003 and 2002, respectively, from intrastate support funds.

In January 2003, the Louisiana Public Service Commission directed its staff to review the feasibility of converting the \$42 million Louisiana Local Optional Service Fund ("LOS Fund") into a state universal service fund. Currently, the LOS Fund is funded primarily by BellSouth, which proposes to expand the base of contributors into the LOS Fund. A recommendation by the Commission staff is not expected until late 2004. The Company currently receives approximately \$21 million from the LOS Fund each year. There can be no assurance that this funding will remain at current levels.

Some of the Company's telephone subsidiaries operate in states where traditional cost recovery mechanisms, including rate structures, are under evaluation or have been modified. See "- State Regulation." There can be no assurance that these states will continue to provide for cost recovery at current levels.

The FCC requires all communications carriers providing interstate telecommunications services, including the Company's LECs and long distance operations, to contribute to programs to provide discounted telecommunications services to schools, libraries and rural health care providers. The Company's contributions by its LEC and long distance operations, both of which the Company itemizes as separate charges on its customer's bills, was approximately \$20.6 million and \$6.6 million, respectively, in 2003, and \$10.6 million and \$4.4 million, respectively, in 2002.

Substantially all of the Company's LECs (except for the properties acquired from Verizon in 2002) concur with the common line tariff and



certain of the Company's LECs concur with the traffic sensitive tariffs filed by the NECA; such LECs participate in the access revenue sharing arrangements administered by the NECA for interstate services. All of the intrastate network access revenues of the Company's LECs are based on access charges, cost separation studies or special settlement arrangements. See "- Services."

Certain long distance carriers continue to request that certain of the Company's LECs reduce intrastate access tariffed rates. Long distance carriers have also aggressively pursued regulatory or legislative changes that would reduce access rates. See "-Services - Network Access" above for additional information.

Developments affecting competition. The communications industry continues to undergo fundamental changes which are likely to significantly impact the future operations and financial performance of all communications companies. Primarily as a result of regulatory and technological changes, competition has been introduced and encouraged in each sector of the telephone industry in recent years. As a result, the Company increasingly faces competition from providers seeking to use the Company's network and from providers offering competitive services.

The 1996 Act, which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition, imposes several duties on a LEC if it receives a specific request from another entity which seeks to connect with or provide services using the LEC's network. In addition, each incumbent LEC is obligated to (i) negotiate interconnection agreements in good faith, (ii) provide "unbundled" access to all aspects of the LEC's network, (iii) offer resale of its telecommunications services at wholesale rates and (iv) permit competitors to collocate their physical plant on the LEC's property, or provide virtual collocation if physical collocation is not practicable. During 2003, the FCC released new rules which outline the obligations of incumbent LECs to lease elements of their circuit-switched networks on an unbundled basis to competitors. The new framework eliminates the prior obligation of incumbent LECs to lease their high-speed data lines to competitors. Incumbent LECs will remain obligated to offer other telecommunications services to resellers at wholesale rates. These wholesale rates are based on a forward-looking cost model and other terms that substantially limit the profitability of these arrangements to incumbent LECs. This new rule also provides for a significant role of state regulatory commissions in implementing these new guidelines and establishing wholesale service rates. On March 2, 2004, a federal district court of appeals overturned the rules previously adopted by the FCC requiring LECs to provide competitors with discounted access to the LECs networks. The court also ruled that the FCC should not have given states the authority previously granted. It is expected that such decision will be appealed to the Supreme Court. During 2003, the FCC also sought public comments on whether it should make additional changes to its interconnection regulations, and instituted a comprehensive review of its methodologies for establishing wholesale rates.

Under the 1996 Act's rural telephone company exemption, approximately 50% of the Company's telephone access lines are exempt from certain of the 1996 Act's interconnection requirements unless and until the appropriate state regulatory commission overrides the exemption upon receipt from a competitor of a bona fide request meeting certain criteria. States are permitted to adopt laws or regulations that provide for greater competition than is mandated under the 1996 Act. Management believes that competition in its telephone service areas has increased and will continue to increase as a result of the 1996 Act and the FCC's interconnection rulings. While competition through use of the Company's network is still limited in most of its markets, the Company expects to receive additional interconnection requests in the future from a variety of resellers and facilities-based service providers.

In addition to these changes in federal regulation, all of the 22 states in which the Company provides telephone services have taken legislative or regulatory steps to further introduce competition into the LEC business.

As a result of these regulatory developments, ILECs increasingly face competition from competitive local exchange carriers ("CLECs"), particularly in high population areas. CLECs provide competing services through reselling the ILECs' local services, through use of the ILECs' unbundled network elements or through their own facilities. The number of companies which have requested authorization to provide local exchange service in the Company's service areas has increased substantially in recent years, especially in the Company's Verizon markets acquired in 2002 and 2000. The Company anticipates that similar action may be taken by other competitors in the future, especially if all forms of federal support available to ILECs continue to remain available to these competitors.

Technological developments have led to the development of new services that compete with traditional LEC services. Technological improvements have enabled cable television companies to provide traditional circuit-switched telephone service over their cable networks, and several national cable companies have aggressively pursued this opportunity. Recent improvements in the quality of "Voice-over-Internet Protocol" ("VoIP") service have led several large cable television and telephone companies, as well as start-up companies, to substantially increase their offerings of VoIP service to business and residential customers. VoIP providers route calls over the Internet, without use of ILEC's circuit switches and, in certain cases, without use of ILEC's networks to carry their communications traffic. VoIP providers can offer services at prices substantially below those currently charged for traditional local and long distance telephone services for several reasons, including lower network cost structures and the current ability of VoIP providers to use ILECs' networks without paying access charges. In December 2003, the FCC initiated rulemaking that is expected to address the effect of VoIP on intercarrier compensation, universal service and emergency services. There can be no assurance that this rulemaking will be on terms favorable to ILECs, or that VoIP providers will not successfully compete for the Company's customers.

Wireless telephone services increasingly constitute a significant source of competition with LEC services, especially as wireless carriers expand and improve their network coverage and continue to lower their prices. As a result, some customers have chosen to completely forego use of traditional wireline phone service and instead rely solely on wireless service. This trend is particularly evident among younger customers and in urban areas. The Company anticipates this trend will continue, particularly if wireless service rates continue to decline and the quality of wireless service in the Company's markets improves. Technological and regulatory developments in cellular telephone, personal communications services, digital microwave, satellite, coaxial cable, fiber optics, local multipoint distribution services and other wired and

wireless technologies are expected to further permit the development of alternatives to traditional landline services.

In addition to facing direct competition from those providers described above, ILECs increasingly face competition from alternate communication systems constructed by long distance carriers, large customers or alternative access vendors. These systems, which have become more prevalent as a result of the 1996 Act, are capable of originating or terminating calls without use of the ILECs' networks or switching services. Other potential sources of competition include noncarrier systems that are capable of bypassing ILECs' local networks, either partially or completely, through substitution of special access for switched access or through concentration of telecommunications traffic on a few of the ILECs' access lines. The Company anticipates that all these trends will continue and lead to increased competition with the Company's LECs.

In November 2003, the FCC adopted rules requiring companies to allow their customers to keep their wireline or wireless phone number when switching to another service provider (generally referred to as "local number portability"). For several years, customers have been able to retain their numbers when switching their local service between wireline carriers. The new rules now require local number portability between wireline and wireless carriers. This requirement went into effect November 24, 2003 for wireline carriers in the top 100 Metropolitan Statistical Areas ("MSAs"). The new requirement will go into effect May 24, 2004 for wireline carriers operating in markets smaller than the top 100 MSAs. The majority of the Company's wireline operations are conducted in markets below the top 100 MSAs. Local number portability may increase the number of customers who choose to completely forego the use of traditional wireline phone service, although the Company believes that it is too early to fully assess the rule's impact. The costs to comply with the requirements of local number portability, net of the amount that is recoverable through the ratemaking process, are not expected to have a material impact on the Company's results of operations.

Historically, ILECs had little or no competition associated with intra-LATA long distance calls in their service areas. Principally as a result of recent state regulatory changes, companies offering competing toll services have emerged in the Company's local exchange markets.

Significant competitive factors include pricing, packaging of services and features, quality of service and meeting customer needs such as simplified billing and timely response to service calls.

As the telephone industry increasingly experiences competition, the size and resources of each respective competitor may increasingly influence its prospects. Many companies currently providing or planning to provide competitive communication services have substantially greater financial and marketing resources than the Company, and several are not subject to the same regulatory constraints as the Company.

The Company anticipates that the traditional operations of LECs will continue to be impacted by continued regulatory and technological developments affecting the ability of LECs to provide new services and the capability of long distance companies, CLECs, wireless companies, cable television companies, VoIP providers and others to provide competitive LEC services. Competition relating to traditional LEC services has thus far affected large urban areas to a greater extent than rural, suburban and small urban areas such as those in which the Company operates. The Company intends to actively monitor these developments, to observe the effect of emerging competitive trends in larger markets and to continue to evaluate new business opportunities that may arise out of future technological, legislative and regulatory developments.

The Company anticipates that industry changes and competitive pressures will continue to place downward pressure on its telephone revenues. However, the Company anticipates that such reductions may be limited by increases in revenues attributable to the continued demand for enhanced services and new product offerings. The Company expects its telephone revenues to decline in 2004 due to continued access line losses and reduced network access revenues; however, the Company expects its consolidated revenues to increase in 2004 primarily due to increased revenues from its newly-acquired LightCore operations and expected increased demand for its long distance, fiber transport, DSL and other nonregulated product offerings, as discussed further below.

## OTHER OPERATIONS

The Company provides long distance, Internet access, competitive local exchange services, fiber transport, security monitoring, and other communications and business information services in certain local and regional markets. The results of these operations, which accounted for 13% of the Company's consolidated revenues from continuing operations during 2003, are reflected for financial reporting purposes as "Other operations." Additional data on the Company's long distance and Internet access services is provided in the table below.

Year ended or as of December 31,					
	2003	2002	2001	2000	1999
(Dollars in thousands)					
Long distance operations					
Operating revenues	\$ 173,884	146,536	117,363	104,435	83,087
Customers	769,766	648,797	465,872	363,307	303,722
% Residential	90%	90	91	91	91
% Business	10%	10	9	9	9
Internet operations					
Operating revenues	\$ 79,933	58,665	39,057	23,491	16,818
Customers	215,548	179,440	144,817	108,700	68,392
% Dial-Up Service	65%	73	84	95	100
% DSL Service	35%	27	16	5	-

Long distance. In 1996 the Company began marketing long distance service in its equal access telephone operating areas. At December 31, 2003, the Company provided long distance services to nearly 770,000 customers. The Company owns and operates switches in LaCrosse, Wisconsin, Shreveport, Louisiana and Vancouver, Washington, which are utilized to provide long distance services. The Company anticipates that most of its long distance service revenues will be provided as part of an integrated bundle with the Company's other service offerings, including its local exchange telephone service offering.

Internet access. The Company began offering traditional dial-up Internet access services to its telephone customers in 1995. In late 1999, the Company began offering digital subscriber line ("DSL") Internet access services, a high-speed premium-priced data service. As of December 31, 2003, approximately 63% of the Company's access lines were DSL-enabled.

Competitive local exchange services. In late 2000, the Company began offering competitive local exchange telephone services, coupled with long distance, Internet access and other Company services, to small to medium-sized businesses in Monroe and Shreveport, Louisiana. On February 28, 2002, the Company purchased the fiber network and customer base of KMC Telecom's operations in Monroe and Shreveport, Louisiana, which allowed the Company to offer broadband and competitive local exchange services to customers in these markets.

Fiber transport. During the second quarter of 2001, the Company began selling capacity to other carriers and businesses over a 700-mile fiber optic ring that the Company constructed in southern and central Michigan. In June 2003, the Company acquired the assets of Digital Teleport, Inc., a regional communications company providing wholesale data transport services to other communications carriers over its fiber optic network located in Missouri, Arkansas, Oklahoma and Kansas, for \$39.4 million cash. The Company has used the network to sell services to new and existing customers and to reduce the Company's reliance on third party transport providers. In addition, in December 2003, the Company acquired additional fiber transport assets in Arkansas, Missouri and Illinois from Level 3 Communications, Inc. for approximately \$15.8 million cash to provide services similar to those described above. The Company operates the assets acquired from both transactions under the name LightCore. As of December 31, 2003, LightCore's network encompassed more than 6,500 route miles of lit fiber in the central United States.

Security monitoring. The Company offers 24-hour burglary and fire monitoring services to approximately 8,600 customers in select markets in Louisiana, Arkansas, Mississippi, Texas and Ohio.

The Company also provides audiotext services; printing, database management and direct mail services; and cable television services. From time to time the Company also makes investments in other domestic or foreign communications companies, the most significant of which is an interest in a start-up satellite service company.

Certain service subsidiaries of the Company provide installation and maintenance services, materials and supplies, and managerial, technical, accounting and administrative services to the telephone and other operating subsidiaries. In addition, the Company provides and bills management services to subsidiaries and in certain instances makes interest-bearing advances to finance construction of plant, purchases of equipment or acquisitions of other businesses. These transactions are recorded by the Company's regulated telephone subsidiaries at their cost to the extent permitted by regulatory authorities. Intercompany profit on transactions with regulated affiliates is limited to a reasonable return on investment and has not been eliminated in connection with consolidating the results of operations of CenturyTel and its subsidiaries. Such intercompany profit is reflected as a reduction of cost of sales and operating expenses in "Other operations".

## **OTHER DEVELOPMENTS**

The Company is in the process of developing an integrated billing and customer care system which will provide the Company with, in addition to standard billing functionality currently being provided by its legacy system, custom built hardware and software technology for more efficient and effective customer care, billing and provisioning systems. The costs to develop such system have been accounted for in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). The capitalized costs of the system aggregated \$163.5 million (before accumulated amortization) at December 31, 2003. The Company began amortizing its billing system costs in early 2003 (over a 20-year period) based on the total number of customers that the Company has migrated to the new system.

The system remains in the development stage and has required substantially more time and money to develop than originally anticipated. The Company currently expects to complete all phases of the new system no later than mid-2005 at an aggregate capitalized cost in accordance with SOP 98-1 of approximately \$200-215 million (exclusive of previously-disclosed write-offs). In addition, the Company expects to incur additional costs related to completion of the project, including (i) approximately \$15 million of customer service related and data conversion costs (the majority of which are expected to be incurred in 2004) that will be expensed as incurred and (ii) \$10 million of capitalized hardware costs (which will be amortized over a three-year period). The estimates above do not include any amounts for maintenance or on-going support of either the old or new system, and are based on assumptions regarding various future events, several of which are beyond the Company's control. There is no assurance that the system will be completed in accordance with this schedule or budget, or that the system will function as anticipated. If the system does not function as anticipated, the Company may have to write off part or all of its development costs and further explore its other billing and customer care system alternatives.

## **SPECIAL CONSIDERATIONS**

## Risk Factors

o We face competition, which could adversely affect us.

As a result of various technological, regulatory and other changes, the telecommunications industry has become increasingly competitive, and we expect these trends to continue. The number of companies that have requested authorization to provide traditional local exchange service in our markets has increased in recent years, and we anticipate that others will take similar action in the future. Recent technological developments have led several competitors to substantially increase their service offerings, often at prices substantially below those charged for traditional phone services. Wireless telephone services increasingly constitute a significant source of competition with LEC services, especially as wireless owners expand and improve their network coverage and continue to lower their prices.

We expect competition to intensify as a result of new competitors and the development of new technologies, products and services. We cannot predict which future technologies, products or services will be important to maintain our competitive position or what funding will be required to develop and provide these technologies, products or services. Our ability to compete successfully will depend on how well we market our products and services, and on our ability to anticipate and respond to various competitive and technological factors affecting the industry, including a changing regulatory environment that may affect us differently from our competitors, new services that may be introduced, changes in consumer preferences, demographic trends, economic conditions and discount pricing strategies by competitors.

Many of our current and potential competitors have market presence, engineering, technical and marketing capabilities and financial, personnel and other resources substantially greater than ours. In addition, some of our competitors can conduct operations or raise capital at a lower cost than we can, are subject to less regulation, or have substantially stronger brand names. Consequently, some competitors may be able to charge lower prices for their products and services, to develop and expand their communications and network infrastructures more quickly, to adapt more swiftly to new or emerging technologies and changes in customer requirements, and to devote greater resources to the marketing and sale of their products and services than we can.

Competition could adversely impact us in several ways, including (i) the loss of customers and market share, (ii) the possibility of customers shifting to less profitable services, (iii) our need to lower prices or increase marketing expenses to remain competitive and (iv) our inability to diversify by offering new products or services.

o We could be harmed by rapid changes in technology.

The communications industry is experiencing significant technological changes, particularly in the areas of VoIP, data transmission and wireless communications. Some of our competitors may enjoy network advantages that will enable them to provide services more efficiently or at lower cost. Rapid changes in technology could result in the development of products or services that compete with or displace those offered by traditional LECs. If we cannot develop new products to keep pace with technological advances, or if such products are not widely embraced by our customers, we could be adversely impacted.

o Our industry is highly regulated, and continues to undergo various fundamental regulatory changes.

As a diversified full service incumbent local exchange carrier, or ILEC, we have traditionally been subject to significant regulation from federal, state and local authorities. This regulation imposes substantial compliance costs on us and restricts our ability to raise rates, to compete and to respond rapidly to changing industry conditions. In recent years, the communications industry has undergone various fundamental regulatory changes that have generally reduced the regulation of telephone companies and permitted competition in each segment of the telephone industry. These and subsequent changes could adversely affect us by reducing the fees that we are permitted to charge, altering our tariff structures, or otherwise changing the nature of our operations and competition in our industry. Recent rule changes that permit customers to retain their wireline or wireless number when switching to another service provider could increase the number of our customers who choose to disconnect their wireline service from us. Other pending rulemakings could have a substantial impact on our operations, including in particular rulemakings on intercarrier compensation, universal service, interconnection terms and resale rates. Litigation and different objectives among federal and state regulators could create uncertainty and delay our ability to respond to new regulations. Moreover, changes in tax laws, regulations or policies could increase our tax rate, particularly if state regulators continue to search for additional revenue sources to address budget shortfalls. We are unable to predict the future actions of the various regulatory bodies that govern us, but such actions could materially affect our business.

o We cannot assure you of growth in our core business.

Due to the above-cited changes, the ILEC industry has recently experienced a decline in access lines and long distance minutes of use. While we have not suffered as much as a number of other ILECs from recent industry challenges, the recent decline in access lines and long distance usage, coupled with the other changes resulting from competitive, technological and regulatory developments, could materially adversely effect our core business and future prospects.

We have traditionally sought growth largely through acquisitions of properties similar to those currently operated by us. However, we cannot assure you that properties will be available for purchase on terms attractive to us, particularly if they are burdened by regulations, pricing plans or competitive pressures that are new or different from those historically applicable to our incumbent properties. Moreover, we cannot assure you that we will be able to arrange additional financing on terms acceptable to us.

- o Our future results will suffer if we do not effectively manage our growth.

Recently, we have rapidly expanded our operations primarily through acquisitions and new product and service offerings, and we intend to pursue similar growth opportunities in the future. Our future success depends, in part, upon our ability to manage our growth, including our ability to:

- o upgrade our billing and other information systems

- o retain and attract technological, managerial and other key personnel

- o effectively manage our day to day operations while attempting to execute our business strategy of expanding our wireline operations and our emerging businesses

- o realize the projected growth and revenue targets developed by management for our newly acquired and emerging businesses, and

- o continue to identify new acquisition or growth opportunities that we can finance, consummate and operate on attractive terms.

Our rapid growth poses substantial challenges for us to integrate new operations into our existing business in an efficient and timely manner, to successfully monitor our operations, costs, regulatory compliance and service quality, and to maintain other necessary internal controls. We cannot assure you that these efforts will be successful, or that we will realize our expected operating efficiencies, cost savings, revenue enhancements, synergies or other benefits. If we are not able to meet these challenges effectively, our results of operations may be harmed.

- o We cannot assure you that our new billing system will be successful.

We are developing a new integrated billing and customer care system. The system remains in the development stage and has required substantially more time and money to develop than originally anticipated. As discussed further herein, we expect our aggregate capitalized costs associated with the billing system to total \$200-215 million (exclusive of previously-disclosed write-offs) upon completion of the system. Although we expect to complete all phases of the system no later than mid-2005, we cannot assure you that this deadline (or our budget) will be met or that the system will function as anticipated. If the system does not function as anticipated, we may have to write off part or all of our development costs.

- o We are reliant on support funds provided under federal and state laws.

We receive a substantial portion of our revenues from the federal Universal Service Fund and, to a lesser extent, intrastate support funds. These governmental programs are reviewed and amended from time to time, and we cannot assure you that they will not be changed or impacted in a manner adverse to us. Unless the FCC can obtain additional funding sources for the Universal Service Fund, we cannot assure you that we will continue to receive payments from the Fund commensurate with those received in the past.

- o We could be affected by certain changes in labor matters.

At December 31, 2003, approximately 27% of our employees were members of 13 separate bargaining units represented by two different unions. From time to time, our labor agreements with these unions lapse, and we typically negotiate the terms of new agreements. We cannot predict the outcome of these negotiations. We may be unable to reach new agreements, and union employees may engage in strikes, work slowdowns or other labor actions, which could materially disrupt our ability to provide services. In addition, new labor agreements may impose significant new costs on us, which could impair our financial condition or results of operations in the future.

- o We have a substantial amount of indebtedness.

Principally as a result of our recent acquisitions, we have a substantial amount of indebtedness. This could hinder our ability to adjust to changing market and economic conditions, as well as our ability to access the capital markets to refinance maturing debt in the ordinary course of business. In connection with executing our business strategies, we are continuously evaluating the possibility of acquiring additional communications assets, and we may elect to finance acquisitions by incurring additional indebtedness. If we incur significant additional indebtedness, our credit ratings could be adversely affected. As a result, our borrowing costs would likely increase, our access to capital may be adversely affected and our ability to satisfy our obligations under our current indebtedness could be adversely affected.

- o We cannot assure you that we will obtain sufficient capital to expand.

To respond to the competitive challenges discussed above, we may be required to raise substantial additional capital to finance acquisitions or new product or service offerings. Our ability to arrange additional financing will depend on, among other factors, our financial position and performance, as well as prevailing market conditions and other factors beyond our control. We cannot assure you that we will be able to raise additional financing on terms acceptable to us or at all.

- o We could be harmed by the adverse developments affecting other communications companies.

During the past couple of years, WorldCom, Inc. and several other large communications companies declared bankruptcy or suffered financial difficulties. Likewise, a number of our suppliers have recently experienced financial challenges, which could cause us to experience delays, interruptions or additional expenses associated with upgrading and expanding our information systems and networks and offering new products and services. Continued weakness in the communications industry could have additional future adverse effects on us, including reducing our ability to collect receivables and to access the capital markets on favorable terms.

- o Our agreements and organizational documents and applicable law could limit another party's ability to acquire us at a premium.

Under our articles of incorporation, each share of common stock that has been beneficially owned by the same person or entity continually since May 30, 1987 generally entitles the holder to ten votes on all matters duly submitted to a vote of shareholders. As of March 8, 2004, the holders of our ten-vote shares held approximately 40% of our total voting power. In addition, a number of other provisions in our agreements and organizational documents, including our shareholder rights plan, and various provisions of applicable law may delay, defer or prevent a future takeover of CenturyTel unless the takeover is approved by our board of directors. This could deprive our shareholders of any related takeover premium.

### **Forward-Looking Statements**

This report on Form 10-K and other documents filed by us under the federal securities laws include, and future oral or written statements or press releases by us and our management may include, certain forward-looking statements, including without limitation statements with respect to our anticipated future operating and financial performance, financial position and liquidity, growth opportunities and growth rates, business prospects, regulatory and competitive outlook, investment and expenditure plans, investment results, financing opportunities and sources (including the impact of financings on our financial position, financial performance or credit ratings), pricing plans, strategic alternatives, business strategies, and other similar statements of expectations or objectives that are highlighted by words such as "expects," "anticipates," "intends," "plans," "believes," "projects," "seeks," "estimates," "hopes," "should," and "may," and variations thereof and similar expressions. Such forward-looking statements are based upon our judgment and assumptions as of the date of this report concerning future developments and events, many of which are outside of our control. These forward-looking statements, and the assumptions upon which such statements are based, are inherently speculative and are subject to uncertainties that could cause our actual results to differ materially from such statements. These uncertainties include but are not limited to those set forth below:

- o the extent, timing, success and overall effects of competition from wireless carriers, VoIP providers, CLECs, cable television companies and others, including without limitation the risks that these competitors may offer less expensive or more innovative products and services.

- o the risks inherent in rapid technological change, including without limitation the risk that new technologies will displace our products and services.

- o the effects of ongoing changes in the regulation of the communications industry, including without limitation (i) increased competition resulting from the FCC's regulations relating to local number portability, interconnection and other matters, (ii) the final outcome of various federal, state and local regulatory initiatives and proceedings that could impact our competitive position, compliance costs, capital expenditures or prospects, and (iii) reductions in revenues received from the federal Universal Service Fund or other current or future federal and state support programs designed to compensate LECs operating in high-cost markets.

- o our ability to effectively manage our growth, including without limitation our ability to (i) integrate newly-acquired operations into our operations, (ii) attract and retain technological, managerial and other key personnel, (iii) achieve projected growth, revenue and cost savings targets, (iv) successfully upgrade our billing and other information systems in a timely and cost-efficient manner and (v) otherwise monitor our operations, costs, regulatory compliance, and service quality and maintain other necessary internal controls.

- o possible changes in the demand for, or pricing of, our products and services, including without limitation (i) reduced demand for traditional telephone services caused by greater use of wireless or Internet communications or other factors, (ii) reduced demand for second lines and (iii) reduced demand for our access services.

- o our ability to successfully introduce new product or service offerings on a timely and cost-effective basis, including without limitation our ability to (i) expand successfully our long distance and Internet offerings to new or acquired markets and (ii) offer bundled service packages on terms attractive to our customers.

- o our ability to collect receivables from financially troubled communications companies.

- o regulatory limits on our ability to change the prices for telephone services in response to industry changes.

- o impediments to our ability to expand through attractively priced acquisitions, whether caused by regulatory limits, financing constraints, a decrease in the pool of attractive target companies, or competition for acquisitions from other interested buyers.

- o the possible need to make abrupt and potentially disruptive changes in our business strategies due to changes in competition, regulation, technology, product acceptance or other factors.

- o the lack of assurance that we can compete effectively against better-capitalized competitors.
- o the impact of terrorist attacks on our business.
- o other risks referenced in this report and from time to time in our other filings with the Securities and Exchange Commission.
- o the effects of more general factors, including without limitation:

- changes in general industry and market conditions and growth rates -- changes in labor conditions, including workforce levels and labor negotiations
- changes in interest rates or other general national, regional or local economic conditions
- changes in legislation, regulation or public policy, including changes in federal rural financing programs or changes that increase our tax rate
- increases in capital, operating, medical or administrative costs, or the impact of new business opportunities requiring significant up-front investments
- the continued availability of financing in amounts, and on terms and conditions, necessary to support our operations -- changes in our relationships with vendors, or the failure of these vendors to provide competitive products on a timely basis -- changes in our senior debt ratings -- unfavorable outcomes of regulatory or legal proceedings, including rate proceedings
- losses or unfavorable returns on our investments in other communications companies
- delays in the construction of our networks -- changes in accounting policies, assumptions, estimates or practices adopted voluntarily or as required by generally accepted accounting principles.

For additional information, see the description of our business included above, as well as Item 7 of this report. Due to these uncertainties, there can be no assurance that our anticipated results will occur, that our judgments or assumptions will prove correct, or that unforeseen developments will not occur. Accordingly, you are cautioned not to place undue reliance upon these forward-looking statements, which speak only as of the date made. We undertake no obligation to update or revise any of our forward-looking statements for any reason, whether as a result of new information, future events or developments, or otherwise.

## OTHER MATTERS

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 2003 have not been material and the Company currently has no reason to believe that such costs will become material.

For additional information concerning the business and properties of the Company, see Item 7 elsewhere herein, and the Consolidated Financial Statements and notes 2, 5, 6, 13, and 18 thereto set forth in Item 8 elsewhere herein.

### Item 2. Properties.

The Company's properties consist principally of telephone lines, central office equipment, and land and buildings related to telephone operations. As of December 31, 2003 and 2002, the Company's gross property, plant and equipment of approximately \$7.2 billion and \$6.9 billion, respectively, consisted of the following:

	December 31,	
	2003	2002
-----		
Telephone operations		
Cable and wire	52.9%	53.0
Central office	31.1	31.3
General support	6.8	6.9
Information origination/termination equipment	0.6	0.6
Construction in progress	0.3	0.5
Other	0.1	0.1
-----		
	91.8	92.4
-----		
Other operations	8.2	7.6
-----		
	100.0%	100.0
=====		

"Cable and wire" facilities consist primarily of buried cable and aerial cable, poles, wire, conduit and drops. "Central office equipment" consists primarily of switching equipment, circuit equipment and related facilities. "General support" consists primarily of land, buildings, tools, furnishings, fixtures, motor vehicles and work equipment. "Information origination/termination equipment" consists primarily of premise equipment (private branch exchanges and telephones) for official company use. "Construction in progress" includes property of the foregoing categories that has not been placed in service because it is still under construction.

The properties of certain of the Company's telephone subsidiaries are subject to mortgages securing the debt of such companies. The Company owns substantially all of the central office buildings, local administrative buildings, warehouses, and storage facilities used in its telephone operations.

The Company's property in its Other Operations consist primarily of (i) corporate general support assets, (ii) fiber transport assets and (iii) equipment to provide competitive local exchange and Internet access services.

For further information on the location and type of the Company's properties, see the descriptions of the Company's operations in Item 1.

### Item 3. Legal Proceedings.

In Barbrasue Beattie and James Sovis, on behalf of themselves and all others similarly situated, v. CenturyTel, Inc., filed on October 29, 2002 in the United States District Court for the Eastern District of Michigan (Case No. 02-10277), the plaintiffs allege that the Company unjustly and unreasonably billed customers for inside wire maintenance services, and seek unspecified money damages and injunctive relief under various legal theories on behalf of a purported class of over two million customers in the Company's telephone markets. The Court has not yet ruled on the plaintiffs' certification motion, and has not yet set a date to resolve this issue. Given the current status of this case, the Company cannot estimate the potential impact, if any, that this case will have on its results of operations.

From time to time, the Company is involved in other litigation incidental to its business, including administrative hearings of state public utility commissions relating primarily to rate making, actions relating to employee claims, occasional grievance hearings before labor regulatory agencies and miscellaneous third party tort actions. Currently, there are no material legal proceedings of this nature.

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

Not applicable.

### Executive Officers of the Registrant

Information concerning the Company's Executive Officers, set forth at Item 10 in Part III hereof, is incorporated in Part I of this Report by reference.

### Item 5. Market for Registrant's Common Equity and Related

#### Stockholder Matters

CenturyTel's common stock is listed on the New York Stock Exchange and is traded under the symbol CTL. The following table sets forth the high and low sales prices, along with the quarterly dividends, for each of the quarters indicated.

	Sales prices		Dividend per common share
	High	Low	
2003:			
First quarter	\$ 31.79	25.25	.0550
Second quarter	\$ 35.90	27.33	.0550
Third quarter	\$ 35.85	32.45	.0550
Fourth quarter	\$ 36.76	30.09	.0550
2002:			
First quarter	\$ 35.50	28.80	.0525
Second quarter	\$ 34.45	27.00	.0525
Third quarter	\$ 30.60	21.13	.0525
Fourth quarter	\$ 31.65	22.35	.0525

Common stock dividends during 2003 and 2002 were paid each quarter. As of February 27, 2004, there were approximately 4,530 stockholders of record of CenturyTel's common stock. As of March 8, 2004, the closing stock price of CenturyTel common stock was \$28.95.

For information regarding shares of CenturyTel common stock authorized for issuance under CenturyTel's equity compensation plans, see Item 12.

### Item 6. Selected Financial Data.

The following table presents certain selected consolidated financial data (from continuing operations) as of and for each of the years ended in the five-year period ended December 31, 2003:



## Selected Income Statement Data

	Year ended December 31,				
	2003	2002	2001	2000	1999
	(Dollars, except per share amounts, and shares expressed in thousands)				
Operating revenues					
Telephone	\$ 2,071,980	1,733,592	1,505,733	1,253,969	1,126,112
Other	308,765	238,404	173,771	148,388	128,288
Total operating revenues	\$ 2,380,745	1,971,996	1,679,504	1,402,357	1,254,400
Operating income					
Telephone	\$ 688,114	543,113	423,420	376,290	351,559
Other	62,282	43,568	22,098	31,258	22,580
Corporate overhead costs allocable to discontinued operations	-	(11,275)	(20,213)	(21,411)	(19,416)
Total operating income	\$ 750,396	575,406	425,305	386,137	354,723
Nonrecurring gains and losses, net (pre-tax)	\$ -	3,709	33,043	-	11,284
Income from continuing operations	\$ 344,707	193,533	149,081	127,474	134,038
Basic earnings per share from continuing operations	\$ 2.40	1.36	1.06	.91	.96
Basic earnings per share from continuing operations, as adjusted for goodwill amortization	\$ 2.40	1.36	1.39	1.17	1.19
Diluted earnings per share from continuing operations	\$ 2.38	1.35	1.05	.90	.95
Diluted earnings per share from continuing operations, as adjusted for goodwill amortization	\$ 2.38	1.35	1.37	1.16	1.17
Dividends per common share	\$ .22	.21	.20	.19	.18
Average basic shares outstanding	143,583	141,613	140,743	140,069	138,848
Average diluted shares outstanding	144,700	142,879	142,307	141,864	141,432

## Selected Balance Sheet Data

	December 31,				
	2003	2002	2001	2000	1999
	(Dollars in thousands)				
Net property, plant and equipment	\$ 3,455,481	3,531,645	2,736,142	2,698,010	2,000,789
Goodwill	\$ 3,425,001	3,427,281	2,087,158	2,108,344	1,267,908
Total assets	\$ 7,895,852	7,770,408	6,318,684	6,393,290	4,705,407
Long-term debt	\$ 3,109,302	3,578,132	2,087,500	3,050,292	2,075,212
Stockholders' equity	\$ 3,478,516	3,088,004	2,337,380	2,032,079	1,847,992

See Items 7 and 8 for a discussion of the Company's discontinued wireless operations.

The following table presents certain selected consolidated operating data as of the end of each of the years in the five-year period ended

December 31, 2003:

	Year ended December 31,				
	2003	2002	2001	2000	1999
Telephone access lines	2,376,118	2,414,564	1,797,643	1,800,565	1,272,867
Long distance customers	769,766	648,797	465,872	363,307	303,722

See Items 1 and 2 in Part I and Items 7 and 8 elsewhere herein for additional information.

## Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

### Results of Operations

#### Overview

CenturyTel, Inc. ("CenturyTel") and its subsidiaries is a regional integrated communications company engaged primarily in providing local exchange, long distance, Internet access and data services to customers in 22 states. For the year ended December 31, 2003, local exchange telephone operations provided 87% of the consolidated revenues of CenturyTel and its subsidiaries (the "Company"). The Company's local exchange telephone operations derive revenues from providing (i) local telephone services, (ii) network access services and (iii) other related services.

On July 1, 2002, the Company acquired the local exchange telephone operations of Verizon Communications, Inc. ("Verizon") in the state of Alabama for approximately \$1.022 billion cash. On August 31, 2002, the Company acquired the local exchange telephone operations of Verizon in the state of Missouri for approximately \$1.179 billion cash. The results of operations for the Verizon assets acquired are reflected in the Company's consolidated results of operations subsequent to each respective acquisition. See "Acquisitions" below and Note 2 of Notes to Consolidated Financial Statements for additional information. During 2003, the Company also acquired fiber transport assets in five central U.S. states (which the Company operates under the name LightCore) for \$55.2 million cash.

On August 1, 2002, the Company sold substantially all of its wireless operations principally to an affiliate of ALLTEL Corporation ("Alltel") in exchange for an aggregate of approximately \$1.59 billion in cash. As a result, the Company's wireless operations for the years ended December 31, 2002 and 2001 have been reflected as discontinued operations on the Company's consolidated statements of income and cash flows. For further information, see "Discontinued Operations" below.

During the three years ended December 31, 2003, the Company has acquired and sold various other operations, the impact of which has not been material to the financial position or results of operations of the Company.

The net income of the Company for 2003 was \$344.7 million, compared to \$801.6 million during 2002 and \$343.0 million during 2001. Diluted earnings per share for 2003 was \$2.38 compared to \$5.61 in 2002 and \$2.41 in 2001. Income from continuing operations (and diluted earnings per share from continuing operations) was \$344.7 million (\$2.38), \$193.5 million (\$1.35) and \$149.1 million (\$1.05) for 2003, 2002 and 2001, respectively. In accordance with the provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), amortization of goodwill ceased effective January 1, 2002. If the results of operations for the year ended December 31, 2001 been subject to the provisions of SFAS 142, income from continuing operations (and diluted earnings per share) would have been \$195.4 million (\$1.37) and net income (and diluted earnings per share) would have been \$399.3 million (\$2.81).

Year ended December 31,	2003	2002	2001
	(Dollars, except per share amounts, and shares in thousands)		
Operating income			
Telephone	\$ 688,114	543,113	423,420
Other	62,282	43,568	22,098
Corporate overhead costs allocable to discontinued operations	-	(11,275)	(20,213)
	750,396	575,406	425,305
Interest expense	(226,751)	(221,845)	(225,523)
Income from unconsolidated cellular entity	6,160	5,582	7,592
Nonrecurring gains and losses, net	-	3,709	33,043
Other income and expense	2,154	(63,814)	32
Income tax expense	(187,252)	(105,505)	(91,368)
	344,707	193,533	149,081
Discontinued operations, net of tax	-	608,091	193,950

Net income	\$	344,707	801,624	343,031
=====				
Net income, as adjusted for goodwill amortization	\$	344,707	801,624	399,297
=====				
Basic earnings per share				
From continuing operations	\$	2.40	1.36	1.06
From continuing operations, as adjusted for goodwill amortization	\$	2.40	1.36	1.39
From discontinued operations	\$	-	4.29	1.38
From discontinued operations, as adjusted for goodwill amortization	\$	-	4.29	1.45
Basic earnings per share	\$	2.40	5.66	2.43
Basic earnings per share, as adjusted for goodwill amortization	\$	2.40	5.66	2.83
Diluted earnings per share				
From continuing operations	\$	2.38	1.35	1.05
From continuing operations, as adjusted for goodwill amortization	\$	2.38	1.35	1.37
From discontinued operations	\$	-	4.26	1.36
From discontinued operations, as adjusted for goodwill amortization	\$	-	4.26	1.43
Diluted earnings per share	\$	2.38	5.61	2.41
Diluted earnings per share, as adjusted for goodwill amortization	\$	2.38	5.61	2.81
Average basic shares outstanding		143,583	141,613	140,743
=====				
Average diluted shares outstanding		144,700	142,879	142,307
=====				

Contributions to operating revenues and operating income by the Company's telephone and other operations for each of the years in the three-year period ended December 31, 2003 were as follows:

Year ended December 31,	2003	2002	2001
-----			
Operating revenues			
Telephone operations	87.0%	87.9	89.7
Other operations	13.0%	12.1	10.3
Operating income			
Telephone operations	91.7%	94.4	99.6
Other operations	8.3%	7.6	5.2
Corporate overhead costs allocable to discontinued operations	-%	(2.0)	(4.8)
-----			

In addition to historical information, this management's discussion and analysis includes certain forward-looking statements 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, hiring adequate numbers of qualified staff, and successfully upgrading its billing and other information systems; 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; other risks referenced from time to time in this report or other of the Company's filings with the Securities and Exchange Commission; and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1 included herein. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

### Telephone Operations

The Company conducts its telephone operations in rural, suburban and small urban communities in 22 states. As of December 31, 2003, approximately 70% of the Company's 2.4 million access lines were in Wisconsin, Missouri, Alabama, Arkansas and Washington. The operating revenues, expenses and income of the Company's telephone operations for 2003, 2002 and 2001 are summarized below.

Year ended December 31,	2003	2002	2001
-----			
(Dollars in thousands)			

Operating revenues			
Local service	\$	754,063	604,580
Network access		1,135,223	972,303
Other		182,694	156,709
		2,071,980	1,733,592
Operating expenses			
Plant operations		505,786	433,187
Customer operations		167,594	148,502
Corporate and other		259,635	211,924
Depreciation and amortization		450,851	396,866
		1,383,866	1,190,479
Operating income	\$	688,114	543,113
			423,420

Local service revenues. Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas. Of the \$149.5 million (24.7%) increase in local service revenues in 2003, \$130.1 million was due to the properties acquired from Verizon in the third quarter of 2002. Of the remaining \$19.4 million increase, \$8.4 million was due to the provision of custom calling features to more customers and \$5.9 million was due to increased rates in certain jurisdictions. Of the \$113.1 million (23.0%) increase in local service revenues in 2002, \$102.8 million was due to the acquisition of the Verizon properties in 2002. The remaining \$10.3 million increase was primarily due to a \$7.6 million increase resulting from the provision of custom calling features to more customers and a \$1.8 million increase due to increased rates in certain jurisdictions. Access lines declined 38,400 (1.6%) during 2003 compared to a decline of 19,600 (1.1%) in 2002 (exclusive of acquisitions). The Company believes the decline in the number of access lines during 2003 and 2002 is primarily due to general economic conditions in the Company's markets and the displacement of traditional wireline telephone services by other competitive services, including the Company's DSL product offering. Even as the economy recovers, the Company believes that any rebound in access lines will be limited by continued access line losses caused primarily by the impact of other competitive services. Based on current conditions, the Company expects access lines to decline between 1 and 2% for 2004.

Network access revenues. Network access revenues are primarily derived from charges to long distance companies and other customers for access to the Company's local exchange carrier ("LEC") networks in connection with the completion of interstate or intrastate voice and data transmissions. Certain of the Company's interstate network access revenues are based on tariffed access charges filed directly with the Federal Communications Commission ("FCC"); the remainder of such revenues are derived under revenue sharing arrangements with other LECs administered by the National Exchange Carrier Association. Intrastate network access revenues are based on tariffed access charges filed with state regulatory agencies or are derived under revenue sharing arrangements with other LECs.

Network access revenues increased \$162.9 million (16.8%) in 2003 and \$97.8 million (11.2%) in 2002 due to the following factors:

	2003 increase (decrease)	2002 increase (decrease)
	(Dollars in thousands)	
Acquisitions of Verizon properties in third quarter 2002	\$ 146,941	98,014
Increased recovery from the federal Universal Service Fund ("USF")	250	13,832
One-time refund of access charges to interexchange carriers	7,645	(7,645)
Intrastate revenues due to decreased minutes of use and decreased access rates in certain states	(6,798)	(27,740)
Partial recovery of increased operating costs through revenue sharing arrangements with other telephone companies, increased recovery from state support funds and return on rate base	4,116	9,756
Rate changes in certain jurisdictions	2,472	5,600
Revision of prior year revenue settlement agreements	9,983	1,912
Other, net	(1,689)	4,116
	\$ 162,920	97,845

As indicated in the chart above, in 2003 the Company experienced a reduction in its intrastate revenues (exclusive of the properties acquired from Verizon in 2002) of approximately \$6.8 million primarily due to (i) a reduction in intrastate minutes (partially due to the displacement of minutes by wireless and electronic mail services) and (ii) decreased access rates in certain states. The corresponding decrease in 2002 compared to 2001 was \$27.7 million. The Company believes intrastate minutes will continue to decline in 2004, although the magnitude of such decrease cannot be precisely estimated.

The Company anticipates that revenue derived from its revision of prior year revenue settlement agreements will be lower in 2004 compared to 2003 levels.

**Other revenues.** Other revenues include revenues related to (i) leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring ("CPE services"), (ii) providing billing and collection services for long distance carriers and (iii) participating in the publication of local directories. Other revenues increased \$26.0 million (16.6%) during 2003, substantially all of which is due to the properties acquired from Verizon in the third quarter of 2002. Other revenues increased \$17.0 million (12.1%) in 2002, of which \$18.2 million was due to the properties acquired from Verizon in 2002.

**Operating expenses.** Plant operations expenses during 2003 and 2002 increased \$72.6 million (16.8%) and \$52.7 million (13.9%), respectively. Of the \$72.6 million increase in 2003, \$74.8 million was due to the properties acquired from Verizon in the third quarter of 2002. The remaining \$2.2 million decrease was due to a \$5.7 million decrease in information technology expenses and a \$5.2 million decrease in repair and maintenance expenses. Such decreases were partially offset by a \$4.8 million increase in access expenses and \$4.7 million increase in salaries and benefits. Of the \$52.7 million increase in 2002, \$58.4 million was attributable to the properties acquired from Verizon in 2002 and \$13.8 million related to increases in salaries and benefits. Such increases were partially offset by a \$16.4 million decrease in access expenses primarily as a result of changes in certain optional calling plans in Arkansas approved in late 2001 and a \$3.0 million decrease in repairs and maintenance expense.

**Customer operations, corporate and other expenses** increased \$66.8 million (18.5%) in 2003 and \$56.9 million (18.7%) in 2002. Of the \$66.8 million increase in 2003, \$65.4 million related to the Verizon acquisitions in 2002. The remaining increase of \$1.4 million was due primarily to (i) a \$14.0 million increase in operating taxes, which included a \$7.5 million charge arising out of various operating tax audits in 2003, and (ii) a \$6.7 million increase in information technology expenses largely attributable to the Company's development of the new billing system described below under "Development of Billing System". Such increases were partially offset by (i) a \$16.0 million decrease in the provision for uncollectible receivables (as 2002 was adversely impacted by the establishment of a \$15.0 million reserve for uncollectible receivables primarily related to the bankruptcy of MCI (formerly WorldCom, Inc.), whereas 2003 was positively impacted by a \$5.0 million reduction in the provision for uncollectible receivables due to the partial recovery of amounts previously written off related to the bankruptcy of MCI) and (ii) a \$4.6 million decrease in customer service expenses. Of the \$56.9 million increase in 2002, \$47.2 million related to the Verizon acquisitions in 2002. The remaining increase of \$9.7 million was due primarily to a \$7.7 million increase in salaries and benefits, a \$4.6 million increase in customer service expenses and a \$3.9 million increase in the provision for uncollectible receivables (attributable to the above-mentioned establishment of a \$15.0 million reserve for uncollectible receivables primarily related to the bankruptcy of MCI which was partially offset by an \$11.1 million reduction in the provision for uncollectible receivables for non-carrier customers). Such increases were partially offset by a \$5.0 million decrease in operating taxes and a \$1.4 million decrease in expenses related to the provision of CPE services.

**Depreciation and amortization** increased \$54.0 million (13.6%) in 2003 and decreased \$1.4 million (0.4%) in 2002. Of the \$54.0 million increase in 2003, \$50.9 million was due to the properties acquired from Verizon in 2002. The remaining increase is primarily due to an increase in depreciation expense due to higher levels of plant in service in incumbent markets. Of the \$1.4 million decrease in 2002, \$58.0 million related to ceasing amortization of goodwill effective January 1, 2002 in accordance with the provisions of SFAS 142. Such decrease was substantially offset by \$38.0 million of depreciation and amortization related to the properties acquired from Verizon in 2002 and a \$21.8 million increase in depreciation expense due to higher levels of plant in service in incumbent markets. The composite depreciation rate for the Company's telephone properties was 7.0% for 2003, 6.9% for 2002 and 6.8% for 2001.

**Other.** For additional information regarding certain matters that have impacted or may impact the Company's telephone operations, see "Regulation and Competition".

## Other Operations

Other operations includes the results of continuing operations of subsidiaries of the Company which are not included in the telephone segment including, but not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier ("CLEC") operations and fiber transport operations. During 2003, the Company paid \$55.2 million cash to acquire fiber transport assets in five central U.S. states (which the Company operates under the name LightCore). The operating revenues, expenses and income of the Company's other operations for 2003, 2002 and 2001 are summarized below.

Year ended December 31,	2003	2002	2001
(Dollars in thousands)			
Operating revenues			
Long distance	\$ 173,884	146,536	117,363
Internet	79,933	58,665	39,057
Other	54,948	33,203	17,351
	308,765	238,404	173,771
Operating expenses			
Cost of sales and operating expenses	226,693	180,076	142,919
Depreciation and amortization	19,790	14,760	8,754
	246,483	194,836	151,673

Operating income	\$	62,282	43,568	22,098
=====				

Long distance revenues increased \$27.3 million (18.7%) and \$29.2 million (24.9%) in 2003 and 2002, respectively. The \$27.3 million increase in 2003 was primarily attributable to the growth in the number of customers and increased minutes of use (\$32.6 million), primarily due to penetration of the markets acquired from Verizon in 2002. Such increase was partially offset by a decrease in the average rate charged by the Company (\$5.3 million). The \$29.2 million increase in 2002 was primarily attributable to the growth in the number of customers and increased average minutes of use (\$34.8 million), partially offset by a decrease in the average rate charged by the Company per minute of use (\$5.8 million). The Company anticipates that increased competition will continue to place downward pressure on rates. The number of long distance customers as of December 31, 2003, 2002, and 2001 was approximately 769,760, 648,790, and 465,870, respectively.

Internet revenues increased \$21.3 million (36.3%) in 2003 and \$19.6 million (50.2%) in 2002 due primarily to growth in the number of customers, principally due to the expansion of the Company's DSL product offering.

Other revenues increased \$21.7 million (65.5%) primarily due to (i) \$16.7 million of revenues associated with the Company's LightCore operations and (ii) a \$4.3 million increase in revenues in the Company's CLEC business primarily due to an increased number of customers, including those acquired in connection with the purchase of certain CLEC operations on February 28, 2002. Other revenues increased \$15.9 million in 2002, of which \$15.1 million was due to increased revenues in the Company's CLEC business, primarily due to the above-referenced CLEC acquisition in early 2002.

Cost of sales and operating expenses increased \$46.6 million (25.9%) in 2003 primarily due to (i) a \$14.6 million increase in expenses associated with the Company's long distance operations (of which \$7.4 million was due to increased payments to other carriers due to higher minutes of use partially offset by a decrease in the rate per minute of use; \$2.8 million was due to an increase in the provision for doubtful accounts; and \$2.4 million was due to an increase in billing and collection costs); (ii) a \$16.4 million increase in expenses associated with the Company's Internet operations due to an increase in the number of customers; and (iii) a \$10.4 million increase in expenses associated with the Company's LightCore operations.

Cost of sales and operating expenses increased \$37.2 million (26.0%) in 2002 primarily due to (i) a \$23.9 million increase in expenses associated with the Company's long distance operations (of which \$13.4 million was due to increased payments to other carriers due to higher minutes of use partially offset by a decrease in the rate per minute of use; \$5.3 million was related to increased sales and marketing costs; \$2.2 million was due to an increase in the provision for doubtful accounts; and \$2.3 million was due to an increase in billing and collection costs); (ii) an \$11.8 million increase in expenses associated with the Company's CLEC operations primarily due to the expansion of the business and operations acquired in the first quarter of 2002; and (iii) a \$12.3 million increase associated with expanding the Company's Internet operations due to an increase in customers. Such increases were partially offset by a \$7.4 million reduction in expenses primarily due to the increased intercompany profit with regulated affiliates (the recognition of which in accordance with regulatory accounting principles acts to offset operating expenses).

Depreciation and amortization increased \$5.0 million in 2003 and \$6.0 million in 2002 primarily due to increased depreciation expense in the Company's CLEC and fiber transport businesses (including LightCore).

Certain of the Company's service subsidiaries provide managerial, operational, technical, accounting and administrative services, along with materials and supplies, to the Company's telephone subsidiaries. In accordance with regulatory accounting, intercompany profit on transactions with regulated affiliates has not been eliminated in connection with consolidating the results of operations of the Company. When the regulated operations of the Company no longer qualify for the application of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"), such intercompany profit will be eliminated in subsequent financial statements, the primary result of which will be a decrease in operating expenses applicable to the Company's telephone operations and an increase in operating expenses applicable to the Company's other operations. The amount of intercompany profit with regulated affiliates which was not eliminated was approximately \$28.5 million, \$29.5 million and \$22.0 million in 2003, 2002 and 2001, respectively. For additional information applicable to SFAS 71, see "Regulation and Competition -- Other Matters."

## INTEREST EXPENSE

Interest expense increased \$4.9 million in 2003 primarily due to \$7.5 million of interest associated with various operating tax audits. Such increase was partially offset by reduced interest expense due to a decrease in average debt outstanding.

Interest expense decreased \$3.7 million in 2002 due to a decrease in average debt outstanding and decreased rates.

## INCOME FROM UNCONSOLIDATED CELLULAR ENTITY

Income from unconsolidated cellular entity was \$6.2 million in 2003, \$5.6 million in 2002 and \$7.6 million in 2001. Such income represents the Company's share of income from its 49% interest in a cellular partnership.

## NONRECURRING GAINS AND LOSSES, NET

In 2002, the Company recorded a pre-tax gain of \$3.7 million from the sale of a PCS license.

In 2001, the Company's net favorable nonrecurring pre-tax gains were \$33.0 million. The Company recorded a pre-tax gain on the sale of its remaining shares of Illuminet Holdings, Inc. ("Illuminet") common stock aggregating \$54.6 million (\$35.5 million after-tax; \$.25 per diluted share) and a pre-tax gain of \$4.0 million (\$2.6 million after-tax; \$.02 per diluted share) on the sale of certain other assets. Additionally in 2001, the Company recorded pre-tax charges of \$25.5 million (\$16.6 million after-tax; \$.12 per diluted share) due to the write-down in the value of certain non-operating investments in which the Company owns a minority interest.

## OTHER INCOME AND EXPENSE

Other income and (expense) was \$2.2 million in 2003, (\$63.8 million) in 2002 and \$32,000 in 2001. Included in 2002 was a \$59.9 million pre-tax charge related to the Company's payment of premium in connection with redeeming its Series I remarketable notes, net of unamortized premium.

## INCOME TAX EXPENSE

The Company's effective income tax rate (from continuing operations) was 35.2%, 35.3% and 38.0% in 2003, 2002 and 2001, respectively. The decrease in the effective tax rate in 2002 compared to 2001 is primarily attributable to the effect of ceasing amortization of goodwill (some of which was nondeductible for tax purposes) effective January 1, 2002 in accordance with the provisions of SFAS 142. In 2003, the Company reduced the valuation allowance related to net state operating loss carryforwards as it was more likely than not that future taxable income will be sufficient to enable the Company to utilize a portion of the operating loss carryforwards. For additional information, see Note 12 to the Company's consolidated financial statements appearing elsewhere in this report. The Company expects its effective income tax rate to increase in 2004 due to an increase in the effective state income tax rate.

## DISCONTINUED OPERATIONS

On August 1, 2002, the Company sold substantially all of its wireless operations to Alltel and certain other purchasers for an aggregate of approximately \$1.59 billion in cash. As a result, the Company's wireless operations for 2002 have been reflected as discontinued operations in the Company's consolidated financial statements. The results of operations for 2001 have been restated to conform to the 2002 presentation. The following table summarizes certain information concerning the Company's wireless operations for the periods presented.

Year ended December 31,	2002	2001
-----		
	(Dollars in thousands)	
Operating revenues	\$ 246,705	437,965
Operating expenses, exclusive of corporate overhead costs of \$11.3 million and \$20.2 million	(175,447)	(305,351)
Income from unconsolidated cellular entities	25,768	19,868
Minority interest expense	(8,569)	(11,510)
Gain on sale of discontinued operations	803,905	-
Nonrecurring gains	-	166,928
Other income	188	4,707
Income tax expense	(284,459)	(118,657)
-----		
Income from discontinued operations, net of tax	\$ 608,091	193,950
=====		

Included in operating expenses for 2002 is a \$30.5 million charge associated with a write-off of all amounts expended to develop the wireless portion of the Company's billing system currently in development. Depreciation and amortization of long-lived assets and amortizable intangibles related to the Company's wireless operations ceased effective March 19, 2002, the date of the Company's definitive sales agreement with Alltel. Such cessation of depreciation and amortization had the effect of reducing depreciation and amortization expense approximately \$20 million in 2002.

The Company recorded an \$803.9 million pre-tax gain on the sale of substantially all of its wireless business in the third quarter of 2002.

Nonrecurring gains for 2001 relate to the sale of 30 PCS licenses to Leap Wireless International, Inc.

For further information, see Notes 3 and 13 to the Company's consolidated financial statements appearing elsewhere in this report.

## ACQUISITIONS AND RELATED FINANCING ARRANGEMENTS

On July 1, 2002, the Company completed the acquisition of approximately 300,000 telephone access lines in the state of Alabama from Verizon for approximately \$1.022 billion cash. On August 31, 2002, the Company completed the acquisition of approximately 350,000 telephone access lines in the state of Missouri from Verizon for approximately \$1.179 billion cash.

On May 6, 2002, the Company issued and sold in an underwritten public offering \$500 million of equity units. Net proceeds to the Company from this issuance were approximately \$483.4 million. Each of the 20 million equity units issued was priced at \$25 and consists initially of a beneficial interest in a CenturyTel senior unsecured note with a principal amount of \$25 and a contract to purchase shares of CenturyTel common stock no later than May 2005. The senior notes mature in May 2007. Each purchase contract will generally require the holder to purchase between .6944 and .8741 of a share of CenturyTel common stock in May 2005 based on the then current price of CenturyTel common stock in exchange for \$25, subject to certain adjustments and exceptions. Accordingly, upon full settlement of the purchase contracts in May 2005, the Company will receive proceeds of \$500 million and will deliver between 13.9 million and 17.5 million common shares in the aggregate. The senior notes are pledged by the holders to secure their obligations under the purchase contracts. The total distributions on the equity units will be at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%), each payable quarterly. On or after mid-February 2005, the senior notes will be remarketed, at which time the remarketing agent will reset the interest rate on the senior notes in order to generate sufficient proceeds to secure the holder's obligation under the purchase contract. In the event of an unsuccessful remarketing, the Company will exercise its right as a secured party to dispose of the senior notes and satisfy in full the holder's obligation to purchase common stock under the purchase contract.

On July 22, 2002, the Company entered into \$800 million of credit facilities, consisting of a \$533 million three-year facility and a \$267 million 364-day revolving facility which lapsed during 2003. These facilities replaced credit facilities that matured during the third quarter of 2002.

In the third quarter of 2002, the Company issued \$500 million of senior notes due 2012 (which bear interest at 7.875%) and \$165 million of convertible senior debentures (which bear interest at 4.75% and which may be converted into shares of CenturyTel common stock at a conversion price of \$40.455 per share).

The Company used proceeds from the sale of equity units, senior notes and convertible senior debentures, along with the \$1.59 billion cash proceeds received from the sale of substantially all of the Company's wireless operations and utilization of its credit facilities, to finance the third quarter 2002 acquisitions of telephone properties in Alabama and Missouri from Verizon which aggregated \$2.201 billion, the redemption of \$400 million principal amount in remarketable debt securities (plus an associated \$71.1 million premium payment) in October 2002, and the Company's fourth quarter 2002 estimated tax payment, which aggregated \$290 million and included the obligation to pay taxes associated with the sale of substantially all of its wireless operations.

In June and December 2003, the Company purchased certain fiber transport assets for an aggregate of approximately \$55.2 million. In the fourth quarter of 2003, the Company acquired an additional 24.3% interest in a telephone company in which it owned a majority interest for \$32.4 million cash.

## **ACCOUNTING PRONOUNCEMENTS**

On January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and be capitalized as part of the book value of the long-lived asset.

Although the Company generally has had no legal obligation to remove obsolete assets, depreciation rates of certain assets established by regulatory authorities for the Company's telephone operations subject to Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"), have historically included a component for removal costs in excess of the related estimated salvage value. Notwithstanding the adoption of SFAS 143, SFAS 71 requires the Company to continue to reflect this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets. For the Company's telephone operations acquired from Verizon in 2002 and its other operations (neither of which are subject to SFAS 71), the Company has not accrued a liability for anticipated removal costs in the past. For these reasons, the adoption of SFAS 143 did not have a material effect on the Company's financial statements.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"), which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have a material impact on the Company's financial condition or results of operations.

In December 2002, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 148, "Accounting for Stock-Based Compensation" ("SFAS 148"). SFAS 148, effective for fiscal years ending after December 15, 2002, amends Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123") to provide alternative methods of transition for a voluntary change to the fair value method of accounting for stock-based compensation. In addition, SFAS 148 amends the disclosure requirements of SFAS 123 to require prominent disclosure in both annual and interim financial statements about the method of accounting for stock-based compensation and the effect of the method used on reported results. The Company has elected to account for employee stock-based compensation using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed by SFAS 123.

In November 2002, the Emerging Issues Task Force ("EITF") reached a consensus on EITF 00-21, "Accounting for Revenue Arrangements with Multiple Element Deliverables." This release addresses how to account for arrangements that may involve the delivery or performance of



multiple products, services or rights to use assets. Under this release, revenue arrangements with multiple deliverables should be divided into separate units of accounting based on their relative fair value. The final consensus was applicable to agreements entered into in periods beginning after June 15, 2003. The adoption of EITF 00-21 did not have a material impact on the Company's results of operations.

## **CRITICAL ACCOUNTING POLICIES**

The Company's financial statements are prepared in accordance with accounting principles that are generally accepted in the United States. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses. Management continually evaluates its estimates and judgments including those related to (i) revenue recognition, (ii) allowance for doubtful accounts, (iii) purchase price allocation, (iv) pension and postretirement benefits and (v) long-lived assets. Actual results may differ from these estimates. The Company believes the following critical accounting policies involve a higher degree of judgment or complexity.

**Revenue recognition.** Certain of the Company's telephone subsidiaries participate in revenue sharing arrangements with other telephone companies for interstate revenue and for certain intrastate revenue. Under such sharing arrangements, which are typically administered by quasi-governmental agencies, participating telephone companies contribute toll revenue or access charges within state jurisdictions and access charges in the interstate market. These revenues are pooled by the administrative agencies and used to reimburse exchange carriers for their costs. Typically, participating companies have 24 months to update or correct data previously submitted. As a result, revenues earned through the various sharing arrangements are initially recorded based on the Company's estimates. Historically, revisions of previous revenue estimates have not been material.

Certain of the Company's telephone subsidiaries file tariffs directly with the Federal Communications Commission ("FCC") for certain interstate revenues. Generally, the Company records such revenue at the authorized rate of return prescribed by the FCC. If amounts are billed in excess of the authorized rate of return, such excess is subject to refund upon request from other telecommunications carriers and customers. Amounts not requested for refund by carriers or customers are recognized as revenues at the end of the settlement period, which is generally 33 months subsequent to the two-year monitoring periods. See Note 19 to the Company's consolidated financial statements appearing elsewhere in this report for additional information.

**Allowance for doubtful accounts.** In evaluating the collectibility of its accounts receivable, the Company assesses a number of factors, including a specific customer's or carrier's ability to meet its financial obligations to the Company, the length of time the receivable has been past due and historical collection experience. Based on these assessments, the Company records both specific and general reserves for uncollectible accounts receivable to reduce the related accounts receivable to the amount the Company ultimately expects to collect from customers and carriers. If circumstances change or economic conditions worsen such that the Company's past collection experience is no longer relevant, the Company's estimate of the recoverability of its accounts receivable could be further reduced from the levels reflected in the accompanying consolidated balance sheet.

**Purchase price allocation.** For the properties acquired from Verizon in 2002, the Company allocated the aggregate purchase price to the assets acquired and liabilities assumed based on fair value at the date of acquisition. The fair value of property, plant and equipment and identifiable intangible assets was determined by an independent appraisal of such assets. The fair value of the postretirement benefit obligation was determined through actuarial valuations. The fair value of current assets and current liabilities was assumed to approximate the recorded value at acquisition due to their short maturity. The remaining unallocated acquisition cost was considered goodwill.

**Pension and postretirement benefits.** The amounts recognized in the financial statements related to pension and postretirement benefits are determined on an actuarial basis, which utilizes many assumptions in the calculation of such amounts. A significant assumption used in determining the Company's pension and postretirement expense is the expected long-term rate of return on plan assets. For 2003, the Company lowered its expected long-term rate of return on plan assets to 8.25%, reflecting the expected moderation of long-term rates of return in the financial markets. For 2002, such expected return was assumed to be 10%.

Another assumption used in the determination of the Company's pension and postretirement benefit plan obligations is the appropriate discount rate, which is generally based on the yield on high-quality corporate bonds. The Company lowered its assumed discount rate to 6.0% at December 31, 2003 from 6.75% at December 31, 2002. Changes in the discount rate do not have a material impact on the Company's results of operations.

See "Pension and Medical Costs" for additional information.

**Intangible and long-lived assets.** Effective January 1, 2002, the Company was subject to testing for impairment of long-lived assets under two new accounting standards, Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142") and Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144").

SFAS 142 requires goodwill recorded in business combinations to be reviewed for impairment at least annually and requires write-downs only in periods in which the recorded amount of goodwill exceeds the fair value. Under SFAS 142, impairment of goodwill is tested by comparing the fair value of the reporting unit to its carrying value (including goodwill). Estimates of the fair value of the reporting unit are based on valuation models using techniques such as multiples of earnings (before interest, taxes and depreciation and amortization). If the fair value of the reporting unit is less than the carrying value, a second calculation is required in which the implied fair value of goodwill is compared to its carrying value. If the implied fair value of goodwill is less than its carrying value, goodwill must be written down to its implied fair value. The

Company completed the required annual test of goodwill impairment (as of September 30, 2003) under SFAS 142 and determined its goodwill is not impaired as of such date. Prior to January 1, 2002, substantially all of the Company's goodwill was amortized over 40 years. The Company's amortization of goodwill for the year ended December 31, 2001 totaled approximately \$69.2 million.

Under SFAS 144, the carrying value of long-lived assets other than goodwill is reviewed for impairment whenever events or circumstances indicate that such carrying amount cannot be recoverable by assessing the recoverability of the carrying value through estimated undiscounted net cash flows expected to be generated by the assets. If the undiscounted net cash flows are less than the carrying value, an impairment loss would be measured as the excess of the carrying value of a long-lived asset over its fair value.

For additional information on the Company's critical accounting policies, see "Accounting Pronouncements" and "Regulation and Competition - Other Matters", and the footnotes to the Company's consolidated financial statements.

## **INFLATION**

The effects of increased costs historically have been mitigated by the Company's ability to recover certain costs over time applicable to its regulated telephone operations through the rate-making process. Possible future regulatory changes and the continued movement toward alternative forms of regulation for intrastate operations may alter the Company's ability to recover increased costs in its regulated operations. For the properties acquired from Verizon in 2002, which are regulated under price-cap regulation for interstate purposes, price changes are limited to the rate of inflation, minus a productivity offset. For additional information regarding the current regulatory environment, see "Regulation and Competition." As operating expenses in the Company's nonregulated lines of business increase as a result of inflation, the Company, to the extent permitted by competition, attempts to recover the costs by increasing prices for its services and equipment.

## **MARKET RISK**

The Company is exposed to market risk from changes in interest rates on its long-term debt obligations. The Company has estimated its market risk using sensitivity analysis. Market risk is defined as the potential change in the fair value of a fixed-rate debt obligation due to a hypothetical adverse change in interest rates. Fair value of long-term debt obligations is determined based on a discounted cash flow analysis, using the rates and maturities of these obligations compared to terms and rates currently available in the long-term financing markets. The results of the sensitivity analysis used to estimate market risk are presented below, although the actual results may differ from these estimates.

At December 31, 2003, the fair value of the Company's long-term debt was estimated to be \$3.4 billion based on the overall weighted average rate of the Company's long-term debt of 6.4% and an overall weighted maturity of 10 years compared to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 64 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$143.9 million decrease in the fair value of the Company's long-term debt. As of December 31, 2003, after giving effect to interest rate swaps currently in place, approximately 84% of the Company's long-term debt obligations were fixed rate.

The Company seeks to maintain a favorable mix of fixed and variable rate debt in an effort to limit interest costs and cash flow volatility resulting from changes in rates. From time to time, the Company uses derivative instruments to (i) lock-in or swap its exposure to changing or variable interest rates for fixed interest rates or (ii) to swap obligations to pay fixed interest rates for variable interest rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews the Company's exposure to interest rate fluctuations and implements strategies to manage the exposure.

At December 31, 2003, the Company had outstanding four fair value interest rate hedges associated with the full \$500 million aggregate principal amount of its Series L senior notes, due 2012, that pay interest at a fixed rate of 7.875%. These hedges are "fixed to variable" interest rate swaps that effectively convert the Company's fixed rate interest payment obligations under these notes into obligations to pay variable rates that range from the six-month London InterBank Offered Rate ("LIBOR") plus 3.229% to the six-month LIBOR plus 3.67%, with settlement and rate reset dates occurring each six months through the expiration of the hedges in August 2012. At December 31, 2003, the Company realized a rate under these hedges of 4.8%. Interest expense was reduced by \$7.7 million during 2003 as a result of these hedges. The aggregate fair market value of these hedges was \$11.7 million at December 31, 2003 and is reflected both as a liability and as a decrease in the Company's underlying long-term debt on the December 31, 2003 balance sheet. With respect to these hedges, market risk is estimated as the potential change in the fair value of the hedge resulting from a hypothetical 10% increase in the forward rates used to determine the fair value. A hypothetical 10% increase in the forward rates would result in a \$17.8 million decrease in the fair value of these hedges.

Effective May 8, 2003, the Company terminated a fair value interest rate hedge associated with \$500 million aggregate principal amount of its Series H senior notes and received \$22.3 million cash upon settlement, which represented the fair value of the hedge at the termination date. Such amount will be amortized as a reduction of interest expense through 2010, the maturity date of the Series H notes.

## **DEVELOPMENT OF BILLING SYSTEM**

The Company is in the process of developing an integrated billing and customer care system which will provide the Company with, in addition to standard billing functionality currently being provided by its legacy system, custom built hardware and software technology for more

efficient and effective customer care, billing and provisioning systems. The costs to develop such system have been accounted for in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). The capitalized costs of the system aggregated \$163.5 million (before accumulated amortization) at December 31, 2003. The Company began amortizing its billing system costs in early 2003 (over a 20-year period) based on the total number of customers that the Company has migrated to the new system.

The system remains in the development stage and has required substantially more time and money to develop than originally anticipated. The Company currently expects to complete all phases of the new system no later than mid-2005 at an aggregate capitalized cost in accordance with SOP 98-1 of approximately \$200-215 million (exclusive of previously-disclosed write-offs). In addition, the Company expects to incur additional costs related to completion of the project, including (i) approximately \$15 million of customer service related and data conversion costs (the majority of which are expected to be incurred in 2004) that will be expensed as incurred and (ii) \$10 million of capitalized hardware costs (which will be amortized over a three-year period). The estimates above do not include any amounts for maintenance or on-going support of either the old or new system, and are based on assumptions regarding various future events, several of which are beyond the Company's control. There is no assurance that the system will be completed in accordance with this schedule or budget, or that the system will function as anticipated. If the system does not function as anticipated, the Company may have to write off part or all of its development costs and further explore its other billing and customer care system alternatives.

## **PENSION AND MEDICAL COSTS**

During the past several years, the Company's employee benefit expenses, including defined benefit pension expenses and pre- and post-retirement medical expenses, have increased due to rising medical costs, the decline of equity markets in recent years prior to 2003 and record low interest rates. During 2003, such costs (including the effect of the Verizon acquisitions in 2002) increased approximately \$19.3 million over 2002. As a result of continued increases in medical costs, the Company discontinued its practice of subsidizing post-retirement medical benefits for persons hired on or after January 1, 2003. In addition, the Company announced changes, effective January 1, 2004, that would decrease its subsidization of benefits provided under its postretirement medical plan. The amount of the Company's cost savings will be dependent upon several factors, including the age and years of service of the Company's retirees. The Company also lowered its expected long-term return on plan assets for its pension and post-retirement plans to 8.25% for 2003 compared to 10% for 2002. Pension and medical costs are anticipated to increase between \$6-8 million in 2004 compared to 2003 levels.

## **LIQUIDITY AND CAPITAL RESOURCES**

Excluding cash used for acquisitions, the Company relies on cash provided by operations to provide for its cash needs. The Company's operations have historically provided a stable source of cash flow which has helped the Company continue its long-term program of capital improvements.

**Operating activities.** Net cash provided by operating activities from continuing operations was \$1.068 billion, \$793.4 million and \$572.9 million in 2003, 2002 and 2001, respectively. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of those years. For additional information relating to the continuing and discontinued operations of the Company, see Results of Operations.

**Investing activities.** Net cash used in investing activities from continuing operations was \$464.6 million, \$2.623 billion and \$417.2 million in 2003, 2002 and 2001, respectively. Cash used for acquisitions was \$86.2 million in 2003 (primarily due to the acquisitions of fiber transport assets and the acquisition of an additional 24.3% interest in a telephone company in which the Company owns a majority interest), \$2.245 billion in 2002 (substantially all of which relates to the 2002 Verizon acquisitions) and \$47.1 million in 2001. Proceeds from the sales of assets were \$4.1 million in 2002 (excluding the Company's 2002 wireless divestiture) and \$58.2 million in 2001. Capital expenditures from continuing operations for 2003 were \$317.4 million for telephone operations and \$60.6 million for other operations. Capital expenditures from continuing operations during 2002 and 2001 were \$386.3 million and \$435.5 million, respectively.

**Financing activities.** Net cash provided by (used in) financing activities from continuing operations was (\$403.8) million in 2003, \$506.3 million in 2002 and (\$395.4) million in 2001. Net payments of debt were \$432.3 million in 2003. Proceeds from the issuance of debt, net of debt payments, were \$531.4 million during 2002, compared to net payments of debt of \$375.6 million during 2001.

On May 6, 2002, the Company issued and sold in an underwritten public offering \$500 million of equity units. Net proceeds to the Company from this issuance were approximately \$483.4 million. Each of the 20 million equity units issued was priced at \$25 and consists initially of a beneficial interest in a CenturyTel senior unsecured note with a principal amount of \$25 and a contract to purchase shares of CenturyTel common stock no later than May 2005. The senior notes will mature in May 2007. Each stock purchase contract will generally require the holder to purchase between .6944 and .8741 of a share of CenturyTel common stock in May 2005 in exchange for \$25, subject to certain adjustments and exceptions. The total distributions on the equity units will be at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%). For additional information, see Note 6 to the Company's consolidated financial statements appearing elsewhere in this report.

On July 22, 2002, the Company entered into \$800 million of credit facilities, consisting of a \$533 million three-year facility and a \$267 million 364-day revolving facility with a one-year term-out option. The Company did not renew its \$267 million 364-day facility in 2003.

In the third quarter of 2002, the Company issued \$500 million of senior notes due 2012 (which bear interest at 7.875%) and \$165 million of

convertible senior debentures (which bear interest at 4.75% and which may be converted into shares of CenturyTel common stock at a conversion price of \$40.455 per share). Holders of the convertible senior debentures will have the right to require the Company to purchase all or a portion of the debentures on August 1, 2006, August 1, 2010 and August 1, 2017 at par plus any accrued and unpaid interest to the purchase date. For additional information, see Note 6 to the Company's consolidated financial statements appearing elsewhere in this report.

On August 1, 2002, the Company sold substantially all of its wireless operations to Alltel and certain other purchasers for an aggregate of approximately \$1.59 billion cash.

The Company used proceeds from the sale of equity units, senior notes and convertible senior debentures, along with the proceeds received from the sale of the Company's wireless operations and utilization of its \$800 million credit facilities, to finance the third quarter 2002 acquisitions of telephone properties in Alabama and Missouri from Verizon which aggregated \$2.201 billion, the redemption of \$400 million principal amount in remarketable debt securities (plus an associated \$71.1 million premium payment) in October 2002 and the Company's fourth quarter 2002 estimated tax payment, which aggregated \$290 million and included the obligation to pay taxes associated with the sale of substantially all of its wireless operations.

In second quarter 2001, the Company completed the sale of 30 PCS operating licenses for an aggregate of \$195 million to Leap Wireless International, Inc. The Company received approximately \$108 million of the purchase price in cash at closing and the remainder was collected in installments through the fourth quarter of 2001. Such proceeds, and the proceeds from the Company's above-described divestiture of its wireless operations in 2002, are included as net cash provided by discontinued operations on the statements of cash flows appearing elsewhere in this report. In third quarter 2001, the Company sold its remaining shares of its investment in Illuminet common stock for an aggregate of approximately \$58.2 million. Proceeds from these sales were used to repay indebtedness.

Other. Budgeted capital expenditures for 2004 total \$290 million for telephone operations and \$110 million for other operations. The Company anticipates that capital expenditures in its telephone operations will continue to include the upgrading of its plant and equipment, including its digital switches, to provide enhanced services, particularly in its newly acquired markets, and the installation of fiber optic cable.

The following table contains certain information concerning the Company's material contractual obligations as of December 31, 2003.

		Payments due by period			
Contractual obligations	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(Dollars in thousands)					
Long-term debt, including current maturities and capital lease obligations	\$ 3,181,755	72,453	523,952 (1)	805,397 (2)	1,779,953

(1) Includes \$165 million aggregate principal amount of the Company's convertible debentures, Series K, due 2032, which can be put to the Company at various dates beginning in 2006.

(2) Includes \$500 million aggregate principal amount of the Company's senior notes, Series J, due 2007, which the Company is committed to remarket in 2005.

On February 3, 2004, the Company announced that its board of directors approved a stock repurchase program that will allow the Company to repurchase up to an aggregate of \$400 million of either its common stock or convertible equity units prior to December 31, 2005. The Company commenced purchases under this plan on February 6, 2004.

The Company continually evaluates the possibility of acquiring additional telecommunications operations and expects to continue its long-term strategy of pursuing the acquisition of attractive communications properties in exchange for cash, securities or both. At any given time, the Company may be engaged in discussions or negotiations regarding additional acquisitions. The Company generally does not announce its acquisitions or dispositions until it has entered into a preliminary or definitive agreement. The Company may require additional financing in connection with any such acquisitions, the consummation of which could have a material impact on the Company's financial condition or operations. Approximately 4.1 million shares of CenturyTel common stock and 200,000 shares of CenturyTel preferred stock remain available for future issuance in connection with acquisitions under CenturyTel's acquisition shelf registration statement.

As of December 31, 2003, the Company had available \$533.0 million of undrawn committed bank lines of credit and the Company's telephone subsidiaries had available for use \$123.0 million of commitments for long-term financing from the Rural Utilities Service and Rural Telephone Bank. The Company has a commercial paper program that authorizes the Company to have outstanding up to \$1.5 billion in commercial paper at any one time; however, borrowings are limited to the amount available under its credit facility. As of December 31, 2003, the Company had no commercial paper outstanding under such program. The Company also has access to debt and equity capital markets, including its shelf registration statements. At December 31, 2003, the Company held over \$203 million of cash and cash equivalents.

Moody's Investors Service ("Moody's") rates CenturyTel's long-term debt Baa2 (with a stable outlook) and Standard & Poor's ("S&P") rates CenturyTel's long-term debt BBB+ (with a stable outlook). The Company's commercial paper program is rated P2 by Moody's and A2 by S&P. Any downgrade in the Company's ratings could adversely impact the Company's ability to issue commercial paper or use its bank facility.

The following table reflects the Company's debt to total capitalization percentage and ratio of earnings to fixed charges and preferred stock dividends as of and for the years ended December 31:

	2003	2002	2001
Debt to total capitalization	47.8%	54.2	57.0
Ratio of earnings from continuing operations to fixed charges and preferred stock dividends	3.33	2.33	2.03

## REGULATION AND COMPETITION

The communications industry continues to undergo various fundamental regulatory, legislative, competitive and technological changes. These changes may have a significant impact on the future financial performance of all communications companies.

Events affecting the communications industry. In 1996, the United States Congress enacted the Telecommunications Act of 1996 (the "1996 Act"), which obligates LECs to permit competitors to interconnect their facilities to the LEC's network and to take various other steps that are designed to promote competition. Under the 1996 Act's rural telephone company exemption, approximately 50% of the Company's telephone access lines are exempt from certain of these interconnection requirements unless and until the appropriate state regulatory commission overrides the exemption upon receipt from a competitor of a bona fide request meeting certain criteria.

During 2003, the FCC released new rules which outline the obligations of incumbent LECs to lease elements of their circuit-switched networks on an unbundled basis to competitors. The new framework eliminates the prior obligation of incumbent LECs to lease their high-speed data lines to competitors. Incumbent LECs will remain obligated to offer other telecommunications services to resellers at wholesale rates. These wholesale rates are based on a forward-looking cost model and other terms that substantially limit the profitability of these arrangements to incumbent LECs. This new rule also provides for a significant role of state regulatory commissions in implementing these new guidelines and establishing wholesale service rates. On March 2, 2004, a federal district court of appeals overturned the rules previously adopted by the FCC requiring LECs to provide competitors with discounted access to the LECs networks. The court also ruled that the FCC should not have given states the authority previously granted. It is expected that such decision will be appealed to the Supreme Court. During 2003, the FCC also sought public comments on whether it should make additional changes to its interconnection regulations, and instituted a comprehensive review of its methodologies for establishing wholesale rates.

Prior to and since the enactment of the 1996 Act, the FCC and a number of state legislative and regulatory bodies have also taken steps to foster local exchange competition. Coincident with this recent movement toward increased competition has been the gradual reduction of regulatory oversight of LECs. These cumulative changes, coupled with various technological developments, have led to the continued growth of various companies providing services that compete with LECs' services. Wireless services entities also increasingly constitute a significant source of competition with LECs.

As mandated by the 1996 Act, in May 2001 the FCC modified its existing universal service support mechanism for rural telephone companies. The FCC adopted an interim mechanism for a five-year period, effective July 1, 2001, based on embedded, or historical, costs that will provide predictable levels of support to rural local exchange carriers, including substantially all of the Company's local exchange carriers. During 2003 and 2002 the Company's telephone subsidiaries received \$199.2 million and \$192.4 million, respectively, from the federal Universal Service High Cost Loop Fund, representing 8.4% and 9.8%, respectively, of the Company's consolidated revenues from continuing operations for 2003 and 2002. The Company anticipates its 2004 revenues from the federal Universal Service High Cost Loop Fund will be lower than 2003 levels due to increases in the nationwide average cost per loop factor used by the FCC to allocate funds among all recipients. Wireless and other competitive service providers continue to seek eligible telecommunications carrier ("ETC") status in order to be eligible to receive Universal Service Fund support, which is placing additional financial pressure on the amount of money needed to provide support to all eligible service providers, including support payments the Company receives from the High Cost Loop Fund. As a result of the limited growth in the size of the High Cost Loop Fund and changes in requests for support from the Universal Service Fund, the Company has no assurance it will continue to receive payments from the Universal Service Fund commensurate with those received in the past.

In 2001, the FCC modified its interstate access charge rules and universal service support system for rate of return LECs. This order, among other things,

(i) increased the caps on the subscriber line charges ("SLC") to the levels paid by most subscribers nationwide; (ii) allowed limited SLC deaveraging, which enhanced the competitiveness of rate of return carriers by giving them pricing flexibility; (iii) lowered per minute rates collected for federal access charges; (iv) created a new explicit universal service support mechanism that replaced other implicit support mechanisms in a manner designed to ensure that rate structure changes do not affect the overall recovery of interstate access costs by rate of return carriers serving high cost areas; and (v) preserved the historic 11.25% authorized interstate return rate for rate of return LECs. The effect of this order on the Company was revenue neutral for interstate purposes but did result in a reduction in intrastate revenues in Arkansas and Ohio (where intrastate access rates must mirror the interstate access rates).

Technological developments have led to the development of new services that compete with traditional LEC services. Technological improvements have enabled cable television companies to provide traditional circuit-switched telephone service over their cable networks, and several national cable companies have aggressively pursued this opportunity. Recent improvements in the quality of "Voice-over-Internet Protocol" ("VoIP") service have led several large cable television and telephone companies, as well as start-up companies, to substantially

increase their offerings of VoIP service to business and residential customers. VoIP providers route calls over the Internet, without use of ILEC's circuit switches and, in certain cases, without use of ILEC's networks to carry their communications traffic. VoIP providers can offer services at prices substantially below those currently charged for traditional local and long distance telephone services for several reasons, including lower network cost structures and the current ability of VoIP providers to use ILECs' networks without paying access charges. In December 2003, the FCC initiated rulemaking that is expected to address the effect of VoIP on intercarrier compensation, universal service and emergency services. There can be no assurance that this rulemaking will be on terms favorable to ILECs, or that VoIP providers will not successfully compete for the Company's customers.

In November 2003, the FCC adopted rules requiring companies to allow their customers to keep their wireline or wireless phone number when switching to another service provider (generally referred to as "local number portability"). For several years, customers have been able to retain their numbers when switching their local service between wireline carriers. The new rules now require local number portability between wireline and wireless carriers. This requirement went into effect November 24, 2003 for wireline carriers in the top 100 Metropolitan Statistical Areas ("MSAs"). The new requirement will go into effect May 24, 2004 for wireline carriers operating in markets smaller than the top 100 MSAs. The majority of the Company's wireline operations are conducted in markets below the top 100 MSAs. Local number portability may increase the number of customers who chose to completely forego the use of traditional wireline phone service, although the Company believes that it is too early to fully assess the rule's impact. The costs to comply with the requirements of local number portability, net of the amount that is recoverable through the ratemaking process, are not expected to have a material impact on the Company's results of operations.

The FCC is currently examining several issues that could have a substantial impact on the Company's revenues, including a broad inquiry initiated in 2001 into all currently regulated forms of intercarrier compensation. As discussed further below, certain providers of competitive communications services are not required to compensate ILECs for the use of their networks. The Company relies on access revenues as an important source of revenues. Depending on the final outcome of the FCC's intercarrier compensation issue, the Company could suffer a material loss of access revenues.

Recent events affecting the Company. During the last few years, several states in which the Company has substantial operations took legislative or regulatory steps to further introduce competition into the LEC business. The number of companies which have requested authorization to provide local exchange service in the Company's service areas has increased in recent years, especially in the markets acquired from Verizon in 2002 and 2000, and it is anticipated that similar action may be taken by others in the future.

State alternative regulation plans recently adopted by certain of the Company's LECs have also affected revenue growth recently.

Certain long distance carriers continue to request that the Company reduce intrastate access tariffed rates for certain of its LECs. In addition, the Company has recently experienced reductions in intrastate traffic, partially due to the displacement of minutes by wireless and electronic mail services. In 2003 the Company incurred a reduction in its intrastate revenues (exclusive of the properties acquired from Verizon in 2002) of approximately \$6.8 million compared to 2002 primarily due to these factors. The corresponding decrease in 2002 compared to 2001 was \$27.7 million. The Company believes such trend of decreased intrastate minutes will continue in 2004, although the magnitude of such decrease cannot be precisely estimated.

In January 2003, the Louisiana Public Service Commission directed its staff to review the feasibility of converting the \$42 million Louisiana Local Optional Service Fund ("LOS Fund") into a state universal service fund. Currently, the LOS Fund is funded primarily by BellSouth, which proposes to expand the base of contributors into the LOS Fund. A recommendation by the Commission staff is not expected until late 2004. The Company currently receives approximately \$21 million from the LOS Fund each year. There can be no assurance that this funding will remain at current levels.

Competition to provide traditional telephone services has thus far affected large urban areas to a greater extent than rural, suburban and small urban areas such as those in which the Company's telephone operations are located. Although the Company does not believe that the increased competition it has thus far experienced is likely to materially affect it in the near term, the Company anticipates that regulatory, technological and competitive changes will result in future revenue reductions. The Company expects its telephone revenues to decline in 2004 due to continued access line losses and reduced network access revenues; however, the Company expects its consolidated revenues to increase in 2004 primarily due to increased revenues from its newly-acquired LightCore operations and expected increased demand for its long distance, fiber transport, DSL and other nonregulated product offerings.

Other matters. The Company's regulated telephone operations (except for the properties acquired from Verizon in 2002) are subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). Actions by regulators can provide reasonable assurance of the recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to SFAS 71. The Company is monitoring the ongoing applicability of SFAS 71 to its regulated telephone operations due to the changing regulatory, competitive and legislative environments, and it is possible that changes in regulation, legislation or competition or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future.

Statement of Financial Accounting Standards No. 101, "Regulated Enterprises - Accounting for the Discontinuance of Application of FASB Statement No. 71" ("SFAS 101"), specifies the accounting required when an enterprise ceases to meet the criteria for application of SFAS 71. SFAS 101 requires the elimination of the effects of any actions of regulators that have been recognized as assets and liabilities in accordance with SFAS 71 but would not have been recognized as assets and liabilities by nonregulated enterprises. SFAS 101 further provides that the

carrying amounts of property, plant and equipment are to be adjusted only to the extent the assets are impaired and that impairment shall be judged in the same manner as for nonregulated enterprises.

The Company's consolidated balance sheet as of December 31, 2003 included regulatory assets of approximately \$3.3 million (primarily deferred costs related to financing costs, regulatory proceedings and income taxes) and regulatory liabilities of approximately \$912,000 (related to income taxes). Net deferred income tax liabilities related to the regulatory assets and liabilities quantified above were \$1.2 million.

When and if the Company's regulated operations no longer qualify for the application of SFAS 71, the Company does not expect to record any impairment charge related to the carrying value of the property, plant and equipment of its regulated telephone operations. Additionally, upon the discontinuance of SFAS 71, the Company would be required to revise the lives of its property, plant and equipment to reflect the estimated useful lives of the assets. The Company does not expect such revisions in asset lives to have a material impact on the Company's results of operations. For regulatory purposes, the accounting and reporting of the Company's telephone subsidiaries will not be affected by the discontinued application of SFAS 71.

The Company has certain obligations based on federal, state and local laws relating to the protection of the environment. Costs of compliance through 2003 have not been material, and the Company currently has no reason to believe that such costs will become material.

#### **Item 7A. Quantitative and Qualitative Disclosure About Market Risk**

For information pertaining to the Company's market risk disclosure, see "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Market Risk".

## Item 8. Financial Statements and Supplementary Data

### Report of Management

The Shareholders  
CenturyTel, Inc.:

Management has prepared and is responsible for the Company's consolidated financial statements. The consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America and necessarily include amounts determined using our best judgments and estimates with consideration given to materiality.

The Company maintains internal control systems and related policies and procedures designed to provide reasonable assurance that the accounting records accurately reflect business transactions and that the transactions are in accordance with management's authorization. The design, monitoring and revision of the systems of internal control involve, among other things, our judgment with respect to the relative cost and expected benefits of specific control measures. Additionally, the Company maintains an internal auditing function which independently evaluates the effectiveness of internal controls, policies and procedures and formally reports on the adequacy and effectiveness thereof.

The Company's consolidated financial statements have been audited by KPMG LLP, independent certified public accountants, who have expressed their opinion with respect to the fairness of the consolidated financial statements. Their audit was conducted in accordance with auditing standards generally accepted in the United States of America, which include the consideration of the Company's internal controls to the extent necessary to form an independent opinion on the consolidated financial statements prepared by management.

The Audit Committee of the Board of Directors is composed of independent directors who are not officers or employees of the Company. The Committee meets periodically with the independent certified public accountants, internal auditors and management. The Committee considers the independence of the external auditors and the audit scope and discusses internal control, financial and reporting matters. Both the independent and internal auditors have free access to the Committee.

*/s/ R. Stewart Ewing, Jr.*

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*R. Stewart Ewing, Jr.*

*Executive Vice President and Chief Financial Officer*

*March 12, 2004*



## Independent Auditors' Report

The Board of Directors  
CenturyTel, Inc.:

We have audited the consolidated financial statements of CenturyTel, Inc. and subsidiaries as listed in Item 15a(i). In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule as listed in Item 15a(ii). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of CenturyTel, Inc. and subsidiaries as of December 31, 2003 and 2002, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2003, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for goodwill and other intangible assets in 2002.

*/s/ KPMG LLP*

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*KPMG LLP*

*Shreveport, Louisiana*

*January 29, 2004*

CENTURYTEL, INC.  
Consolidated Statements of Income

	Year ended December 31,		
	2003	2002	2001
	(Dollars, except per share amounts, and shares in thousands)		
OPERATING REVENUES			
Telephone	\$ 2,071,980	1,733,592	1,505,733
Other	308,765	238,404	173,771
Total operating revenues	2,380,745	1,971,996	1,679,504
OPERATING EXPENSES			
Cost of sales and operating expenses (exclusive of depreciation and amortization)	1,159,708	973,689	826,948
Corporate overhead costs allocable to discontinued operations	-	11,275	20,213
Depreciation and amortization	470,641	411,626	407,038
Total operating expenses	1,630,349	1,396,590	1,254,199
OPERATING INCOME	750,396	575,406	425,305
OTHER INCOME (EXPENSE)			
Interest expense	(226,751)	(221,845)	(225,523)
Income from unconsolidated cellular entity	6,160	5,582	7,592
Nonrecurring gains and losses, net	-	3,709	33,043
Other income and expense	2,154	(63,814)	32
Total other income (expense)	(218,437)	(276,368)	(184,856)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	531,959	299,038	240,449
Income tax expense	187,252	105,505	91,368
INCOME FROM CONTINUING OPERATIONS	344,707	193,533	149,081
DISCONTINUED OPERATIONS			
Income from discontinued operations, net of \$284,459, and \$118,657 tax	-	608,091	193,950
NET INCOME	\$ 344,707	801,624	343,031
NET INCOME, AS ADJUSTED FOR GOODWILL AMORTIZATION	\$ 344,707	801,624	399,297

See accompanying notes to consolidated financial statements.

**CENTURYTEL, INC.**  
**Consolidated Statements of Income**  
(Continued)

Year ended December 31,				
	2003	2002	2001	
(Dollars, except per share amounts, and shares in thousands)				
BASIC EARNINGS PER SHARE				
From continuing operations	\$ 2.40	1.36	1.06	
From continuing operations, as adjusted for goodwill amortization	\$ 2.40	1.36	1.39	
From discontinued operations	\$ -	4.29	1.38	
From discontinued operations, as adjusted for goodwill amortization	\$ -	4.29	1.45	
Basic earnings per share	\$ 2.40	5.66	2.43	
Basic earnings per share, as adjusted for goodwill amortization	\$ 2.40	5.66	2.83	
DILUTED EARNINGS PER SHARE				
From continuing operations	\$ 2.38	1.35	1.05	
From continuing operations, as adjusted for goodwill amortization	\$ 2.38	1.35	1.37	
From discontinued operations	\$ -	4.26	1.36	
From discontinued operations, as adjusted for goodwill amortization	\$ -	4.26	1.43	
Diluted earnings per share	\$ 2.38	5.61	2.41	
Diluted earnings per share, as adjusted for goodwill amortization	\$ 2.38	5.61	2.81	
DIVIDENDS PER COMMON SHARE	\$ .22	.21	.20	
AVERAGE BASIC SHARES OUTSTANDING	143,583	141,613	140,743	
AVERAGE DILUTED SHARES OUTSTANDING	144,700	142,879	142,307	

See accompanying notes to consolidated financial statements.

**CENTURYTEL, INC.**

**Consolidated Statements of Comprehensive Income**

	Year ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
NET INCOME	\$ 344,707	801,624	343,031
OTHER COMPREHENSIVE INCOME, NET OF TAXES			
Unrealized holding gains (losses):			
Unrealized holding gains (losses)			
related to marketable equity			
securities arising during period,			
net of \$5,385 tax	-	-	9,999
Less: reclassification adjustment			
for gains included in net income,			
net of (\$19,100) tax	-	-	(35,470)
Minimum pension liability adjustment:			
Minimum pension liability adjustment,			
net of \$19,312 and (\$19,312) tax	35,864	(35,864)	-
Derivative instruments:			
Net losses on derivatives hedging			
variability of cash flows, net of			
(\$36) and (\$496) tax	(67)	(921)	-
Less: reclassification adjustment			
for losses included in net income,			
net of \$487 and \$44 tax	906	82	-
COMPREHENSIVE INCOME	\$ 381,410	764,921	317,560
COMPREHENSIVE INCOME, AS ADJUSTED			
FOR GOODWILL AMORTIZATION	\$ 381,410	764,921	373,826

See accompanying notes to consolidated financial statements.

**CENTURYTEL, INC.**  
Consolidated Balance Sheets

	December 31,	
	2003	2002
	(Dollars in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 203,181	3,661
Accounts receivable		
Customers, less allowance of \$13,862 and \$15,314	163,526	161,319
Interexchange carriers and other, less allowance of \$9,817 and \$18,648	72,661	111,673
Materials and supplies, at average cost	9,229	10,150
Other	14,342	9,099
Total current assets	462,939	295,902
NET PROPERTY, PLANT AND EQUIPMENT		
	3,455,481	3,531,645
INVESTMENTS AND OTHER ASSETS		
Goodwill	3,425,001	3,427,281
Other	552,431	515,580
Total investments and other assets	3,977,432	3,942,861
TOTAL ASSETS	\$ 7,895,852	7,770,408
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 72,453	70,737
Accounts payable	113,274	64,825
Accrued expenses and other current liabilities		
Salaries and benefits	83,628	63,937
Income taxes	43,082	40,897
Other taxes	35,532	28,183
Interest	64,247	59,045
Other	14,555	18,596
Advance billings and customer deposits	44,612	41,884
Total current liabilities	471,383	388,104
LONG-TERM DEBT	3,109,302	3,578,132
DEFERRED CREDITS AND OTHER LIABILITIES	836,651	716,168
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 144,364,168 and 142,955,839 shares	144,364	142,956
Paid-in capital	576,515	537,804
Accumulated other comprehensive income (loss), net of tax	-	(36,703)
Retained earnings	2,750,162	2,437,472
Unearned ESOP shares	(500)	(1,500)
Preferred stock - non-redeemable	7,975	7,975
Total stockholders' equity	3,478,516	3,088,004
TOTAL LIABILITIES AND EQUITY	\$ 7,895,852	7,770,408

See accompanying notes to consolidated financial statements.

**CENTURYTEL, INC.**  
Consolidated Statements of Cash Flows

	Year ended December 31,		
	2003	2002	2001
	(Dollars in thousands)		
OPERATING ACTIVITIES FROM CONTINUING OPERATIONS			
Net income	\$ 344,707	801,624	343,031
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations			
Income from discontinued operations, net of tax	-	(608,091)	(193,950)
Depreciation and amortization	470,641	411,626	407,038
Deferred income taxes	128,706	71,112	57,944
Income from unconsolidated cellular entity	(6,160)	(5,582)	(7,592)
Nonrecurring gains and losses, net	-	(3,709)	(33,043)
Changes in current assets and current liabilities			
Accounts receivable	37,980	(13,481)	34,266
Accounts payable	47,972	3,769	(29,485)
Accrued taxes	57,709	43,046	1,078
Other current assets and other current liabilities, net	17,323	36,316	9,526
Retirement benefits	(14,739)	(9,416)	(5,059)
Increase in noncurrent assets	(23,528)	(30,543)	(65,698)
Increase (decrease) in other noncurrent liabilities	(6,151)	35,489	691
Other, net	13,504	61,274	54,139
Net cash provided by operating activities from continuing operations	1,067,964	793,434	572,886
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS			
Acquisitions, net of cash acquired	(86,243)	(2,245,026)	(47,131)
Payments for property, plant and equipment	(377,939)	(386,267)	(435,515)
Proceeds from sale of assets	-	4,144	58,184
Distributions from unconsolidated cellular entity	1,104	5,438	3,713
Other, net	(1,560)	(1,378)	3,553
Net cash used in investing activities from continuing operations	(464,638)	(2,623,089)	(417,196)
FINANCING ACTIVITIES FROM CONTINUING OPERATIONS			
Proceeds from issuance of debt	-	2,123,618	3,896
Payments of debt	(432,258)	(1,592,246)	(379,516)
Proceeds from settlement of interest rate hedge contract	22,315	-	-
Proceeds from issuance of common stock	33,980	29,125	7,351
Payment of debt issuance costs	-	(12,999)	-
Payment of equity unit issuance costs	-	(15,867)	-
Cash dividends	(32,017)	(30,156)	(28,653)
Other, net	4,174	4,866	1,549
Net cash provided by (used in) financing activities from continuing operations	(403,806)	506,341	(395,373)
Net cash provided by discontinued operations	-	1,323,479	231,772
Net increase (decrease) in cash and cash equivalents	199,520	165	(7,911)
Cash and cash equivalents at beginning of year	3,661	3,496	11,407
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 203,181	3,661	3,496

See accompanying notes to consolidated financial statements.

**CENTURYTEL, INC.**

**Consolidated Statements of Stockholders' Equity**

		Year ended December 31,		
		2003	2002	2001
		(Dollars and shares in thousands)		
COMMON STOCK				
Balance at beginning of year	\$	142,956	141,233	140,667
Conversion of convertible securities into common stock		-	-	254
Issuance of common stock through dividend reinvestment, incentive and benefit plans		1,408	1,723	312
Balance at end of year		144,364	142,956	141,233
PAID-IN CAPITAL				
Balance at beginning of year		537,804	524,668	509,840
Equity unit issuance costs and initial contract adjustment liability		-	(24,377)	-
Conversion of convertible securities into common stock		-	-	3,046
Issuance of common stock through dividend reinvestment, incentive and benefit plans		32,572	27,402	7,039
Amortization of unearned compensation and other		6,139	10,111	4,743
Balance at end of year		576,515	537,804	524,668
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS), NET OF TAX				
Balance at beginning of year		(36,703)	-	25,471
Change in other comprehensive income (loss) (net of reclassification adjustment), net of tax		36,703	(36,703)	(25,471)
Balance at end of year		-	(36,703)	-
RETAINED EARNINGS				
Balance at beginning of year		2,437,472	1,666,004	1,351,626
Net income		344,707	801,624	343,031
Cash dividends declared				
Common stock - \$.22, \$.21 and \$.20 per share		(31,618)	(29,757)	(28,254)
Preferred stock		(399)	(399)	(399)
Balance at end of year		2,750,162	2,437,472	1,666,004
UNEARNED ESOP SHARES				
Balance at beginning of year		(1,500)	(2,500)	(3,500)
Release of ESOP shares		1,000	1,000	1,000
Balance at end of year		(500)	(1,500)	(2,500)
PREFERRED STOCK - NON-REDEEMABLE				
Balance at beginning and end of year		7,975	7,975	7,975
TOTAL STOCKHOLDERS' EQUITY				
	\$	3,478,516	3,088,004	2,337,380
=====				
COMMON SHARES OUTSTANDING				
Balance at beginning of year		142,956	141,233	140,667
Conversion of convertible securities into common stock		-	-	254
Issuance of common stock through dividend reinvestment, incentive and benefit plans		1,408	1,723	312
Balance at end of year		144,364	142,956	141,233

See accompanying notes to consolidated financial statements.





(1) Summary of Significant Accounting Policies

**Principles of consolidation** - The consolidated financial statements of CenturyTel, Inc. and its subsidiaries (the "Company") include the accounts of CenturyTel, Inc. ("CenturyTel") and its majority-owned subsidiaries.

**Regulatory accounting** - The Company's regulated telephone operations (except for the properties acquired from Verizon in 2002) are subject to the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). Actions by regulators can provide reasonable assurance of the recognition of an asset, reduce or eliminate the value of an asset and impose a liability on a regulated enterprise. Such regulatory assets are required to be recorded and, accordingly, reflected in the balance sheet of an entity subject to SFAS 71. The Company is monitoring the ongoing applicability of SFAS 71 to its regulated telephone operations due to the changing regulatory, competitive and legislative environments, and it is possible that changes in regulation, legislation or competition or in the demand for regulated services or products could result in the Company's telephone operations no longer being subject to SFAS 71 in the near future.

**Estimates** - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

**Revenue recognition** - Revenues are generally recognized when services are provided or when products are delivered to customers. Revenue that is billed in advance includes monthly recurring network access services, special access services and monthly recurring local line charges. The unearned portion of this revenue is initially deferred as a component of advanced billings and customer deposits on the Company's balance sheet and recognized as revenue over the period that the services are provided. Revenue that is billed in arrears includes nonrecurring network access services, nonrecurring local services and long distance services. The earned but unbilled portion of this revenue is recognized as revenue in the period that the services are provided.

Certain of the Company's telephone subsidiaries participate in revenue sharing arrangements with other telephone companies for interstate revenue and for certain intrastate revenue. Such sharing arrangements are funded by toll revenue and/or access charges within state jurisdictions and by access charges in the interstate market. Revenues earned through the various sharing arrangements are initially recorded based on the Company's estimates.

**Property, plant and equipment** - Telephone plant is stated at original cost. Normal retirements of telephone plant are charged against accumulated depreciation, along with the costs of removal, less salvage, with no gain or loss recognized. Renewals and betterments of plant and equipment are capitalized while repairs, as well as renewals of minor items, are charged to operating expense. Depreciation of telephone plant is provided on the straight line method using class or overall group rates acceptable to regulatory authorities; such rates range from 1.8% to 25%.

Non-telephone property is stated at cost and, when sold or retired, a gain or loss is recognized. Depreciation of such property is provided on the straight line method over estimated service lives ranging from three to 30 years.

**Intangible assets** - Effective January 1, 2002, in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"), systematic amortization of goodwill is no longer permitted; instead, SFAS 142 requires goodwill recorded in a business combination to be reviewed for impairment and to be written down only in periods in which the recorded amount of goodwill exceeds its fair value. Impairment of goodwill is tested at least annually by comparing the fair value of the reporting unit to its carrying value (including goodwill). Estimates of the fair value of the reporting unit are based on valuation models using criterion such as multiples of earnings. Each adjustment reflected in the consolidated statements of income and comprehensive income (or in these notes) by use of the term "as adjusted for goodwill amortization" reflects the effects of SFAS 142, as more fully described in Note 4. Prior to January 1, 2002, substantially all of the Company's goodwill was amortized over 40 years.

**Long-lived assets** - Effective January 2002, Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"), addresses financial accounting and reporting for the impairment or disposal of long-lived assets (exclusive of goodwill) and also broadens the reporting of discontinued operations to include all components of an entity with operations that can be distinguished from the rest of the entity and that will be eliminated from the ongoing operations of the entity in a disposal transaction. As a result of the Company's agreement in March 2002 to sell its wireless operations (which was consummated on August 1, 2002) (see Note 3), such operations have been reflected as discontinued operations for the years ended December 31, 2002 and 2001.

**Affiliated transactions** - Certain service subsidiaries of CenturyTel provide installation and maintenance services, materials and supplies, and managerial, operational, technical, accounting and administrative services to subsidiaries. In addition, CenturyTel provides and bills management services to subsidiaries and in certain instances makes interest bearing advances to finance construction of plant and purchases of equipment. These transactions are recorded by the Company's telephone subsidiaries at their cost to the extent permitted by regulatory

authorities. Intercompany profit on transactions with regulated affiliates is limited to a reasonable return on investment and has not been eliminated in connection with consolidating the results of operations of CenturyTel and its subsidiaries. Intercompany profit on transactions with affiliates not subject to SFAS 71 has been eliminated.

Income taxes - CenturyTel files a consolidated federal income tax return with its eligible subsidiaries. The Company uses the asset and liability method of accounting for income taxes under which deferred tax assets and liabilities are established for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Investment tax credits related to telephone plant have been deferred and are being amortized as a reduction of federal income tax expense over the estimated useful lives of the assets giving rise to the credits.

Derivative financial instruments - Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"), requires all derivative instruments be recognized as either assets or liabilities at fair value on the balance sheet. The Company uses derivative instruments to (i) lock-in or swap its exposure to changing or variable interest rates for fixed interest rates or (ii) swap obligations to pay fixed interest rates for variable interest rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews the Company's exposure to interest rate fluctuations and implements strategies to manage the exposure.

Earnings per share - Basic earnings per share amounts are determined on the basis of the weighted average number of common shares outstanding during the year. Diluted earnings per share gives effect to all potential dilutive common shares that were outstanding during the period.

Stock-based compensation - The Company accounts for stock compensation plans using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Options have been granted at a price either equal to or exceeding the then-current market price. Accordingly, the Company has not recognized compensation cost in connection with issuing stock options.

During 2003 the Company granted 1,720,317 options (the "2003 Options") at market price. The weighted average fair value of each of the 2003 Options was estimated as of the date of grant to be \$9.94 using an option-pricing model with the following assumptions: dividend yield - .7%; expected volatility - 30%; weighted average risk-free interest rate - 3.4%; and expected option life - seven years.

During 2002 the Company granted 1,983,150 options (the "2002 Options") at market price. The weighted average fair value of each of the 2002 Options was estimated as of the date of grant to be \$11.66 using an option-pricing model with the following assumptions: dividend yield - .7%; expected volatility - 30%; weighted average risk-free interest rate - 3.4%; and expected option life - seven years.

During 2001 the Company granted 1,971,750 options (the "2001 Options") at market price. The weighted average fair value of each of the 2001 Options was estimated as of the date of grant to be \$11.16 using an option-pricing model with the following assumptions: dividend yield - .6%; expected volatility - 30%; weighted average risk-free interest rate - 4.8%; and expected option life - seven years.

If compensation cost for CenturyTel's options had been determined consistent with SFAS 123, the Company's net income and earnings per share on a pro forma basis for 2003, 2002 and 2001 would have been as follows:

Year ended December 31,	2003	2002	2001
(Dollars in thousands, except per share amounts)			
Net income, as reported	\$ 344,707	801,624	343,031
Less: Total stock-based compensation expense determined under fair value based method, net of tax	\$ (13,183)	(15,001)	(8,971)
Pro forma net income	\$ 331,524	786,623	334,060
=====			
Basic earnings per share			
As reported	\$ 2.40	5.66	2.43
Pro forma	\$ 2.31	5.56	2.37
Diluted earnings per share			
As reported	\$ 2.38	5.61	2.41
Pro forma	\$ 2.29	5.51	2.35

Cash equivalents - The Company considers short-term investments with a maturity at date of purchase of three months or less to be cash equivalents.

Discontinued operations - On August 1, 2002, the Company sold substantially all of its wireless operations to an affiliate of ALLTEL

Corporation ("Alltel") and certain other purchasers for an aggregate of approximately \$1.59 billion in cash. As a result, the Company's wireless operations have been reflected as discontinued operations for 2002 and 2001. See Note 3 for additional information.

Reclassifications - Certain amounts previously reported for prior years have been reclassified to conform with the 2003 presentation, including the reclassification of an investment in a cellular partnership from discontinued operations to continuing operations. Such investment was originally planned to be sold to Alltel in connection with the Company's disposition of its wireless operations but was subsequently retained.

## (2) AQUISITIONS

On July 1, 2002, the Company purchased approximately 300,000 telephone access lines in the state of Alabama from Verizon Communications, Inc. ("Verizon") for approximately \$1.022 billion cash. On August 31, 2002, the Company purchased approximately 350,000 telephone access lines in the state of Missouri from Verizon for approximately \$1.179 billion cash. The assets purchased in these transactions included (i) the franchise authorizing the provision of local telephone service, (ii) related property and equipment comprising Verizon's local exchange operations in predominantly rural markets throughout Alabama and Missouri and (iii) Verizon's assets used to provide digital subscriber line ("DSL") and other high speed data services within the purchased exchanges. For financing arrangements related to these acquisitions, see Note 6.

In June and December 2003, the Company acquired certain fiber transport assets for an aggregate of \$55.2 million cash (of which \$3.8 million was paid as a deposit in 2002). In the fourth quarter of 2003, the Company purchased an additional 24.3% interest in a telephone company in which it owned a majority interest for \$32.4 million cash.

The results of operations of the acquired properties are included in the Company's results of operations from and after the respective acquisition dates.

The following pro forma information represents the consolidated results of continuing operations of the Company for the years ended December 31, 2002 and 2001 as if the Verizon acquisitions in 2002 had been consummated as of January 1, 2002 and 2001, respectively.

	2002	2001
	-----	
	(Dollars in thousands, except per share amounts)	
Operating revenues from continuing operations	\$ 2,285,866	2,231,631
Income from continuing operations	\$ 218,252	186,871
Basic earnings per share from continuing operations, as adjusted for goodwill amortization	\$ 1.54	1.65
Diluted earnings per share from continuing operations, as adjusted for goodwill amortization	\$ 1.53	1.64

The pro forma information is based on various assumptions and estimates. The pro forma information (i) reflects the effect of reduced interest expense after August 1, 2002 as a result of reducing outstanding indebtedness from utilization of proceeds received from the August 1, 2002 sale of substantially all of the Company's wireless operations described in Note 3 and (ii) makes no pro forma adjustments to reflect any assumed consummation of such sale (or any use of such sale proceeds) prior to August 1, 2002. The pro forma information is not necessarily indicative of the operating results that would have occurred if the Verizon acquisitions had been consummated as of January 1 of each respective period, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions.

## (3) DISCONTINUED OPERATIONS

On August 1, 2002, the Company sold substantially all of its wireless operations to Alltel and certain other purchasers for an aggregate of approximately \$1.59 billion in cash. In connection with this transaction, the Company divested its (i) interests in its majority-owned and operated cellular systems, which at June 30, 2002 served approximately 783,000 customers and had access to approximately 7.8 million pops, (ii) minority cellular equity interests representing approximately 1.8 million pops at June 30, 2002, and (iii) licenses to provide PCS covering 1.3 million pops in Wisconsin and Iowa. Proceeds from the sale of the wireless operations were used to partially fund the Company's acquisitions of telephone properties in Alabama and Missouri during the third quarter of 2002.

As a result of the sale, the Company's wireless operations have been reflected as discontinued operations in the Company's consolidated statements of income and cash flows for the years ended December 31, 2002 and 2001. In its December 31, 2002 consolidated balance sheet, the Company reflected as "assets held for sale" a minority interest in a cellular partnership that it had previously agreed to sell to Alltel upon the satisfaction of various closing conditions. In light of the failure of the parties to agree upon whether the closing conditions were met, the Company determined during the first quarter of 2003 to retain such investment; therefore, for reporting purposes, this investment (and its related earnings) has been reclassified from discontinued operations to continuing operations on the accompanying financial statements for 2003. Prior periods have been restated to reflect this investment (and its related earnings) as part of continuing operations.

The depreciation and amortization of long-lived and amortizable intangible assets related to the wireless operations ceased on March 19, 2002, the date of the definitive agreement to sell such operations.

The Company had no outstanding indebtedness directly related to its wireless operations; therefore, no interest expense was allocated to discontinued operations. The following table represents certain summary income statement information related to the Company's wireless operations that is reflected in discontinued operations.

Year ended December 31,	2002	2001
(Dollars in thousands)		
Operating revenues	\$ 246,705	437,965
Operating income (1)	\$ 71,258	132,614
Nonrecurring gains and losses, net	-	166,928
Income from unconsolidated cellular entities	25,768	19,868
Minority interest expense	(8,569)	(11,510)
Gain on sale of discontinued operations	803,905	-
Other income	188	4,707
Pre-tax income from discontinued operations	\$ 892,550	312,607
Income tax expense	(284,459)	(118,657)
Income from discontinued operations	\$ 608,091	193,950

(1) Excludes corporate overhead costs of \$11.3 million and \$20.2 million for 2002 and 2001, respectively, allocated to the wireless operations. Included as a reduction in operating income for 2002 is a \$30.5 million charge associated with the write-off of all amounts expended to develop the wireless portion of the Company's billing system currently in development.

The following table represents certain summary cash flow statement information related to the Company's wireless operations reflected as discontinued operations:

Year ended December 31,	2002	2001
(Dollars in thousands)		
Net cash provided by (used in) operating activities	\$ (248,716) (1)	90,242
Net cash provided by investing activities	1,572,195 (2)	141,530
Net cash provided by financing activities	-	-
Net cash provided by discontinued operations	\$ 1,323,479	231,772

(1) Includes approximately \$305 million estimated tax payment related to sale of wireless operations.

(2) Includes cash proceeds of \$1.59 billion from the sale of substantially all of the Company's wireless operations.

#### (4) INVESTMENTS AND OTHER ASSETS

Investments and other assets at December 31, 2003 and 2002 were composed of the following:

December 31,	2003	2002
(Dollars in thousands)		
Goodwill	\$ 3,425,001	3,427,281
Billing system development costs, less accumulated amortization of \$508 in 2003	162,980	139,451
Cash surrender value of life insurance contracts	93,960	93,664
Prepaid pension asset	59,055	26,046
Franchise costs	35,300	35,300
Customer base, less accumulated amortization of \$2,242 and \$729	20,458	21,971
Deferred interest rate hedge contracts	31,239	33,635
Debt issuance costs, net	19,317	23,491
Fair value of interest rate swap	-	22,163
Other	130,122	119,859
	\$ 3,977,432	3,942,861

The following information relates to the Company's goodwill as of December 31, 2003 and 2002:

December 31,	2003	2002
-----		
	(Dollars in thousands)	
Carrying amount of goodwill		
Telephone segment	\$ 3,369,242	3,382,113
Other operations	55,759	45,168
-----		
Total goodwill	\$ 3,425,001	3,427,281
=====		

Amortization of goodwill and other intangibles from continuing operations of \$1.5 million, \$729,000 and \$58.4 million for 2003, 2002 and 2001, respectively, is included in "Depreciation and amortization" in the Company's Consolidated Statements of Income. In accordance with SFAS 142, effective January 1, 2002, goodwill is no longer subject to amortization but instead is tested for impairment at least annually. As of September 30, 2003, the Company completed the required annual test under SFAS 142 and determined its goodwill was not impaired.

The following is a reconciliation of reported net income and reported earnings per share to the amounts that would have been reported had the Company been subject to SFAS 142 during 2001.

Year ended December 31,	2001
-----	
	(Dollars in thousands, except per share amounts)
Net income, as reported	\$ 343,031
Goodwill amortization, net of taxes	56,266
-----	
Net income, as adjusted	\$ 399,297
=====	
Basic earnings per share, as reported	\$ 2.43
Goodwill amortization, net of taxes	.40
-----	
Basic earnings per share, as adjusted	\$ 2.83
=====	
Diluted earnings per share, as reported	\$ 2.41
Goodwill amortization, net of taxes	.40
-----	
Diluted earnings per share, as adjusted	\$ 2.81
=====	

The Company is in the process of developing an integrated billing and customer care system. The costs to develop such system have been accounted for in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use." Aggregate capitalized costs (before accumulated amortization) totaled \$163.5 million and \$139.5 million at December 31, 2003 and 2002, respectively. A portion of such costs related to the wireless business (\$30.5 million) was written off as a component of discontinued operations in the third quarter of 2002 as a result of the sale of substantially all of the Company's wireless operations on August 1, 2002. Excluding this write-off, the Company's aggregate capitalized billing system costs are expected to approximate \$200-215 million upon completion and will be amortized over a twenty-year period. The Company began amortizing its billing system in 2003 based on the total number of customers that the Company has migrated to the new system.

In connection with the acquisitions of properties from Verizon in 2002, the Company assigned \$35.3 million of the purchase price as an intangible asset associated with franchise costs (which includes amounts necessary to maintain eligibility to provide telecommunications services in its licensed service areas). Such asset has an indefinite life and therefore is not subject to amortization currently.

The Company assigned \$22.7 million of the purchase price to a customer base intangible asset in connection with the acquisitions of Verizon properties in 2002. Such asset is being amortized over 15 years; amortization expense for 2003 and 2002 was \$1.5 million and \$729,000, respectively, and is expected to be \$1.5 million for each of the full years remaining in the amortization period.

#### (5) PROPERTY, PLANT AND EQUIPMENT

Net property, plant and equipment at December 31, 2003 and 2002 was composed of the following:

December 31,	2003	2002
-----		
	(Dollars in thousands)	
Telephone		
Cable and wire	\$ 3,801,079	3,643,167
Central office	2,230,943	2,150,217
General support	490,884	474,022
Information origination/termination	46,142	44,198
Construction in progress	21,289	32,507

Other	6,263	3,789
<hr/>		
	6,596,600	6,347,900
Accumulated depreciation	(3,498,298)	(3,136,107)
<hr/>		
	3,098,302	3,211,793
<hr/>		
Other, at cost		
General support	320,417	346,037
Fiber transport	141,853	74,305
Other	125,285	100,950
<hr/>		
	587,555	521,292
Accumulated depreciation	(230,376)	(201,440)
<hr/>		
	357,179	319,852
<hr/>		
Net property, plant and equipment	\$ 3,455,481	3,531,645
<hr/>		

Depreciation expense was \$469.1 million, \$410.9 million and \$348.6 million in 2003, 2002 and 2001, respectively. The composite depreciation rate for telephone properties was 7.0% for 2003, 6.9% for 2002 and 6.8% for 2001.

## (6) LONG-TERM AND SHORT-TERM DEBT

The Company's long-term debt as of December 31, 2003 and 2002 was as follows:

December 31,	2003	2002
(Dollars in thousands)		
CenturyTel		
Senior credit facilities	\$ -	385,000
Senior notes and debentures:		
7.75% Series A, due 2004	50,000	50,000
8.25% Series B, due 2024	100,000	100,000
6.55% Series C, due 2005	50,000	50,000
7.20% Series D, due 2025	100,000	100,000
6.15% Series E, due 2005	100,000	100,000
6.30% Series F, due 2008	240,000	240,000
6.875% Series G, due 2028	425,000	425,000
8.375% Series H, due 2010	500,000	500,000
6.02% Series J, due 2007 (remarketable 2005)	500,000	500,000
4.75% Series K, due 2032	165,000	165,000
7.875% Series L, due 2012	500,000	500,000
9.38% notes	-	2,800
6.86%* Employee Stock Ownership Plan commitment, due in installments through 2004	500	1,500
Unamortized net discount	(4,501)	(5,084)
Fair value of derivative instrument related to Series H senior notes	19,440	22,163
Fair value of derivative instruments related to Series L senior notes	(11,693)	-
Other	114	146
Total CenturyTel	2,733,860	3,136,525
Subsidiaries		
First mortgage debt		
5.92%* notes, payable to agencies of the U. S. government and cooperative lending associations, due in installments through 2025	234,743	250,325
7.98% notes, due through 2017	5,211	5,500
Other debt		
6.98%* unsecured medium-term notes, due through 2008	199,613	244,124
7.11%* notes, due in installments through 2020	3,739	5,361
6.55%* capital lease obligations, due through 2008	4,589	7,034
Total subsidiaries	447,895	512,344
Total long-term debt	3,181,755	3,648,869
Less current maturities	72,453	70,737
Long-term debt, excluding current maturities	\$ 3,109,302	3,578,132
* weighted average interest rate at December 31, 2003		

The approximate annual debt maturities for the five years subsequent to December 31, 2003 are as follows: 2004 - \$72.5 million; 2005 - \$246.1 million; 2006 - \$277.9 million (including \$165 million aggregate principal amount of the Company's convertible debentures, Series K, due 2032, which can be put to the Company at various dates beginning in 2006); 2007 - \$521.7 million; and 2008 - \$283.7 million.

Certain of the loan agreements of CenturyTel and its subsidiaries contain various restrictions, among which are limitations regarding issuance of additional debt, payment of cash dividends, reacquisition of capital stock and other matters. In addition, the transfer of funds from certain consolidated subsidiaries to CenturyTel is restricted by various loan agreements. Subsidiaries which have loans from government agencies and cooperative lending associations, or have issued first mortgage bonds, generally may not loan or advance any funds to CenturyTel, but may pay dividends if certain financial ratios are met. At December 31, 2003, restricted net assets of subsidiaries were \$249.1 million and subsidiaries' retained earnings in excess of amounts restricted by debt covenants totaled \$1.476 billion. At December 31, 2003, all of the consolidated retained earnings reflected on the balance sheet was available under CenturyTel's loan agreements for the declaration of dividends.

Approximately 25% of the Company's telephone property, plant and equipment is pledged to secure the long-term debt of subsidiaries.

On May 6, 2002, the Company issued and sold in an underwritten public offering \$500 million of equity units. Net proceeds to the Company from this issuance were approximately \$483.4 million. Each of the 20 million equity units issued was priced at \$25 and consists initially of a beneficial interest in a CenturyTel senior unsecured note (Series J) with a principal amount of \$25 and a contract to purchase shares of CenturyTel common stock no later than May 2005. The senior notes will mature in May 2007. Each purchase contract will generally require the holder to purchase between .6944 and .8741 of a share of CenturyTel common stock in May 2005 based on the then current stock price of CenturyTel common stock in exchange for \$25, subject to certain adjustments and exceptions. Accordingly, upon full settlement of the

purchase contracts in May 2005, the Company will receive proceeds of \$500 million and will deliver between 13.9 million and 17.5 million common shares in the aggregate. The senior notes are pledged by the holders to secure their obligations under the purchase contracts. The total distributions on the equity units will be at an initial annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%), each payable quarterly. On or after mid-February 2005, the senior notes will be remarketed, at which time the remarketing agent will reset the interest rate on the senior notes in order to generate sufficient proceeds to secure the holder's obligation under the purchase contract. In the event of an unsuccessful remarketing, the Company will exercise its right as a secured party to dispose of the senior notes and satisfy in full the holder's obligation to purchase common stock under the purchase contract.

The senior note portion of the equity units is reflected on the balance sheet as long-term debt in the amount of \$500 million. Interest expense on the senior notes is accrued at a rate of 6.02%, the initial interest rate. The present value of the aggregate contract adjustment payments has been recorded as an \$11.6 million reduction to paid-in capital and as an equivalent liability. The Company is amortizing the difference between the aggregate amount of all payments and the present value thereof as interest expense over the three-year term of the purchase contracts. Upon making each such payment, the Company will allocate most of the payment to the reduction of its \$11.6 million liability, and record the remainder as interest expense. The issuance costs of the equity units have been allocated to the units' debt and equity components. The debt issuance costs (\$3.3 million) were computed based on typical costs of a debt transaction and will be amortized to interest expense over the term of the senior notes. The remainder of the issuance costs (\$12.6 million) were treated as a cost of raising equity and recorded as a charge to paid-in capital.

On July 22, 2002, the Company entered into \$800 million of credit facilities, consisting of a \$533 million three-year facility and a \$267 million 364-day revolving facility with a one-year term-out option. The 364-day revolving facility was not renewed in 2003. The Company had no outstanding borrowings under its facility at December 31, 2003.

In the third quarter of 2002, the Company issued \$500 million of senior notes, Series L, due 2012 (which bear interest at 7.875%) and \$165 million of convertible senior debentures, Series K, due 2032 (which bear interest at 4.75% and which may be converted into shares of CenturyTel common stock at a conversion price of \$40.455 per share). Holders of the convertible senior debentures will have the right to require the Company to purchase all or a portion of the debentures on August 1, 2006, August 1, 2010 and August 1, 2017. In each case, the purchase price payable will be equal to 100% of the principal amount of the debentures to be purchased plus any accrued and unpaid interest to the purchase date. The Company will pay cash for all debentures so purchased on August 1, 2006. For any such purchases on or after August 1, 2010, the Company may choose to pay the purchase price in cash or shares of its common stock, or any combination thereof (except that the Company will pay any accrued and unpaid interest in cash).

On October 15, 2002, the Company redeemed \$400 million principal amount of its Series I Remarketable Senior Notes at par value, plus accrued interest. In connection with such redemption, the Company also paid a premium of approximately \$71.1 million in accordance with the redemption provisions of the associated remarketing agreement. Such premium payment (net of \$11.1 million of unamortized net premium primarily associated with the option payment received by the Company in 2000 in connection with the original issuance of the remarketable notes) is reflected as an Other Expense in the Company's results of operations for year ended December 31, 2002.

At December 31, 2003, the Company had available \$533.3 million of undrawn committed bank lines of credit and the Company's telephone subsidiaries had available for use \$123.0 million of commitments for long-term financing from the Rural Utilities Service and Rural Telephone Bank.

## (7) DERIVATIVE INSTRUMENTS

During 2002, the Company entered into a fair value hedge with respect to the Company's \$500 million aggregate principal amount of 8.375% Series H senior notes, due 2010. This hedge was a "fixed to variable" interest rate swap that effectively converted the Company's fixed rate interest payment obligations under these notes into variable rate obligations. The change in the value of this hedge was reflected as a component of interest expense for the year ended December 31, 2002. As of December 31, 2002, the Company realized an interest rate of 4.96% related to such hedge. Interest expense was reduced by \$7.8 million in 2002 as a result of this hedge. The fair value of such hedge at December 31, 2002 was \$22.2 million and is reflected on the accompanying balance sheet as both an asset (included in "Other assets") and as an increase in the underlying debt (included in "Long-term debt"). In May 2003, the Company terminated this hedge. In connection with such termination, the Company received approximately \$22.3 million in cash upon settlement, which represented the fair value of the hedge at the termination date. Such amount is being amortized as a reduction of interest expense through 2010, the maturity date of the Series H notes.

In May and July 2003, the Company entered into four separate fair value interest rate hedges associated with the full \$500 million principal amount of its Series L senior notes, due 2012, that pay interest at a fixed rate of 7.875%. These hedges are "fixed to variable" interest rate swaps that effectively convert the Company's fixed rate interest payment obligations under these notes into obligations to pay variable rates that range from the six-month London InterBank Offered Rate ("LIBOR") plus 3.229% to the six-month LIBOR plus 3.67%, with settlement and rate reset dates occurring each six months through the expiration of the hedges in August 2012. As of December 31, 2003, the Company realized a weighted average interest rate of 4.8% related to these hedges. Interest expense was reduced by \$7.7 million during 2003 as a result of these hedges. The aggregate fair value of such hedges at December 31, 2003 was \$11.7 million and is reflected on the accompanying balance sheet as both a liability (included in "Deferred credits and other liabilities") and as a decrease to the Company's underlying long-term debt.

During 2002, the Company entered into (i) a cash flow hedge designed to lock in a fixed interest rate for \$100 million of the \$500 million senior notes issued in the third quarter of 2002 which was settled in the third quarter of 2002 for a \$1.1 million payment by the Company (which is being amortized as additional interest expense over a ten-year period, which equates to the term of the debt issuance hedged) and (ii)



a cash flow hedge designed to eliminate the variability of interest payments for \$400 million of variable rate debt under the Company's \$800 million credit facilities. During the second quarter of 2003, the Company retired all outstanding indebtedness associated with its \$800 million credit facilities; therefore, such cash flow hedge was deemed ineffective in 2003 and resulted in a \$722,000 unfavorable pre-tax charge to the Company's income.

## (8) DEFERRED CREDITS AND OTHER LIABILITIES

Deferred credits and other liabilities at December 31, 2003 and 2002 were composed of the following:

December 31,	2003	2002
-----		
	(Dollars in thousands)	
Deferred federal and state income taxes	\$ 528,551	352,161
Accrued postretirement benefit costs	222,613	208,542
Fair value of interest rate swap	11,693	1,290
Additional minimum pension liability	-	56,388
Minority interest	7,218	26,067
Other	66,576	71,720
-----		
	\$ 836,651	716,168
=====		

## (9) STOCKHOLDERS' EQUITY

Common stock - Unissued shares of CenturyTel common stock were reserved as follows:

December 31,	2003
-----	
	(In thousands)
Incentive compensation programs	12,099
Acquisitions	4,064
Employee stock purchase plan	4,822
Dividend reinvestment plan	454
Conversion of convertible preferred stock	435
Other employee benefit plans	3,717
-----	
	25,591
=====	

Under CenturyTel's Articles of Incorporation each share of common stock beneficially owned continuously by the same person since May 30, 1987 generally entitles the holder thereof to ten votes per share. All other shares entitle the holder to one vote per share. At December 31, 2003, the holders of 8.9 million shares of common stock were entitled to ten votes per share.

Preferred stock - As of December 31, 2003, CenturyTel had 2.0 million shares of authorized convertible preferred stock, \$25 par value per share. At December 31, 2003 and 2002, there were 319,000 shares of outstanding preferred stock. Holders of outstanding CenturyTel preferred stock are entitled to receive cumulative dividends, receive preferential distributions equal to \$25 per share plus unpaid dividends upon CenturyTel's liquidation and vote as a single class with the holders of common stock.

Shareholders' Rights Plan - In 1996 the Board of Directors declared a dividend of one preference share purchase right for each common share outstanding. Such rights become exercisable if and when a potential acquiror takes certain steps to acquire 15% or more of CenturyTel's common stock. Upon the occurrence of such an acquisition, each right held by shareholders other than the acquiror may be exercised to receive that number of shares of common stock or other securities of CenturyTel (or, in certain situations, the acquiring company) which at the time of such transaction will have a market value of two times the exercise price of the right.

## (10) POSTRETIREMENT BENEFITS

The Company sponsors health care plans (which use a December 31 measurement date) that provide postretirement benefits to all qualified retired employees.

On December 8, 2003, President Bush signed into law a bill that expands Medicare, primarily adding a prescription drug benefit for Medicare-eligible retirees starting in 2006. The Company anticipates that the benefits it pays after 2006 will be lower as a result of the new Medicare provisions; however, the Company's retiree medical obligations and reported costs do not reflect the impact of this legislation. Deferring recognition of the new medicare provisions' impact is permitted by Financial Accounting Standards Board Staff Position 106-1 due to unresolved questions about some of the new Medicare provisions and a lack of authoritative accounting guidance about certain matters.

In 2003, the Company announced changes, effective January 1, 2004, that would decrease its subsidization of benefits provided under its postretirement benefit plan.

The following is a reconciliation of the beginning and ending balances for the benefit obligation and the plan assets.

December 31,	2003	2002	2001
(Dollars in thousands)			
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 253,762	215,872	165,266
Service cost	6,176	6,669	6,373
Interest cost	18,216	15,962	14,512
Participant contributions	1,199	617	548
Acquisitions	-	56,539	-
Plan amendments	(34,597)	-	-
Actuarial (gain) loss	79,163	(29,534)	40,005
Benefits paid	(12,498)	(12,363)	(10,832)
Benefit obligation at end of year	\$ 311,421	253,762	215,872
Change in plan assets			
Fair value of plan assets at beginning of year	\$ 28,697	36,555	39,873
Return on assets	4,479	(2,896)	(1,379)
Employer contributions	8,000	6,784	8,345
Participant contributions	1,199	617	548
Benefits paid	(12,498)	(12,363)	(10,832)
Fair value of plan assets at end of year	\$ 29,877	28,697	36,555

Net periodic postretirement benefit cost for 2003, 2002 and 2001 included the following components:

Year ended December 31,	2003	2002	2001
(Dollars in thousands)			
Service cost	\$ 6,176	6,669	6,373
Interest cost	18,216	15,962	14,512
Expected return on plan assets	(2,870)	(3,656)	(3,987)
Amortization of unrecognized actuarial loss	2,234	1,470	1,337
Amortization of unrecognized prior service cost	(2,447)	(129)	(129)
Net periodic postretirement benefit cost	\$ 21,309	20,316	18,106

The following table sets forth the amounts recognized as liabilities for postretirement benefits at December 31, 2003, 2002 and 2001.

December 31,	2003	2002	2001
(Dollars in thousands)			
Benefit obligation	\$ (311,421)	(253,762)	(215,872)
Fair value of plan assets	29,877	28,697	36,555
Unamortized prior service cost	(33,068)	(918)	(1,046)
Unrecognized net actuarial loss	89,893	14,573	33,925
Accrued benefit cost	\$ (224,719)	(211,410)	(146,438)

Assumptions used in accounting for postretirement benefits as of December 31, 2003 and 2002 were:

	2003	2002
Determination of benefit obligation		
Discount rate	6.0%	6.75
Healthcare trend rates (Medical/Prescription Drug)		
Following year	11.0%/16.0%	4.9/5.7
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	5.0%/5.0%	4.5/4.5
Year that the rate reaches the ultimate trend rate	2010/2015	2015/2015
Determination of benefit cost		
Discount rate	6.75%	7.00
Expected return on plan assets	8.25%	10.0

The Company employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the

long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset studies and periodic portfolio reviews.

The Company's postretirement benefit plan weighted-average asset allocations at December 31, 2003 and 2002 by asset category are as follows:

	2003	2002
Equity securities	80.5%	56.2
Debt securities	16.4	36.6
Other	3.1	7.2
Total	100.0%	100.0

In determining the expected return on plan assets, historical markets are studied and long-term relationships between equities and fixed income are preserved consistent with the widely-accepted capital market principle that assets with higher volatility and risk generate a greater return over the long term. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Peer data and historical returns are also reviewed to check for reasonableness.

Assumed health care cost trends have a significant effect on the amounts reported for postretirement benefit plans. A one-percentage-point change in assumed health care cost rates would have the following effects:

	1-Percentage Point Increase	1-Percentage Point Decrease
(Dollars in thousands)		
Effect on total of service and interest cost components	\$ 1,588	(1,514)
Effect on postretirement benefit obligation	\$ 20,377	(19,126)

The Company expects to contribute approximately \$13 million to its postretirement benefit plan in 2004.

#### (11) RETIREMENT AND SAVINGS PLANS

CenturyTel and certain subsidiaries sponsor defined benefit pension plans for substantially all employees. CenturyTel also sponsors an Outside Directors' Retirement Plan and a Supplemental Executive Retirement Plan to provide directors and officers, respectively, with supplemental retirement, death and disability benefits. The Company uses a December 31 measurement date for its plans.

The following is a reconciliation of the beginning and ending balances for the aggregate benefit obligation and the plan assets for the Company's retirement and savings plans.

December 31,	2003	2002	2001
(Dollars in thousands)			
Change in benefit obligation			
Benefit obligation at beginning of year	\$ 346,256	271,490	249,835
Service cost	12,840	10,353	7,760
Interest cost	23,617	20,053	17,829
Plan amendments	-	-	1,205
Acquisitions	-	51,428	-
Settlements	(9,962)	-	-
Actuarial (gain) loss	46,221	9,231	9,065
Benefits paid	(28,139)	(16,299)	(14,204)
Benefit obligation at end of year	\$ 390,833	346,256	271,490
Change in plan assets			
Fair value of plan assets at beginning of year	\$ 266,420	270,902	315,727
Return on plan assets	52,783	(42,998)	(31,998)
Employer contributions	50,437	3,387	1,377
Acquisitions	6,807	51,428	-
Benefits paid	(28,139)	(16,299)	(14,204)
Fair value of plan assets at end of year	\$ 348,308	266,420	270,902

At December 31, 2003, the Company's underfunded pension plans (meaning those with benefit obligations in excess of plan assets) had aggregate benefit obligations of \$138.4 million and aggregate plan assets of \$84.4 million. As of December 31, 2002, all of the pension plans had benefit obligations in excess of plan assets.

Net periodic pension expense (benefit) for 2003, 2002 and 2001 included the following components:

Year ended December 31,	2003	2002	2001
(Dollars in thousands)			
Service cost	\$ 12,840	10,353	7,760
Interest cost	23,617	20,053	17,829
Expected return on plan assets	(22,065)	(28,575)	(30,803)
Settlements	2,233	-	-
Recognized net (gains) losses	7,214	1,248	(2,399)
Net amortization and deferral	397	395	301
Net periodic pension expense (benefit)	\$ 24,236	3,474	(7,312)

The following table sets forth the combined plans' funded status and amounts recognized in the Company's consolidated balance sheet at December 31, 2003, 2002 and 2001.

December 31,	2003	2002	2001
(Dollars in thousands)			
Benefit obligation	\$ (390,833)	(346,256)	(271,490)
Fair value of plan assets	348,308	266,420	270,902
Unrecognized transition asset	(900)	(1,152)	(1,404)
Unamortized prior service cost	3,721	4,370	5,017
Unrecognized net actuarial (gain) loss	98,759	102,664	23,121
Prepaid pension cost	\$ 59,055	26,046	26,146

The Company's accumulated benefit obligation as of December 31, 2003 and 2002 was \$329.0 million and \$284.8 million, respectively.

Amounts recognized on the balance sheet consist of:

December 31,	2003	2002	2001
(Dollars in thousands)			
Prepaid pension cost	\$ 59,055	26,046	26,146
Additional minimum pension liability (reflected in Deferred Credits and Other Liabilities)	-	(56,388)	-
Intangible asset (reflected in Other Assets)	-	1,212	-
Accumulated Other Comprehensive Loss	-	55,176	-
	\$ 59,055	26,046	26,146

Assumptions used in accounting for the pension plans as of December 2003 and 2002 were:

	2003	2002
Determination of benefit obligation		
Discount rate	6.0%	6.75
Weighted average rate of compensation increase	4.0%	4.50
Determination of benefit cost		
Discount rate	6.75%	7.0
Weighted average rate of compensation increase	4.50%	4.50
Expected long-term rate of return on assets	8.25%	10.0

The Company employs a total return investment approach whereby a mix of equities and fixed income investments are used to maximize the long-term return of plan assets for a prudent level of risk. The intent of this strategy is to minimize plan expenses by outperforming plan liabilities over the long term. Risk tolerance is established through careful consideration of plan liabilities, plan funded status and corporate financial condition. Investment risk is measured and monitored on an ongoing basis through annual liability measurements, periodic asset studies and periodic portfolio reviews.

The Company's pension plans weighted-average asset allocations at December 31, 2003 and 2002 by asset category are as follows:

	2003	2002
Equity securities	54.0%	66.5
Debt securities	11.0	5.7
Cash and cash equivalents	32.3	24.4
Other	2.7	3.4
Total	100.0%	100.0

In determining the expected return on plan assets, historical markets are studied and long-term relationships between equities and fixed income are preserved consistent with the widely-accepted capital market principle that assets with higher volatility and risk generate a greater return over the long term. Current market factors such as inflation and interest rates are evaluated before long-term capital market assumptions are determined. Peer data and historical returns are also reviewed to check for reasonableness.

The amount of the 2004 contribution will be determined based on a number of factors, including the results of the 2004 actuarial valuation report. At this time, the amount of the 2004 contribution is not known.

CenturyTel sponsors an Employee Stock Ownership Plan ("ESOP") which covers most employees with one year of service with the Company and is funded by Company contributions determined annually by the Board of Directors. The Company's expense related to the ESOP during 2003, 2002 and 2001 was \$8.9 million, \$9.3 million, and \$7.5 million, respectively. At December 31, 2003, the ESOP owned an aggregate of 7.2 million shares of CenturyTel common stock.

CenturyTel and certain subsidiaries also sponsor qualified profit sharing plans pursuant to Section 401(k) of the Internal Revenue Code (the "401(k) Plans") which are available to substantially all employees of the Company. The Company's matching contributions to the 401(k) Plans were \$8.2 million in 2003, \$6.7 million in 2002 and \$6.6 million in 2001.

## (12) INCOME TAX

Income tax expense from continuing operations included in the Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001 was as follows:

Year ended December 31,	2003	2002	2001
(Dollars in thousands)			
Federal			
Current	\$ 58,659	22,987	26,689
Deferred	118,600	80,056	62,164
State			
Current	(113)	11,406	6,735
Deferred	10,106	(8,944)	(4,220)
	\$ 187,252	105,505	91,368

Income tax expense for 2003 was reduced by \$21.6 million primarily as a result of reducing the valuation allowance related to net state operating loss carryforwards as it is more likely than not that future taxable income will be sufficient to enable the Company to utilize this portion of the operating loss carryforwards.

Income tax expense from continuing operations was allocated as follows:

Year ended December 31,	2003	2002	2001
(Dollars in thousands)			
Income tax expense in the consolidated statements of income	\$ 187,252	105,505	91,368
Stockholders' equity:			
Compensation expense for tax purposes in excess of amounts recognized for financial reporting purposes	(4,385)	(7,471)	(1,051)
Tax effect of the change in accumulated other comprehensive income (loss)	19,763	(19,763)	(13,715)

The following is a reconciliation from the statutory federal income tax rate to the Company's effective income tax rate from continuing operations:

Year ended December 31,	2003	2002	2001
(Percentage of pre-tax income)			
Statutory federal income tax rate	35.0%	35.0	35.0
State income taxes, net of federal income tax benefit	1.2	.5	.7
Amortization of nondeductible goodwill	-	-	3.4
Amortization of investment tax credits	-	(.1)	(.2)
Amortization of regulatory liability	(.1)	(.3)	(.7)
Other, net	(.9)	.2	(.2)
Effective income tax rate	35.2%	35.3	38.0

In accordance with SFAS 142, effective January 1, 2002, goodwill amortization for financial reporting purposes ceased.

The tax effects of temporary differences that gave rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2003 and 2002 were as follows:

December 31,	2003	2002
(Dollars in thousands)		
Deferred tax assets		
Postretirement benefit costs	\$ 59,215	40,852
Regulatory support	12,464	11,414
Net state operating loss carryforwards	41,358	28,380
Other employee benefits	10,160	28,697
Other	24,819	18,720
Gross deferred tax assets	148,016	128,063
Less valuation allowance	(19,735)	(28,380)

Net deferred tax assets	128,281	99,683
-----		
Deferred tax liabilities		
Property, plant and equipment, primarily due to depreciation differences	(291,482)	(189,663)
Goodwill	(350,812)	(256,801)
Deferred debt costs	(2,470)	(2,400)
Intercompany profits	(3,485)	(2,980)
Other	(8,583)	-
-----		
Gross deferred tax liabilities	(656,832)	(451,844)
-----		
Net deferred tax liability	\$ (528,551)	(352,161)
=====		

As of December 31, 2003, the Company had available tax benefits associated with net state operating loss carryforwards, which expire through 2023, of \$41.4 million. In assessing whether the Company can realize the benefits of its net state operating loss carryforwards, the Company considers whether it is more likely than not that some portion or all of the carry-forwards will not be realized. The ultimate realization of the benefits of the carryforwards is dependent upon the generation of future taxable income during the periods in which those temporary differences become deductible. The Company considers its scheduled reversal of deferred tax liabilities, projected future taxable income and tax planning strategies in making this assessment. As a result of such assessment, \$19.7 million was reserved through the valuation allowance as of December 31, 2003 as it is likely that this amount of net operating loss carryforwards will not be utilized prior to expiration.

### (13) NONRECURRING GAINS AND LOSSES, NET

In the second quarter of 2002, the Company recorded a pre-tax gain of \$3.7 million from the sale of a PCS license.

In the third quarter of 2001, the Company recorded a pre-tax gain on the sale of its remaining common shares of Illuminet Holdings, Inc. aggregating \$54.6 million (\$35.5 million after-tax; \$.25 per diluted share). The Company also recorded a pre-tax gain of \$4.0 million (\$2.6 million after-tax; \$.02 per diluted share) on the sale of certain other assets. Additionally in 2001, the Company recorded pre-tax charges of \$25.5 million (\$16.6 million after-tax; \$.12 per diluted share) due to the write-down in the value of certain non-operating investments in which the Company owns a minority interest.

### (14) EARNING PER SHARE

The following is a reconciliation of the numerators and denominators of the basic and diluted earnings per share computations:

Year ended December 31,	2003	2002	2001
-----			
	(Dollars, except per share amounts, and shares in thousands)		
Income (Numerator):			
Income from continuing operations	\$ 344,707	193,533	149,081
Discontinued operations, net of tax	-	608,091	193,950
-----			
Net income	344,707	801,624	343,031
Dividends applicable to preferred stock	(399)	(399)	(399)
-----			
Net income applicable to common stock for computing basic earnings per share	344,308	801,225	342,632
Dividends applicable to preferred stock	399	399	399
-----			
Net income as adjusted for purposes of computing diluted earnings per share	\$ 344,707	801,624	343,031
=====			
Net income applicable to common stock for computing basic earnings per share, as adjusted for goodwill amortization	\$ 344,308	801,225	398,898
=====			
Net income as adjusted for purposes of computing diluted earnings per share, as adjusted for goodwill amortization	\$ 344,707	801,624	399,297
=====			
Shares (Denominator):			
Weighted average number of shares outstanding during period	143,673	141,796	141,021
Employee Stock Ownership Plan shares not committed to be released	(90)	(183)	(278)
-----			
Weighted average number of shares outstanding during			

period for computing basic earnings per share	143,583	141,613	140,743
Incremental common shares attributable to dilutive securities:			
Shares issuable under convertible securities	435	435	435
Shares issuable under outstanding stock options	682	831	1,129
-----	-----	-----	-----
Number of shares as adjusted for purposes of computing diluted earnings per share	144,700	142,879	142,307
=====	=====	=====	=====
Basic earnings per share			
From continuing operations	\$ 2.40	1.36	1.06
From continuing operations, as adjusted for goodwill amortization	\$ 2.40	1.36	1.39
From discontinued operations	\$ -	4.29	1.38
From discontinued operations, as adjusted for goodwill amortization	\$ -	4.29	1.45
Basic earnings per share	\$ 2.40	5.66	2.43
Basic earnings per share, as adjusted for goodwill amortization	\$ 2.40	5.66	2.83
Diluted earnings per share			
From continuing operations	\$ 2.38	1.35	1.05
From continuing operations, as adjusted for goodwill amortization	\$ 2.38	1.35	1.37
From discontinued operations	\$ -	4.26	1.36
From discontinued operations, as adjusted for goodwill amortization	\$ -	4.26	1.43
Diluted earnings per share	\$ 2.38	5.61	2.41
Diluted earnings per share, as adjusted for goodwill amortization	\$ 2.38	5.61	2.81

The weighted average number of options to purchase shares of common stock that were excluded from the computation of diluted earnings per share because the exercise price of the option was greater than the average market price of the common stock was 2.6 million for 2003, 3.3 million for 2002 and 1.3 million for 2001.

#### (15) STOCK OPTION PROGRAMS

CenturyTel maintains programs which allow the Board of Directors, through the Compensation Committee, to grant (i) incentives to certain employees in any one or a combination of several forms, including incentive and non-qualified stock options; stock appreciation rights; restricted stock; and performance shares and (ii) stock options to outside directors. As of December 31, 2003, CenturyTel had reserved 12.1 million shares of common stock which may be issued under CenturyTel's current incentive compensation programs.

Under the Company's programs, options have been granted to employees and directors at a price either equal to or exceeding the then-current market price. All of the options expire ten years after the date of grant and the vesting period ranges from immediate to three years.

Stock option transactions during 2003, 2002 and 2001 were as follows:

	Number of options	Average price
-----	-----	-----
Outstanding December 31, 2000	4,681,159	\$ 21.16
Exercised	(149,806)	15.91
Granted	1,971,750	28.14
Forfeited	(135,583)	18.42
-----	-----	-----
Outstanding December 31, 2001	6,367,520	23.51
Exercised	(1,366,560)	13.97
Granted	1,983,150	32.28
Forfeited	(88,308)	28.59
-----	-----	-----
Outstanding December 31, 2002	6,895,802	27.95
Exercised	(1,059,414)	22.30
Granted	1,720,317	27.36
Forfeited	(822,133)	33.34
-----	-----	-----
Outstanding December 31, 2003	6,734,572	28.14
=====	=====	=====
Exercisable December 31, 2003	3,807,355	27.21
=====	=====	=====
Exercisable December 31, 2002	3,991,753	25.68
=====	=====	=====



The following tables summarize certain information about CenturyTel's stock options at December 31, 2003.

Options outstanding			
Range of exercise prices	Number of options	Weighted average remaining contractual life outstanding	Weighted average exercise price
\$ 11.67-17.64	931,324	1.9	\$ 14.90
24.10-26.31	230,308	7.6	25.20
26.62-31.56	3,061,468	7.9	27.73
31.75-38.50	2,469,563	8.4	33.66
39.00-46.19	41,909	5.3	42.47
	-----		
11.67-46.19	6,734,572	7.5	28.14
	=====		

  

Options exercisable		
Range of exercise prices	Number of options exercisable	Weighted average exercise price
\$ 11.67-17.64	931,324	\$ 14.90
24.10-26.31	178,753	25.14
26.62-31.56	1,179,303	28.15
31.75-38.50	1,476,066	34.04
39.00-46.19	41,909	42.47
	-----	
11.67-46.19	3,807,355	27.21
	=====	

#### (16) SUPPLEMENTAL CASH FLOW DISCLOSURES

The amount of interest actually paid by the Company, net of amounts capitalized of \$488,000, \$1.2 million and \$3.5 million during 2003, 2002 and 2001, respectively, was \$221.1 million, \$210.9 million and \$224.7 million during 2003, 2002 and 2001, respectively. Income taxes paid were \$91.6 million in 2003, \$325.5 million in 2002 and \$128.3 million in 2001. Income tax refunds totaled \$85.7 million in 2003, \$2.7 million in 2002 and \$5.0 million in 2001.

The Company has consummated the acquisitions of various operations, along with certain other assets, during the three years ended December 31, 2003. In connection with these acquisitions, the following assets were acquired and liabilities assumed:

Year ended December 31,	2003	2002	2001
(Dollars in thousands)			
Property, plant and equipment, net	\$ 46,390	866,575	-
Goodwill	21,743	1,335,157	33,183
Deferred credits and other liabilities	21,754	(56,897)	13,948
Other assets and liabilities, excluding cash and cash equivalents	(3,644)	100,191	-
Decrease in cash due to acquisitions	\$ 86,243	2,245,026	47,131
=====			

The Company has disposed of various operations reflected within continuing operations, along with certain other assets, during the three years ended December 31, 2003. In connection with these dispositions, the following assets were sold, liabilities eliminated, assets received and gain recognized:

Year ended December 31,	2003	2002	2001
(Dollars in thousands)			
Property, plant and equipment, net	\$ -	-	(2,447)
Marketable equity securities	-	-	(3,614)
Other assets and liabilities, excluding cash and cash equivalents	-	(435)	(19,080)
Gain on sale of assets	-	(3,709)	(33,043)
Increase in cash due to dispositions	\$ -	(4,144)	(58,184)
=====			

For information on the Company's discontinued operations, see Note 3.

#### (17) FAIR VALUE OF FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of certain of the Company's financial instruments at December 31, 2003 and 2002.

	Carrying Amount	Fair value	
(Dollars in thousands)			
December 31, 2003			
-----			
Financial assets			
Other	\$ 54,605	54,605	(2)
Financial liabilities			
Long-term debt (including current maturities)	\$ 3,181,755	3,440,279	(1)
Interest rate swaps	\$ 11,693	11,693	(2)
Other	\$ 44,612	44,612	(2)
-----			
December 31, 2002			
-----			
Financial assets			
Interest rate swaps	\$ 22,163	22,163	(2)
Other	\$ 33,637	33,637	(2)
Financial liabilities			
Long-term debt (including current maturities)	\$ 3,648,869	3,937,535	(1)
Interest rate swaps	1,290	1,290	(2)
Other	\$ 41,884	41,884	(2)
-----			

(1) Fair value was estimated by discounting the scheduled payment streams to present value based upon rates currently available to the Company for similar debt.

(2) Fair value was estimated by the Company to approximate carrying value.

The carrying amount of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximates the fair value due to the short maturity of these instruments and have not been reflected in the above table.

#### (18) BUSINESS SEGMENTS

The Company's only separately reportable business segment is its telephone operations. The operating income of this segment is reviewed by the chief operating decision maker to assess performance and make business decisions. Due to the sale of the Company's wireless operations, such operations (which were previously reported as a separate segment) are classified as discontinued operations. Other operations include, but are not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier operations, fiber transport business and security monitoring operations.

The Company's telephone operations are conducted in rural, suburban and small urban communities in 22 states. Approximately 70% of the Company's telephone access lines are in Wisconsin, Missouri, Alabama, Arkansas and Washington.

	Operating revenues	Depreciation and amortization	Operating income
(Dollars in thousands)			
Year ended December 31, 2003			
Telephone	\$ 2,071,980	450,851	688,114
Other operations	308,765	19,790	62,282
-----			
Total	\$ 2,380,745	470,641	750,396
=====			
Year ended December 31, 2002			
Telephone	\$ 1,733,592	396,866	543,113
Other operations	238,404	14,760	43,568
Corporate overhead costs allocable to discontinued operations	-	-	(11,275)

Total	\$	1,971,996	411,626	575,406
=====				
Year ended December 31, 2001				
Telephone	\$	1,505,733	398,284	423,420
Other operations		173,771	8,754	22,098
Corporate overhead costs allocable to discontinued operations		-	-	(20,213)
Total	\$	1,679,504	407,038	425,305
=====				
Year ended December 31,				
		2003	2002	2001
-----				
		(Dollars in thousands)		
Operating income	\$	750,396	575,406	425,305
Interest expense		(226,751)	(221,845)	(225,523)
Income from unconsolidated cellular entity		6,160	5,582	7,592
Nonrecurring gains and losses, net		-	3,709	33,043
Other income and expense		2,154	(63,814)	32
-----				
Income from continuing operations before income tax expense	\$	531,959	299,038	240,449
=====				
Year ended December 31,				
		2003	2002	2001
-----				
		(Dollars in thousands)		
Capital expenditures				
Telephone	\$	317,357	319,536	351,010
Other operations		60,582	66,731	84,505
-----				
Total	\$	377,939	386,267	435,515
=====				
December 31,				
		2003	2002	2001
-----				
		(Dollars in thousands)		
Total assets				
Telephone	\$	6,747,036	6,962,713	4,754,522
Other operations		1,148,816	807,695	730,395
Assets held for sale		-	-	833,767
-----				
Total assets	\$	7,895,852	7,770,408	6,318,684
=====				

Interexchange carriers and other accounts receivable on the balance sheets are primarily amounts due from various long distance carriers, principally AT&T, and several large local exchange operating companies.

#### (19) COMMITMENTS AND CONTINGENCIES

Construction expenditures and investments in vehicles, buildings and equipment during 2004 are estimated to be \$290 million for telephone operations and \$110 million for other operations.

In *Barbrasue Beattie and James Sovis, on behalf of themselves and all others similarly situated, v. CenturyTel, Inc.*, filed on October 29, 2002 in the United States District Court for the Eastern District of Michigan (Case No. 02-10277), the plaintiffs allege that the Company unjustly and unreasonably billed customers for inside wire maintenance services, and seek unspecified money damages and injunctive relief under various legal theories on behalf of a purported class of over two million customers in the Company's telephone markets. The Court has not yet ruled on the plaintiffs' certification motion, and has not yet set a date to resolve this issue. Given the current status of this case, the Company cannot estimate the potential impact, if any, that this case will have on its results of operations.

AT&T filed a petition with the FCC in December 2003 seeking forbearance from enforcing certain provisions of the Telecommunications Act of 1996 that allows LECs to file access tariffs on a streamlined basis and, if certain criteria are met, deems those tariffs lawful. Certain of the Company's telephone subsidiaries file interstate tariffs directly with the FCC using this streamlined filing approach. As a result of recent court rulings, tariffs that have been "deemed lawful" in effect nullify an interexchange carrier's ability to seek refunds should the earnings from the tariffs ultimately result in earnings above the authorized rate of return prescribed by the FCC. The Company has not recognized any revenues in excess of the authorized rate of return applicable to those carriers who historically have requested refunds pending resolution of the "deemed lawful" tariff issue. The Company will continue to monitor the status of the AT&T petition with the FCC. Although it is possible the Company

could benefit favorably upon resolution of this issue, there is no assurance that a favorable outcome will occur.

From time to time, the Company is involved in various other claims and legal actions relating to the conduct of its business. In the opinion of management, the ultimate disposition of these matters will not have a material adverse effect on the Company's consolidated financial position or results of operations.

## (20) SUBSEQUENT EVENT

On February 3, 2004, the Company announced that its board of directors approved a stock repurchase program that will allow the Company to repurchase up to an aggregate of \$400 million of either its common stock or convertible equity units prior to December 31, 2005. The Company commenced purchases under this plan on February 6, 2004.

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### CENTURYTEL, INC. Consolidated Quarterly Income Statement Information (Unaudited)

	First quarter	Second quarter	Third quarter	Fourth quarter
(Dollars in thousands, except per share amounts) (unaudited)				
2003				
Operating revenues	\$ 580,530	590,148	603,752	606,315
Operating income	\$ 184,773	188,381	190,781	186,461
Net income	\$ 83,919	87,367	90,979	82,442
Basic earnings per share	\$ .59	.61	.63	.57
Diluted earnings per share	\$ .58	.60	.63	.57
2002				
Operating revenues	\$ 422,918	438,702	524,497	585,879
Operating income	\$ 119,049	109,531	157,716	189,110
Income from continuing operations	\$ 43,117	41,482	64,589	44,345
Net income	\$ 70,767	78,763	607,749	44,345
Basic earnings per share from continuing operations	\$ .30	.29	.46	.31
Basic earnings per share	\$ .50	.56	4.29	.31
Diluted earnings per share from continuing operations	\$ .30	.29	.45	.31
Diluted earnings per share	\$ .50	.55	4.26	.31
2001				
Operating revenues	\$ 411,602	409,250	423,973	434,679
Operating income	\$ 104,309	99,209	105,991	115,796
Income from continuing operations	\$ 27,708	22,533	60,994	37,846
Net income	\$ 46,722	154,241	92,305	49,763
Basic earnings per share from continuing operations	\$ .20	.16	.43	.27
Basic earnings per share from continuing operations, as adjusted	\$ .28	.24	.51	.35
Basic earnings per share	\$ .33	1.10	.65	.35
Basic earnings per share, as adjusted	\$ .43	1.20	.75	.45
Diluted earnings per share from continuing operations	\$ .19	.16	.43	.27
Diluted earnings per share from continuing operations, as adjusted	\$ .28	.24	.51	.35
Diluted earnings per share	\$ .33	1.09	.65	.35
Diluted earnings per share, as adjusted	\$ .43	1.19	.75	.45

Diluted earnings per share for the fourth quarter of 2003 included a \$.06 per share charge related to operating taxes, net of related revenue effect, and interest associated with various operating tax audits.

Diluted earnings per share for the third quarter of 2002 included \$3.72 per share related to the gain on the sale of substantially all of the Company's wireless operations, net of amounts written off for costs expended related to the wireless portion of the new billing system currently in development. Diluted earnings per share for the fourth quarter of 2002 was negatively impacted by \$.27 per share related to the redemption premium on the Company Series I remarketable notes that were redeemed in October 2002. On July 1 and August 31, 2002, the Company acquired nearly 650,000 telephone access lines and related assets from Verizon. See Note 2 for additional information.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. Controls and Procedures**

The Company maintains disclosure controls and procedures designed to provide reasonable assurances that information required to be disclosed by the Company in the reports it files under the Securities Exchange Act of 1934 is timely recorded, processed, summarized and reported as required. The Company's Chief Executive Officer, Glen F. Post, III, and the Company's Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated the Company's disclosure controls and procedures as of December 31, 2003. Based on the evaluation, Messrs. Post and Ewing concluded that the Company's disclosure controls and procedures have been effective in providing reasonable assurance that they have been timely alerted of material information required to be filed in this annual report. Since the date of Messrs. Post's and Ewing's most recent evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and contingencies, and there can be no assurance that any design will succeed in achieving its stated goals.

**PART III****Item 10. Directors and Executive Officers of the Registrant.**

The name, age and office(s) held by each of the Registrant's executive officers are shown below. Each of the executive officers listed below serves at the pleasure of the Board of Directors.

Name ----	Age ---	Office(s) held with CenturyTel -----
Glen F. Post, III	51	Chairman of the Board of Directors and Chief Executive Officer
Karen A. Puckett	43	President and Chief Operating Officer
R. Stewart Ewing, Jr.	52	Executive Vice President and Chief Financial Officer
David D. Cole	46	Senior Vice President - Operations Support
Stacey W. Goff	38	Senior Vice President, General Counsel and Corporate Secretary
Michael Maslowski	56	Senior Vice President and Chief Information Officer

Each of the Registrant's executive officers, except for Ms. Puckett and Mr. Goff, has served as an officer of the Registrant and one or more of its subsidiaries in varying capacities for more than the past five years.

Ms. Puckett has served as President and Chief Operating Officer of the Company since August 2002, as Executive Vice President and Chief Operating Officer of the Company from July 2000 through August 2002, as Sales and Marketing Senior Officer of BroadStream Communications from July 1999 through July 2000 and as Texas Region President for GTE Wireless from 1996 to mid-1999. Commco Technology LLC (formerly BroadStream Communications) filed for bankruptcy on December 18, 2000 in the United States Bankruptcy Court, District of Connecticut (Bridgeport). Ms. Puckett was an officer of BroadStream Communications from July 1999 through July 2000.

Mr. Post has served as Chairman of the Board since June 2002, and previously served as Vice Chairman of the Board from 1993 to 2002 and President from 1990 to 2002. In May 1999, Mr. Ewing was promoted from Senior Vice President to Executive Vice President. In August 2003, Mr. Goff was promoted to Senior Vice President, General Counsel and Secretary. He previously served as Vice President and Assistant General Counsel from 2000 to July 2003 and as Director-Corporate Legal from 1998 to 2000.

The balance of the information required by Item 10 is incorporated by reference to the Registrant's definitive proxy statement relating to its 2004 annual meeting of stockholders (the "Proxy Statement"), which Proxy Statement will be filed pursuant to Regulation 14A within the first 120 days of 2004.

**Item 11. Executive Compensation.**

The information required by Item 11 is incorporated by reference to the Proxy Statement.

**Item 12. Security Ownership of Certain Beneficial Owners and Management.**

The following table provides information as of December 31, 2003, concerning shares of CenturyTel common stock authorized for issuance under CenturyTel's existing equity compensation plans.

Plan category	(a) Number of securities to be issued upon conversion of outstanding options	(b) Weighted-average exercise price of outstanding options	(c) Number of securities remaining available for future issuance under plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	6,734,572	\$28.14	3,712,002
Employee Stock Purchase Plan approved by shareholders	-	-	4,822,491
Equity compensation plans not approved by security holders	-	-	-
Totals	6,734,572	\$28.14	8,534,493

The balance of the information required by Item 12 is incorporated by reference to the Proxy Statement.

### Item 13. Certain Relationships and Related Transactions.

The information required by Item 13 is incorporated by reference to the Proxy Statement.

### Item 14. Principal Accounting Fees and Services

The information required by Item 14 is incorporated by reference to the Proxy Statement.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules, and Reports on Form 8-K.

#### a. Financial Statements

##### (i) Consolidated Financial Statements:

Independent Auditors' Report on Consolidated Financial Statements and Financial Statement Schedule

Consolidated Statements of Income for the years ended December 31, 2003, 2002 and 2001

Consolidated Statements of Comprehensive Income for the years ended December 31, 2003, 2002 and 2001

Consolidated Balance Sheets - December 31, 2003 and 2002

Consolidated Statements of Cash Flows for the years ended December 31, 2003, 2002 and 2001

Consolidated Statements of Stockholders' Equity for the years ended December 31, 2003, 2002 and 2001

#### Notes to Consolidated Financial Statements

Consolidated Quarterly Income Statement  
Information (unaudited)

##### (ii) Schedules:\*

## II Valuation and Qualifying Accounts

\* Those schedules not listed above are omitted as not applicable or not required.

b. Reports on Form 8-K.

The following items were reported in a Form 8-K filed October 30, 2003: Item 12. Results of Operations and Financial Condition - News release announcing third quarter 2003 operating results.

c. Exhibits:

3.1 Amended and Restated Articles of Incorporation of Registrant, dated as of May 6, 1999, (incorporated by reference to Exhibit 3(i) to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1999).

3.2 Registrant's Bylaws, as amended through August 26, 2003 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K dated August 26, 2003 and filed on December 2, 2003).

3.3 Governance Guidelines and Charters, as amended through February 25, 2004, all included elsewhere herein.

(a) Corporate Governance Guidelines

(b) Charter of the Audit Committee of the Board of Directors

(c) Charter of the Compensation Committee of the Board of Directors

(d) Charter of the Nominating and Corporate Governance Committee of the Board of Directors

(e) Charter of the Risk Evaluation Committee of the Board of Directors

4.1 Note Purchase Agreement, dated September 1, 1989, between Registrant, Teachers Insurance and Annuity Association of America and the Lincoln National Life Insurance Company (incorporated by reference to Exhibit 4.23 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989).

4.2 Rights Agreement, dated as of August 27, 1996, between Registrant and Society National Bank, as Rights Agent, including the form of Rights Certificate (incorporated by reference to Exhibit 1 of Registrant's Current Report on Form 8-K filed August 30, 1996) and Amendment No.1 thereto, dated May 25, 1999 (incorporated by reference to Exhibit 4.2(ii) to Registrant's Report on Form 8-K dated May 25, 1999) and Amendment No. 2 thereto, dated and effective as of June 30, 2000, by and between the Registrant and Computershare Investor Services, LLC, as rights agent (incorporated by reference to Exhibit 4.1 of Registrant's Quarterly report on 10-Q for the quarter ended September 30, 2000).

4.3 Form of common stock certificate of the Registrant (incorporated by reference to Exhibit 4.3 of the Registrant's Annual Report on Form 10-K for the year ended December 31, 2000).

4.4 Instruments relating to the Company's public senior debt

(a) Indenture dated as of March 31, 1994 between the Company and Regions Bank (formerly First American Bank & Trust of Louisiana), as Trustee (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-3, Registration No. 33-52915).

(b) Resolutions designating the terms and conditions of the Company's 7-3/4% Senior Notes, Series A, due 2004 and 8-1/4% Senior Notes, Series B, due 2024 (incorporated by reference to Exhibit 4.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1994).

(c) Resolutions designating the terms and conditions of the Company's 6.55% Senior Notes, Series C, due 2005 and 7.2% Senior Notes, Series D, due 2025 (incorporated by reference to Exhibit 4.27 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995).

(d) Resolutions designating the terms and conditions of the Company's 6.15% Senior Notes, Series E, due 2005; 6.30% Senior Notes, Series F, due 2008; and 6.875% Debentures, Series G, due 2028, (incorporated by reference to Exhibit 4.9 to Registrant's Annual Report on Form 10-K for the year ended December 31, 1997).

(e) Form of Registrant's 8.375% Senior Notes, Series H, Due 2010, issued October 19, 2000 (incorporated by reference to Exhibit 4.2 of Registrant's Quarterly Report on Form 10-Q for the Quarter ended September 30, 2000).

(f) For information on Registrant's Series J notes and related First Supplemental Indenture, see Item 4.7 below.

(g) Second Supplemental Indenture dated as of August 20, 2002 between CenturyTel and Regions Bank (successor-in-interest to First American Bank & Trust of Louisiana and Regions Bank of Louisiana), as Trustee, designating and outlining the terms and conditions of CenturyTel's 4.75% Convertible Senior Debentures, Series K, due 2032 (incorporated by reference to Exhibit 4.3 of CenturyTel's registration statement on Form S-4, File No. 333-100480).

(h) Form of 4.75% Convertible Debentures, Series K, due 2032 (included in Exhibit 4.4(g)).

(i) Board resolutions designating the terms and conditions of CenturyTel's 7.875% Senior Notes, Series L, due 2012 (incorporated by reference to exhibit 4.2 of CenturyTel's registration statement on Form S-3, File No. 333-100481).

(j) Form of 7.875% Senior Notes, Series L, due 2012 (included in Exhibit 4.4(i)).

(k) Registration Rights Agreement dated as of August 26, 2002 by and among CenturyTel, and Banc of America Securities LLC, J.P. Morgan Securities Inc. and Wachovia Securities, Inc. (incorporated by reference to Exhibit 4.5 of CenturyTel's registration statement on Form S-4, File No. 333-100480).

(l) Exchange and Registration Rights Agreement dated as of August 26, 2002 by and among CenturyTel and Banc of America Securities LLC, J.P. Morgan Securities Inc. and Wachovia Securities, Inc., as representatives of the initial purchasers named therein (incorporated by reference to Exhibit 4.4 of CenturyTel's registration statement on Form S-3, File No. 333-100481).

4.5 \$533 Million Three-Year Revolving Credit Facility, dated July 22, 2002, between CenturyTel, Inc. and the lenders named therein (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the period ended June 30, 2002).

4.6 First Supplemental Indenture, dated as of November 2, 1998, to Indenture between CenturyTel of the Northwest, Inc. and The First National Bank of Chicago (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1998).

4.7 Agreements relating to equity units issued by CenturyTel in May 2002:

(a) Purchase Contract Agreement, dated as of May 1, 2002, between CenturyTel and Wachovia Bank, National Association, as Purchase Contract Agent (incorporated by reference to Exhibit 4.13 to CenturyTel's Registration Statement on Form S-3, File No. 333-84276).

(b) Pledge Agreement, dated as of May 1, 2002, by and among CenturyTel, JPMorgan Chase Bank, as Collateral Agent, Custodial Agent, and Securities Intermediary, and Wachovia Bank, National Association, as Purchase Contract Agent (incorporated by reference to Exhibit 4.15 to CenturyTel's Registration Statement on Form S-3, File No. 333-84276).

(c) First Supplemental Indenture, dated as of May 1, 2002, between CenturyTel and Regions Bank, as Trustee, to the Indenture, dated as of March 31, 1994, between CenturyTel and Regions Bank, as Trustee, relating to CenturyTel's Senior Notes, Series J, due 2007 issued in connection with the equity units (incorporated by reference to Exhibit 4.2(b) to CenturyTel's Registration Statement on Form S-3, File No. 333-84276).

10.1 Qualified Employee Benefit Plans (excluding several narrow-based qualified plans that cover union employees or other limited groups of Company employees)

(a) Registrant's Employee Stock Ownership Plan and Trust, as amended and restated February 28, 2002 and amendment thereto dated December 31, 2002 (incorporated by reference to Exhibit 10.1(a) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

(b) Registrant's Dollars & Sense Plan and Trust, as amended and restated, effective September 1, 2000 and amendment thereto dated December 31, 2002 (incorporated by reference to Exhibit 10.1(b) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

(c) Registrant's Amended and Restated Retirement Plan, effective as of February 28, 2002, and amendment thereto dated December 31, 2002 (incorporated by reference to Exhibit 10.1(c) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

(d) Merger Agreement, dated September 18, 2001, between Registrant and Regions Bank of Louisiana, pursuant to which Registrant's Stock Bonus Plan and PAYSOP were merged into Registrant's Employee Stock Ownership Plan (incorporated by reference to Exhibit 10(b) of Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 2001).

10.2 Stock-based Incentive Plans

(a) Registrant's 1983 Restricted Stock Plan, dated February 21, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996, (incorporated by reference to Exhibit 10.1



(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.3 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), and amendment thereto dated April 25, 2001 (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001), and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.2(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).

(b) Registrant's 1988 Incentive Compensation Program, as amended and restated August 22, 1989 (incorporated by reference to Exhibit 19.8 to Registrant's Quarterly Report on Form 10-Q for the quarter ended September 30, 1989) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996).

(c) Registrant's 1995 Incentive Compensation Plan approved by Registrant's shareholders on May 11, 1995 (incorporated by reference to Exhibit 4.4 to Registration No. 33-60061) and amendment thereto dated November 21, 1996 (incorporated by Reference to Exhibit 10.1 (l) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), and amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997) and amendment thereto dated May 29, 2003 (incorporated by reference to Exhibit 10.1 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).

(i) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of May 22, 1995, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.5 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

(ii) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of June 23, 1995, entered into by Registrant and certain key employees (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1995).

(iii) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of February 24, 1997, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.4 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

(iv) Form of Stock Option Agreement, pursuant to 1995 Incentive Compensation Plan and dated as of February 21, 2000, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.1

(t) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999).

(v) Form of Restricted Stock and Performance Share Agreement, dated as of February 22, 1999, relating to equity incentive awards granted in 1999 pursuant to the Registrant's 1995 Incentive Compensation Plan that were vested or earned wholly or in part in early 2004 (incorporated by reference to Exhibit 10.1(x) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1999).

(d) Amended and Restated Registrant's 2000 Incentive Compensation Plan, as amended through May 23, 2000 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2000) and amendment thereto dated May 29, 2003 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2003).

(i) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of May 21, 2001, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.2(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).

(ii) Form of Stock Option Agreement, pursuant to the 2000 Incentive Compensation Plan and dated as of February 25, 2002, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.2(d)(ii) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

(e) Amended and Restated CenturyTel, Inc. 2002 Directors Stock Option Plan, dated as of February 25, 2004, included elsewhere herein.

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into by CenturyTel in connection with options granted to the outside directors as of May 10, 2002 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2002).

(ii) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into by CenturyTel in connection with options granted to the outside directors as of May 9, 2003, included elsewhere herein.

(f) Amended and Restated CenturyTel, Inc. 2002 Management Incentive Compensation Plan, dated as of February 25, 2004, included elsewhere herein.

(i) Form of Stock Option Agreement, pursuant to the foregoing plan, entered into between CenturyTel and certain of its officers and key employees at various dates since May 9, 2002 (incorporated by reference to Exhibit 10.4 of Registrant's Quarterly Report on Form 10-Q for the period ended September 30, 2002).

(ii) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 24, 2003, entered into by Registrant and its officers (incorporated by reference to Exhibit 10.2(f)(ii) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

(iii) Form of Stock Option Agreement, pursuant to the foregoing plan and dated as of February 25, 2004, entered into by Registrant and its officers, included elsewhere herein.

(iv) Form of Restricted Stock Agreement, pursuant to the foregoing plan and dated as of February 24, 2003, entered into by Registrant and its executive officers (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2003).

### 10.3 Other Non-Qualified Employee Benefit Plans

(a) Registrant's Key Employee Incentive Compensation Plan, dated January 1, 1984, as amended and restated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated November 21, 1996 (incorporated by reference to Exhibit 10.1 (f) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1996), amendment thereto dated February 25, 1997 (incorporated by reference to Exhibit 10.2 to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 1997), amendment thereto dated April 25, 2001 (incorporated by reference to Exhibit 10.2 of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001) and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.3(a) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).

(b) Registrant's Restated Supplemental Executive Retirement Plan, dated April 3, 2000 (incorporated by reference to Exhibit 10.1(d) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).

(c) Registrant's Restated Supplemental Defined Contribution Plan, restated as of July 17, 2001, (incorporated by reference to Exhibit 10.1 of Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 2001).

(d) Registrant's Amended and Restated Supplemental Dollars & Sense Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1

(q) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998).

(e) Registrant's Supplemental Defined Benefit Plan, effective as of January 1, 1999 (incorporated by reference to Exhibit 10.1 (y) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1998), and amendment thereto dated February 28, 2002 (incorporated by reference to Exhibit 10.3(e) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).

(f) Registrant's Amended and Restated Salary Continuation (Disability) Plan for Officers, dated November 26, 1991 (incorporated by reference to Exhibit 10.16 of Registrant's Annual Report on Form 10-K for the year ended December 31, 1991).

(g) Registrant's Restated Outside Directors' Retirement Plan, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(t) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.3(g) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001) and amendment thereto dated December 31, 2002 (incorporated by reference to Exhibit 10.3(g) of Registrant's Annual Report on Form 10-K for the year ended December 31, 2002).

(h) Registrant's Restated Deferred Compensation Plan for Outside Directors, dated as of November 16, 1995 (incorporated by reference to Exhibit 10.1(u) to Registrant's Annual Report on Form 10-K for the year ended December 31, 1995) and amendment thereto dated April 17, 2000 (incorporated by reference to Exhibit 10.3(h) to Registrant's Annual Report on Form 10-K for the year ended December 31, 2001).

(i) Registrant's Chairman/Chief Executive Officer Short-Term Incentive Program (incorporated by reference to Exhibit 10.6 to Registrant's Quarterly Report on Form 10-Q for the quarter ended June 30, 1997).

(j) Registrant's 2001 Employee Stock Purchase Plan (incorporated by reference to Registrant's 2001 Proxy Statement).

### 10.4 Employment, Severance and Related Agreements

(a) Change of Control Agreement, dated February 22, 2000 by and between Glen F. Post, III and Registrant (incorporated by reference to Exhibit 10.1(b) to Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).

(b) Form of Change of Control Agreement, dated February 22, 2000, by and between Registrant and David D. Cole, R. Stewart Ewing and Michael E. Maslowski (incorporated by reference exhibit 10.1(c) to the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).(a)

(c) Form of Change of Control Agreement dated July 24, 2000, by and between the Registrant and Karen A. Puckett (incorporated by reference to Exhibit 10.1(c) of Registrant's Quarterly Report on Form 10-Q for the quarter ended March 31, 2000).

(d) Form of Change of Control Agreement dated August 26, 2003 by and between Registrant and Stacey W. Goff (incorporated by reference to Exhibit 10.1(c) of Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2000).

14 Registrant's Corporate Compliance Program, included elsewhere herein.

21 Subsidiaries of the Registrant, included elsewhere herein.

23 Independent Auditors' Consent, included elsewhere herein.

31.1 Registrant's Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, included elsewhere herein.

31.2 Registrant's Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, included elsewhere herein.

32 Registrant's Chief Executive Officer and Chief Financial Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, included elsewhere herein.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

CenturyTel, Inc.,

*Date: March 12, 2004*

*By: /s/ Glen F. Post, III*

-----  
*Glen F. Post, III*  
*Chairman of the Board and*  
*Chief Executive Officer*

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the date indicated.

Chairman of the Board and

*/s/ Glen F. Post, III*

*Chief Executive Officer*

-----  
*Glen F. Post, III*

*March 12, 2004*

Executive Vice President and

*/s/ R. Stewart Ewing, Jr.*

*Chief Financial Officer*

-----  
*R. Stewart Ewing, Jr.*

*March 12, 2004*

*/s/ Neil A. Sweasy*

*Vice President and Controller*

-----  
*Neil A. Sweasy*

*March 12, 2004*

*/s/ William R. Boles, Jr.*

*Director*

-----  
*William R. Boles, Jr.*

*March 12, 2004*

*/s/ Virginia Boulet*

*Director*

-----  
*Virginia Boulet*

*March 12, 2004*

**Director**

Calvin Czeschin

*/s/ James B. Gardner*

*Director*

-----  
James B. Gardner March 12, 2004

/s/ W. Bruce Hanks Director  
-----  
W. Bruce Hanks March 12, 2004

/s/ R. L. Hargrove, Jr. Director  
-----  
R. L. Hargrove, Jr. March 12, 2004

/s/ Johnny Hebert Director  
-----  
Johnny Hebert March 12, 2004

/s/ C. G. Melville, Jr. Director  
-----  
C. G. Melville, Jr. March 12, 2004

/s/ Fred Nichols Director  
-----  
Fred Nichols March 12, 2004

/s/ Harvey P. Perry Director  
-----  
Harvey P. Perry March 12, 2004

**Director**

**Jim D. Reppond**

/s/ Joseph R. Zimmer Director  
-----  
Joseph R. Zimmer March 12, 2004

**SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS  
CENTURYTEL, INC.**

For the years ended December 31, 2003, 2002 and 2001

Description	Balance at beginning of period	Additions charged to costs and expenses	Deductions from allowance	Other changes	Balance at end of period
(Dollars in thousands)					
Year ended December 31, 2003					
Allowance for doubtful accounts	\$ 33,962	31,910	(42,193) (1)	-	23,679
Valuation allowance for deferred tax assets	\$ 28,380	12,978	(21,623) (2)		19,735
Year ended December 31, 2002					
Allowance for doubtful accounts	\$ 13,908	34,045	(17,134) (1)	3,143 (3)	33,962
Valuation allowance for deferred tax assets	\$ 19,691	8,689	-	-	28,380
Year ended December 31, 2001					
Allowance for doubtful accounts	\$ 9,968	22,533	(18,593) (1)	-	13,908
Valuation allowance for deferred tax assets	\$ 6,211	13,480	-	-	19,691

(1) Customers' accounts written-off, net of recoveries.

(2) Change in the valuation allowance allocated to income tax expense.

(3) Allowance for doubtful accounts at the date of acquisition of purchased subsidiaries, net of allowance for doubtful accounts at the date of disposition of subsidiaries sold.

**CORPORATE GOVERNANCE GUIDELINES**  
(as amended through February 25, 2004)

**1. Director Qualifications**

The Board will have a majority of independent directors. The Nominating and Corporate Governance Committee is responsible for reviewing with the Board, on an annual basis, the requisite skills and characteristics of new Board members as well as the composition of the Board as a whole. This assessment will include members' independence qualifications, as well as consideration of diversity, age, character, skills and experience in the context of the needs of the Board. All directors must meet any additional qualifications established under the Company's organizational documents.

Nominees for directorship will be selected in accordance with the qualifications and criteria described in these guidelines, as well as the policies and principles in the Committee's charter and any selection guidelines or criteria adopted thereunder. The invitation to join the Board should be extended on behalf of the full Board by the Chairman of the Nominating and Corporate Governance Committee and the Chairman of the Board.

The Board presently has 13 members. It is the sense of the Board that a size of 11 to 13 is about right. However, the Board would be willing to go to a somewhat larger size in order to accommodate the availability of an outstanding candidate. It is the general sense of the Board that no more than two management directors should serve on the Board.

The Board expects directors who change the job or responsibility they held when they were elected to the Board to volunteer to resign from the Board. It is not the sense of the Board that in every such instance the director should necessarily leave the Board. There should, however, be an opportunity for the Board, following a review by the Nominating and Corporate Governance Committee, to determine the continued appropriateness of Board membership under the circumstances.

No director may serve on more than two other unaffiliated public company boards, unless this prohibition is waived by the Board. Directors should advise the Chairman of the Board and the Chairman of the Nominating and Corporate Governance Committee in advance of accepting an invitation to serve on another public company board. No director may be appointed or nominated to a new term if he or she would be age 72 or older at the time of the election or appointment.

The Board does not believe it should establish term limits. While term limits could help insure that there are fresh ideas and viewpoints available to the Board, they hold the disadvantage of losing the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. As an alternative to term limits, the Nominating and Corporate Governance Committee will review each director's continuation on the Board every three years. This will allow each director the opportunity to conveniently confirm his or her desire to continue as a member of the Board.

Directors will be deemed to be "independent" if (i) the Board affirmatively confirms that neither the director nor any organization with which the director is affiliated receives any payments from the Company other than Permissible Directors Compensation (as defined below) and (ii) none of the disqualifying events or conditions specified in Rule 303A(2)(b) of the NYSE Listed Company Manual apply to the director. For purposes hereof, "Permissible Directors Compensation" means (i) director and committee fees, (ii) reimbursement for an annual physical, continuing education, travel and other out-of-pocket expenses in accordance with the Company's applicable policies and (iii) a pension or other form of deferred compensation for prior service, provided such compensation is not contingent in any way on continued service. The Board may make determinations or interpretations under this paragraph, provided that they are consistent with the foregoing standards.

Once the Board has determined that a director is independent, the director may not engage in any transaction with the Company, either directly or indirectly through an immediate family member or related entity, without such transaction being approved by the Board.

**2. Director Responsibilities**

The basic responsibility of the directors is to exercise their business judgment to act in what they reasonably believe to be in the best interests of the Company and its shareholders. In discharging that obligation, directors should be entitled to rely on the honesty and integrity of the Company's senior executives and its outside advisors and auditors. The directors shall also be entitled to have the Company purchase reasonable directors' and officers' liability insurance on their behalf, to the benefits of indemnification to the fullest extent permitted by law and the Company's articles of incorporation, by-laws and any indemnification agreements, and to exculpation as provided by state law and the Company's articles of incorporation.

Directors are expected to attend Board meetings and meetings of committees on which they serve, and to spend the time needed and meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the directors before the meeting, and directors should review these materials in advance of the meeting.

The Board has no policy with respect to the separation of the offices of Chairman and the Chief Executive Officer. The Board believes that this issue is part of the succession planning process and that it is in the best interests of the Company for the Board to make a determination when it elects a new chief executive officer.

The Chairman will establish the agenda for each Board meeting. Each Board member is free to suggest the inclusion of items on the agenda. Each Board member is free to raise at any Board meeting subjects that are not on the agenda for that meeting. The Board will review the Company's long-term strategic plans and the principal issues that the Company will face in the future during at least one Board meeting each year.

The non-management directors will meet in executive session at least quarterly. The director who presides at each of these meetings will be an independent director chosen annually by the non-management directors, and will be disclosed in the annual proxy statement.

The Board believes that management speaks for the Company. Individual Board members may, from time to time, meet or otherwise communicate with various constituencies that are involved with the Company. However, it is expected that Board members would do this with the knowledge of the management and, absent unusual circumstances or as contemplated by the committee charters, only at the request of management.

### 3. Board Committees

The Board will have at all times an Audit Committee, a Compensation Committee and a Nominating and Corporate Governance Committee. All of the members of these committees will be independent directors, as defined in Section 1 above.

Committee members will be appointed by the Board upon recommendation of the Nominating and Corporate Governance Committee with consideration of the desires of individual directors. It is the sense of the Board that consideration should be given to rotating committee members periodically, but the Board does not believe that rotation should be mandated as a policy. Any appointments or removals of committee members will be made by the Board in accordance with the Company's bylaws.

Each key committee will have its own charter. The charters will set forth the purposes, goals and responsibilities of the committees as well as qualifications for committee membership, procedures for committee member appointment and removal, committee structure and operations and committee reporting to the Board. The charters will also provide that each key committee will annually evaluate its performance.

The Chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with members of the committee and others specified in the committee's charter, will develop the committee's agenda.

The Board and each committee have the power to hire independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Company in advance.

Each committee may meet in executive session as often as it deems appropriate, and shall have the power to obtain and review any information that the committee deems necessary to perform the functions described in its charter.

The Board may, from time to time, establish or maintain additional committees as necessary or appropriate.

### 4. Director Access to Officers and Employees

Directors have full and free access to officers and employees of the Company. Any meetings or contacts that a director wishes to initiate may be arranged through the CEO or the Secretary or directly by the director. The directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Company and will, to the extent not inappropriate, copy the CEO on any written communications between a director and an officer or employee of the Company.

The Board welcomes regular attendance at each Board meeting of senior officers of the Company. If the CEO wishes to have additional Company personnel attendees on a regular basis, this suggestion should be brought to the Board for approval.

### 5. Director Compensation

The form and amount of director compensation will be determined by the Nominating and Corporate Governance Committee in accordance with the policies and principles set forth in its charter, and such Committee will conduct an annual review of director compensation. The Nominating and Corporate Governance Committee will consider whether directors' independence may be jeopardized if director compensation and perquisites exceed customary levels, or if the Company makes substantial charitable contributions to organizations with which a director is affiliated.

### 6. Director Orientation and Continuing Education

The Nominating and Corporate Governance Committee shall maintain an Orientation Program for new directors. All new directors must participate in the Company's Orientation Program, which should be conducted as soon as practicable after new directors are elected or appointed. This orientation may include presentations by senior management to familiarize new directors with the Company's strategic plans, its significant financial, accounting and risk management issues, its corporate compliance programs (which include its code of business conduct and ethics), its principal officers, and its internal and independent auditors. All other directors are also invited to attend the Orientation Program.

The Company will also maintain a Continuing Education Program for directors, pursuant to which it will endeavor to periodically update directors on industry, technological and regulatory developments, and to provide adequate resources to support directors in understanding the Company's business and matters to be acted upon at board and committee meetings.

#### 7. CEO Evaluation and Management Succession

The Nominating and Corporate Governance Committee will conduct an annual review of the CEO's performance. The Nominating and Corporate Governance Committee will provide a report of its findings to the Board of Directors (with appropriate recusals of the CEO and other management directors, as necessary) to enable the Board to ensure that the CEO is providing the best leadership for the Company in the long- and short-term.

The Nominating and Corporate Governance Committee should report periodically to the Board on succession planning. The entire Board will consult periodically with the Nominating and Corporate Governance Committee regarding potential successors to the CEO. The CEO should at all times make available his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

#### 8. Annual Performance Evaluation

The Board of Directors will conduct an annual self-evaluation to determine whether it and its committees are functioning effectively. The Nominating and Corporate Governance Committee will receive comments from all directors and report annually to the Board with an assessment of the Board's performance, which will be discussed with the full Board. The assessment will focus on the Board's contribution to the Company and specifically focus on areas in which the Board or management believes that the Board could improve.

#### 9. Standards of Business Conduct and Ethics

All of the Company's directors, officers and employees are required to abide by the Company's long-standing Corporate Compliance Program, which includes standards of business conduct and ethics. The Company's program and related procedures cover all areas of professional conduct, including employment policy, conflicts of interests, protection of confidential information, as well as strict adherence to all laws and regulations applicable to the conduct of the Company's business.

Any waiver of the Company's policies, principles or guidelines relating to business conduct or ethics for executive officers or directors may be made only by the Audit Committee, and will be promptly disclosed as required by law or stock exchange regulation.

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o Originally adopted by the Nominating and Corporate Governance Committee and the Board of Directors on February 17, 2003 and February 25, 2003, respectively.

o Sections 1, 3, 6 and 7 amended by the Nominating and Corporate Governance Committee and the Board of Directors on November 18, 2003 and November 20, 2003, respectively.

o Sections 1, 3 and 9 amended by the Nominating and Corporate Governance Committee and the Board of Directors on February 19, 2004 and February 25, 2004, respectively.



**CHARTER OF AUDIT COMMITTEE  
OF THE BOARD OF DIRECTORS**  
(as amended through February 25, 2004)

**I. SCOPE OF RESPONSIBILITY**

**A. General**

Subject to the limitations noted in Section VI, the primary function of the Audit Committee is to assist the Board of Directors (the "Board") in fulfilling its oversight responsibilities by (1) overseeing the Company's system of financial reporting, auditing, controls and legal compliance, (2) monitoring the operation of such system and the integrity of the Company's financial statements, (3) monitoring the qualifications and independence of the outside auditors, and the performance of the outside and internal auditors, and (4) reporting to the Board periodically concerning activities of the Audit Committee.

**B. Relationship to Other Groups**

The management of the Company is responsible primarily for developing the Company's accounting practices, preparing the Company's financial statements, maintaining internal controls, maintaining disclosure controls and procedures, and preparing the Company's disclosure documents in compliance with applicable law. The internal auditors are responsible primarily for objectively assessing the Company's internal controls. The outside auditors are responsible primarily for auditing and attesting to the Company's financial statements and evaluating the Company's internal controls. Subject to the limitations noted in Section VI, the Audit Committee, as the delegate of the Board, is responsible for overseeing this process and discharging such other functions as are assigned by law, the Company's organizational documents, or the Board. The functions of the Audit Committee are not intended to duplicate, certify or guaranty the activities of management or the internal or outside auditors.

The Audit Committee will strive to maintain an open and free avenue of communication among management, the outside auditors, the internal auditors, and the Board. The outside and internal auditors will report directly to the Audit Committee. The Audit Committee will report regularly to the Board.

**II. COMPOSITION**

The Audit Committee will be comprised of three or more directors, each of whom will be appointed and replaced by the Board in accordance with the Company's bylaws. Each member of the Audit Committee will meet the standards of independence or other qualifications required from time to time by the New York Stock Exchange, Section 10A(m)(3) of the Securities Exchange Act of 1934 (the "Exchange Act") and the rules and regulations of the Securities and Exchange Commission (the "SEC"), and at least one member will in the judgment of the Board have accounting or related financial management expertise in accordance with New York Stock Exchange listing standards. The Audit Committee's chairperson shall be designated by the Board. The Audit Committee may form and delegate authority to subcommittees consisting of one or more members when appropriate, including the authority to grant preapprovals of audit and permitted non-audit services by the outside auditors, subject to any limitations or reporting requirements established by law or the Company's procedures.

**III. MEETINGS**

The Audit Committee will meet at least four times annually, or more frequently if the Committee determines it to be necessary. To foster open communications, the Audit Committee may invite to its meetings other directors or representatives of management, the outside auditors, the internal auditors, counsel or other persons whose pertinent advice or counsel is sought by the Committee. The agenda for meetings will be prepared in consultation among the Committee chairperson (with input from Committee members), management, the outside auditors, the internal auditors and counsel. The Audit Committee will maintain written minutes of all its meetings and provide a copy of all such minutes to every member of the Board.

**IV. POWERS**

The Audit Committee shall have the sole authority to appoint or replace the outside auditors, provided that the Audit Committee may submit its appointment to the Company's shareholders for ratification on terms and conditions acceptable to it. The Audit Committee shall be directly responsible for the compensation and oversight of the work of the outside auditors (including resolution of disagreements between management and the outside auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The Audit Committee shall also have the sole authority to (a) appoint or replace the head of internal auditing, (b) appoint or replace any firm engaged to provide internal auditing services and (c) grant waivers to directors or executive officers from the code of ethics and business conduct contained in the Company's corporate compliance procedures.

The Audit Committee shall have the authority, to the extent it deems necessary or appropriate, to retain independent legal, accounting or other advisors. The Company shall provide appropriate funding, as determined by the Audit Committee, for payment of (a) compensation to the

outside auditor or any other advisors employed by the Audit Committee and (b) ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

The Audit Committee shall have the power to (a) obtain and review any information that the Audit Committee deems necessary to perform its oversight functions and (b) conduct or authorize investigations into any matters within the Audit Committee's scope of responsibilities.

The Audit Committee shall have the power to issue any reports or perform any other duties required by (a) the Company's articles of incorporation or bylaws, (b) applicable law or (c) rules or regulations of the SEC, the New York Stock Exchange, or any other self-regulatory organization having jurisdiction over the affairs of the Audit Committee. The Audit Committee may adopt any policies or procedures required under any such articles, bylaws, laws, rules or regulations, or that it, in its discretion, may determine to be advisable in connection with its oversight functions.

The Audit Committee shall have the power to consider and act upon any other matters concerning the financial affairs of the Company as the Audit Committee, in its discretion, may determine to be advisable in connection with its oversight functions.

## V. PERIODIC OVERSIGHT TASKS

The Audit Committee, to the extent it deems necessary or appropriate or to the extent required by applicable laws or regulations, will perform the oversight tasks delineated in the Audit Committee Checklist. The checklist will be updated annually to reflect changes in regulatory requirements, authoritative guidance, and evolving oversight practices. The most recently updated checklist will be considered to be an addendum to this charter.

## VI. LIMITATIONS

The Committee's failure to investigate any matter, to resolve any dispute or to take any other actions or exercise any of its powers in connection with the good faith exercise of its oversight functions shall in no way be construed as a breach of its duties or responsibilities to the Company, its directors or its shareholders.

The Audit Committee is not responsible for preparing the Company's financial statements, planning or conducting the audit of such financial statements, determining that such financial statements are complete and accurate or prepared in accordance with generally accepted accounting standards, or assuring compliance with applicable laws or the Company's policies, procedures and controls, all of which are the responsibility of management or the outside auditors. The Audit Committee's oversight functions involve substantially lesser responsibilities than those associated with the audit performed by the outside auditors. In connection with the Audit Committee's oversight functions, the Committee may rely on (i) management's representations that the financial statements have been prepared with integrity and objectivity and in conformity with accounting principles generally accepted in the United States and (ii) the representations of the internal or outside auditors.

In carrying out its oversight functions, the Audit Committee believes its policies and procedures should remain flexible in order to best react to a changing environment.

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o Originally adopted and approved by the Audit Committee and Board on November 18, 1999.

o Amended by the Board on February 28, 2001, February 26, 2002, February 25, 2003 and February 25, 2004, in each case following prior approval thereof by the Audit Committee.

# ADDENDUM

## AUDIT COMMITTEE CHECKLIST

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	As Needed
Annual Audit Planning -----					
1. appoint or replace the outside auditors and approve the compensation and other terms of the outside auditors' annual engagement	X				
2. pre-approve all auditing services	X				X
3. review significant relationships between the outside auditors and the Company, including those described in written statements of the outside auditors furnished under ISB Standard No. 1 and employment relationships proscribed under Rule 2-01(c)(2) of Regulation S-X1 (1)	X				X
4. discuss the scope and comprehensiveness of the audit plan, including changes from prior years and the coordination of the efforts of the outside and internal auditors	X			X	
Review Earnings Releases and Other Non-SEC Reports -----					
5. discuss the Company's earnings release with management and the outside auditors prior to its release	X	X	X	X	
6. discuss with management the Company's financial information and earnings guidance provided to analysts and rating agencies	X	X	X	X	
Review of Financial Information in SEC Reports -----					
7. review with management and the outside auditors the Company's financial information, including  (a) any report, opinion or review rendered on the financial statements by management or the outside auditors (including under SAS No. 61 or 71),  (b) any analysis prepared by management or the outside auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements and  (c) the effect of regulatory and accounting initiatives	X	X	X	X	
8. review and discuss reports from the outside auditors on:  (a) the Company's critical accounting policies  (b) all alternative treatments of financial information within GAAP that have been discussed with management, ramifications of the use of such alternative treatments, and the treatment preferred by the outside auditors  (c) other material written communications between the outside auditors and management, such as any management letter or schedule of unadjusted differences	X				X
9. review and discuss reports from the outside auditors on:  (a) conditions or matters, if any, that must be reported under generally accepted auditing standards (including SAS No. 61), including:  (i) difficulties or disputes with management or the internal auditors encountered during the audit  (ii) the outside auditors' views regarding the Company's financial disclosures, the quality of the Company's accounting principles as applied, the underlying estimates and other significant judgments made by management in preparing the financial statements, and the compatibility of the Company's principles and judgments with prevailing practices and standards  (b) matters, if any, that must be reported under the federal securities laws (including Section 10A of the Exchange Act)  (c) communications, if any, with the national office	X	X	X	X	X

of the outside auditors pertaining to the Company's financial affairs

10. review with management and the outside auditors major issues regarding accounting principles and financial statement presentations, including any	X	X	X	X	
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(a) significant changes in the Company's selection or application of accounting principles,

(b) major issues as to the adequacy of the Company's internal controls, its disclosure controls and procedures, or its financial reporting processes, and

(c) special audit steps adopted in light of material control deficiencies

11. discuss with management and the outside auditors the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements	X	X	X	X	
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12. discuss the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures	X	X	X	X	X
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13. review the accounting implications of significant new transactions, if any	X	X	X	X	X
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Conduct of Meetings  
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14. in connection with each periodic report of the Company, review:

(a) management's required disclosure, if any, to the Audit Committee under ss.302 of the Sarbanes-Oxley Act regarding significant deficiencies in internal controls over financial reporting or reportable fraud					X
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(b) the contents of the certifications of the Company's CEO and CFO included in such report	X	X	X	X	
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15. receive reports, if any, regarding (a) non-audit services that the Chairman (or any subcommittee) pre-cleared the outside auditor to perform since the last meeting, (b) letters received by the Chairman under the Company's accounting complaint procedures and (c) any other "whistle blower" reports alleging material violations within the purview of the Audit Committee's functions	X	X	X	X	
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16. review the extent to which the Company has implemented changes in practices or controls that were previously recommended to or approved by the Audit Committee					X
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17. receive reports regarding significant changes to GAAP or regulations impacting the Audit Committee					X
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18. meet in executive session with the outside auditors, internal auditors and management, as necessary	X	X	X	X	X
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Annual Reports  
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19. recommend to the Board whether the audited financial statements should be included in the Company's 10-K report	X				
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20. approve the annual proxy statement report of the Audit Committee required by the rules of the SEC	X				
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21. review and approve the disclosures in each 10-K report regarding management's internal control report (effective First Quarter 2005)	X				
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Oversight of the Company's Outside Auditors  
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22. pre-clear the engagement of the outside auditors to conduct any non-audit services not pre-cleared by the Chairman (or a subcommittee)					X
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23. obtain and review a report from the outside auditors regarding (a) the outside auditor's internal quality-control procedures, (b) any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting any audit engagement, (c) any steps taken to deal with any such issues, and (d) assurances that the outside auditing firm is registered in				X	
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good standing with the Public Company Accounting Oversight Board

24. review and evaluate the lead audit partner and ensure his rotation as required by law X
25. monitor the effectiveness of the Company's hiring policies for employees or former employees of the outside auditors (maintained under Section 10A(1) of the Exchange Act and NYSE Rule 303A(7)) X

Oversight of the Company's Internal Auditors

26. review the performance of the head of the internal audit department, and replace if necessary X
27. meet, if possible, with the entire internal auditing staff X
28. review significant reports to management prepared by the internal auditing department and management's responses X X X X X
29. discuss with the outside auditors and management the internal audit department's plans, responsibilities, preliminary budget, independence and staffing for the upcoming year (including the use of third party firms) and any recommended changes thereto X

Compliance Oversight Responsibilities

30. monitor the effectiveness of the Company's procedures for receiving, retaining, and handling confidential, anonymous complaints regarding accounting, controls or auditing matters (maintained under SEC Rule 10A-3) X
31. discuss any correspondence with regulators or governmental agencies and any published reports which raise material issues regarding the Company's financial statements or accounting policies X
32. review the adequacy of the Company's disclosure controls and procedures X
33. review reports on "related party" transactions X
34. solicit, as necessary, germane reports or information from other committees with related oversights functions X
35. review periodically the procedures established by the Company to monitor its compliance with debt covenants X
36. consult periodically with counsel concerning the Audit Committee's responsibilities or legal matters that may have a material impact on the Company's financial statements, controls, or corporate compliance procedures X

Self Assessment

37. review annually the Audit Committee's self-review criteria X
38. conduct self-review; verify that all Committee members remain eligible to serve X

Charter

39. review this checklist and the related Audit Committee charter annually, and consider, adopt and submit to the Board any proposed changes X
40. include a copy of the Audit Committee charter as an appendix to the proxy statement at least once every three years X
41. periodically review the charter of the internal audit department, and consider and adopt necessary changes X

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Last Revised: February 25, 2004.

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(1 ) The Audit Committee may request verification that no employee of the Company in a financial reporting oversight role is a former partner, principal, shareholder or professional employee of the outside auditors, and may review any additional records or certifications necessary to verify the outside auditors' independence under Regulation S-X.

**CHARTER OF THE COMPENSATION COMMITTEE  
OF THE BOARD OF DIRECTORS**  
(as amended through February 25, 2004)

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**I. PURPOSE**

The Compensation Committee is appointed by the Board principally to discharge the Board's responsibilities relating to compensation of the Company's executive officers, to oversee the administration of the Company's equity incentive and executive compensation programs, and to produce an annual report on executive compensation for inclusion in the Company's proxy statement.

**II. COMPOSITION**

The Committee will consist of at least three directors, each of whom will be appointed and replaced by the Board in accordance with the Company's bylaws. Each member of the Committee will meet the independence requirements of the New York Stock Exchange and Rule 16b-3 promulgated under the Securities Exchange Act of 1934. The Committee's chairman will be designated by the Board. The Committee may form and delegate authority to subcommittees when appropriate.

**III. MEETINGS**

The chairman of the Committee will preside at each meeting and, in consultation with the other members of the Committee and management, will set the frequency of, and the agenda for, each meeting.

**IV. AUTHORITY AND RESPONSIBILITIES**

In furtherance of the purpose of the Committee described above, the Committee will have the following authority and responsibilities:

1. The Committee will periodically review and approve goals and objectives relating to compensation of the executive officers and evaluate the performance of the executive officers in light of these goals and objectives. Based on this evaluation, the Committee will approve the CEO's compensation level, and will recommend to the Board the compensation levels of the other executive officers (and any other officer subject to Section 16 of the Securities Exchange Act of 1934). The Committee will also oversee the annual evaluation of all other members of management.
2. The Committee will periodically review the Company's incentive compensation plans and equity-based plans, and will oversee the administration of the Company's other executive compensation plans and programs.
3. The Committee will review, adopt and submit to the Board for its approval (i) any proposed plan or arrangement offering or providing any incentive, retirement or other compensation, benefits or perquisites to one or more of the Company's executive officers (other than any plan or arrangement offering benefits that do not discriminate in scope, terms or operation in favor of executive officers and that are generally available to all salaried employees) and (ii) any significant amendment or change to any such plan or arrangement.
4. The Committee will review, adopt and submit to the Board for its approval (i) any proposed employment, severance or change-in-control contract between the Company and an executive officer or proposed executive officer and (ii) any proposed extension or significant amendment thereto.
5. The Committee will exercise all powers allocated to it under the Company's benefit plans, including the powers to (i) grant stock options and other equity-based awards thereunder and (ii) establish performance goals thereunder and determine whether such goals have been attained. The Committee will also have the authority to delegate responsibility in accordance with the terms and conditions of each such applicable plan.
6. The Committee, in consultation with management, will oversee compliance with regulations governing executive compensation, including Rule 16b-3 and Section 162(m) of the Internal Revenue Code.
7. The Committee will issue executive compensation reports to the Company's shareholders in the manner required under the rules and regulations of the U.S. Securities and Exchange Commission.
8. The Committee will make regular reports to the Board.
9. The Committee will have the sole authority to retain and terminate any compensation consultant retained to assist the Committee in

discharging its functions, and may, to the extent it deems necessary or appropriate, retain independent legal, financial or other advisors. The Committee will approve related fees and other retention terms.

10. The Committee will oversee, monitor, review or approve such other employment or compensation-related matters, and will perform such other services, as may be delegated to it from time to time by the Board.

11. The Committee will review and reassess the adequacy of this Charte annually and recommend any proposed changes to the Board for approval. The Committee will annually review its own performance.

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o Originally adopted and approved by the Committee and the Board on February 11, 2003, and February 25, 2003, respectively.

o Section II amended by the Committee and the Board on May 27, 2003, and May 29, 2003, respectively.

o Sections I, II and IV amended by the Committee and the Board on February 25, 2004.



**CHARTER OF THE NOMINATING AND CORPORATE GOVERNANCE  
COMMITTEE OF THE BOARD OF DIRECTORS**  
(as amended through February 25, 2004)

**I. PURPOSE**

The Nominating and Corporate Governance Committee is appointed by the Board principally to (1) assist the Board by identifying individuals qualified to serve as directors and officers of the Company, and to recommend to the Board nominees for such positions, (2) monitor the composition of the Board and its committees, (3) recommend to the Board a set of corporate governance guidelines applicable to the Company and (4) lead the Board in its annual review of the Board's performance.

**II. COMPOSITION**

The Committee shall consist of at least three directors, each of whom will be appointed and replaced by the Board in accordance with the Company's bylaws. Each member of the Committee shall meet the independence requirements of the New York Stock Exchange. The Committee's chairperson shall be designated by the Board. The Committee may form and delegate authority to subcommittees when appropriate.

**III. MEETINGS**

The chairperson of the Committee will preside at each meeting and, in consultation with the other members of the Committee, will set the frequency of, and the agenda for, each meeting.

**IV. AUTHORITY AND RESPONSIBILITIES**

In furtherance of the purpose of the Committee described above, the Committee shall have the following authority and responsibilities:

1. The Committee shall lead the search for individuals qualified to serve as directors, and to recommend to the Board a slate of directors to be elected annually by the shareholders. In connection therewith, the Committee (i) shall consider candidates submitted by shareholders in accordance with the Company's bylaws, (ii) shall monitor the performance and contributions of incumbent directors and (iii) may, to the extent it deems necessary or appropriate, develop and recommend to the Board specific criteria for selecting director nominees. The Committee shall also recommend to the Board a slate of officers to be elected annually by the Board and individuals to fill vacancies as the need arises.
2. The Committee shall monitor the operation of the Board's committees. In connection therewith, the Committee (i) shall recommend to the Board a slate of directors to be elected annually to serve as committee members and directors to fill committee vacancies as needed and (ii) may recommend to the Board changes in committee structure and operations, including the creation and elimination of committees.
3. The Committee shall, no less than annually, review and reassess the adequacy of the corporate governance guidelines applicable to the Company and recommend any proposed changes to the Board for approval.
4. The Committee shall receive comments from all directors and report annually to the Board with an assessment of the Board's performance, to be discussed with the full Board.
5. The Committee may make recommendations to the Board concerning the size and composition of the Board, the term of membership of directors, and the frequency, content and structure of Board meetings.
6. The Committee shall review and oversee any director orientation or continuing director education programs established by the Company.
7. The Committee shall conduct an annual review of the CEO's performance, and report its findings to the Board. The Committee shall also periodically report to the Board on succession planning for the senior executive officers.
8. The Committee shall review annually director compensation and benefits (except that the Compensation Committee shall administer the Company's director stock option plans).
9. The Committee shall make regular reports to the Board.
10. The Committee shall have the sole authority to retain and terminate any search firm to be used to identify director or officer candidates and may, to the extent it deems necessary or appropriate, retain independent legal, financial or other advisors. The Committee shall approve related fees and other retention terms.

11. The Committee shall also discharge any additional functions that may be delegated or assigned to it by the Board from time to time, including (i) considering questions of conflict of interest of directors or executive officers, (ii) reviewing the functions and responsibilities of the senior officers and (iii) considering significant corporate governance issues or shareholder relations issues that may arise from time to time.

12. The Committee shall review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee shall annually review its own performance.

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o Originally adopted and approved by the Committee and the Board on January 30, 2003 and February 25, 2003, respectively.

o Sections II and IV amended by the Committee and the Board on February 19, 2004 and February 25, 2004, respectively.

**CHARTER FOR RISK EVALUATION COMMITTEE  
OF THE BOARD OF DIRECTORS**  
(as amended through February 25, 2004)

**I. PURPOSE**

The Risk Evaluation Committee is appointed by the Board to identify, monitor and manage risks to the Company's business, properties and employees.

**II. COMPOSITION**

The Committee will consist of at least three directors, each of whom will be appointed and replaced by the Board in accordance with the Company's bylaws. The Committee's chairman will be designated by the Board. The Committee may form and delegate authority to subcommittees when appropriate.

**III. MEETINGS**

The chairman of the Committee will preside at each meeting and, in consultation with the other members of the Committee and management, will set the frequency of, and the agenda for, each meeting; provided, however, that any member of the Committee may call a meeting in his or her discretion. To assist it in discharging its functions, the Committee may invite to its meetings other directors or representatives of management, counsel and other persons whose pertinent advice or counsel is sought by the Committee.

**IV. AUTHORITY AND RESPONSIBILITIES**

In furtherance of the purpose of the Committee described above, the Committee will have the following authority and responsibilities:

1. The Committee will review periodically the Company's major risk exposures in the areas listed below:

(a) risks to the Company's properties (including its information systems) posed by casualty events, terrorism, sabotage or theft

(b) risks to the Company's business caused by potential or actual regulatory developments or the Company's failure to comply with applicable telecommunications regulations

(c) risks to the Company's business caused by the failure to comply with environmental, safety, health or other similar laws

(d) risks of injury to the Company's employees

(e) risks of potential, threatened or pending rate cases or lawsuits.

2. The Committee will review periodically the steps that the Company has taken or could take to mitigate major risks identified above or any others subsequently identified. In connection therewith, the Committee will periodically review and adjust the scope and coverage of the Company's insurance programs, subject to receiving the approval or ratification of the Board for material changes to such programs.

3. The Committee will oversee the operation of the Company's corporate compliance program and procedures. In connection therewith, the Committee (i) will review periodically the effectiveness and adequacy of the Company's corporate compliance program and procedures and recommend to the Board any necessary proposed changes thereto and (ii) may, to the extent it deems necessary or appropriate, investigate or cause to be investigated any material instance of noncompliance.

4. The Committee will oversee the Company's risk management, loss prevention and safety programs and activities.

5. The Committee will monitor the functions of the Board to ensure that management (or the chairpersons of other Board committees) are periodically making presentations to the Board regarding other major risk exposures not directly monitored by the Committee.

6. The Committee will make regular reports to the Board summarizing the Company's insurance programs and the Committee's activities.

7. The Committee will also discharge any additional functions that may be delegated or assigned to it by the Board from time to time.

8. The Committee will review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval. The Committee will annually review its own performance.

\* \* \* \* \*

- o Originally adopted and approved by the Committee and the Board on February 18, 2003 and February 25, 2003, respectively.
- o Sections II and IV amended by the Committee and the Board on February 19, 2004 and February 25, 2004, respectively.

**AMENDED AND RESTATED  
CENTURYTEL, INC.  
2002 DIRECTORS STOCK OPTION PLAN**

WHEREAS, the CenturyTel, Inc. 2002 Directors Stock Option Plan (the "Plan") was adopted by the Board of Directors of CenturyTel, Inc. (the "Company") on February 26, 2002 and approved by the shareholders of the Company on May 9, 2002, and Amendment No. 1 to the Plan was approved by the Board of Directors of the Company on May 29, 2003; and

WHEREAS, the Board of Directors now wishes to amend Section 10.2 of the Plan to provide that no Awards may be granted under the Plan later than May 9, 2012, which is ten years after the Plan was approved by the Company's stockholders.

NOW THEREFORE, Section 10.2 of the Plan is hereby amended to read as provided herein and the Plan is hereby restated in its entirety reflecting such amendment to read as follows:

**1. Purpose of the Plan.**

The purpose of the CenturyTel, Inc. 2002 Directors Stock Option Plan is to promote the interests of the Company and its shareholders by strengthening the Company's ability to attract, motivate and retain Directors of experience and ability, and to encourage the highest level of Directors performance by providing Directors with a proprietary interest in the Company's financial success and growth.

**2. Definitions.**

2.1 "Board" means the Board of Directors of the Company.

2.2 "Committee" means the Compensation Committee of the Board or a subcommittee thereof. The Committee shall consist of not fewer than two members of the Board of Directors, each of whom shall (a) qualify as a "non-employee director" under Rule 16b-3 promulgated under the Securities Exchange Act of 1934 (the "1934 Act"), or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Internal Revenue Code of 1986, as amended (the "Code"), and the regulations promulgated thereunder (collectively, "Section 162(m)").

2.3 "Common Stock" means the common stock, \$1.00 par value per share of the Company.

2.4 "Company" or "CenturyTel" means CenturyTel, Inc., a Louisiana corporation.

2.5 "Director" means a member of the Board who is not employed by the Company or any of its subsidiaries.

2.6 "Fair Market Value" means (i) if the Common Stock or other security is listed on an established stock exchange or any automated quotation system that provides sale quotations, the closing sale price for a share thereof on such exchange or quotation system on the applicable date, and if shares are not traded on such day, on the next preceding trading date, (ii) if the Common Stock or other security is not listed on any exchange or quotation system, but bid and asked prices are quoted and published, the mean between the quoted bid and asked prices on the applicable date, and if bid and asked prices are not available on such day, on the next preceding day on which such prices were available, and (iii) if the Common Stock or other security is not regularly quoted, the fair market value of a share thereof on the applicable date as established by the Committee in good faith.

2.7 "Participant" means each Director (as defined in Section 2.5).

2.8 "Option" means a stock option that does not satisfy the requirements of Section 422 of the Code.

2.9 "Plan" means the CenturyTel, Inc. 2002 Directors Stock Option Plan as set forth herein and as amended, restated, supplemented or otherwise modified from time to time.

**3. Shares of Common Stock Subject to the Plan.**

3.1 The Company may issue up to 400,000 shares of Common Stock, subject to the adjustment provisions of Section 7, pursuant to the exercise of Options granted hereunder. Such shares may be either authorized but unissued shares or shares issued and thereafter acquired by the Company.

3.2 To the extent any shares of Common Stock subject to an Option are not issued because the Option is forfeited or cancelled, such shares shall again be available for grant pursuant to Options granted under the Plan. If the exercise price of any Option granted under this Plan is satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by attestation), only the number of shares of

Common Stock issued net of the shares of Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under the Plan.

4. Administration of the Plan.

4.1 The Plan shall be administered by the Committee, which shall have the power to interpret the Plan and, subject to its provisions, to prescribe, amend and rescind Plan rules and to make all other determinations necessary for the Plan's administration.

4.2 All action taken by the Committee in the administration and interpretation of the Plan shall be final and binding upon all parties. No member of the Committee will be liable for any action or determination made in good faith by the Committee with respect to the Plan or any Option.

4.3 The Committee does not have the authority to make discretionary grants of stock options under the Plan. Grants may be made only as provided in Section 5 hereof.

5. Grant of Options.

5.1 Beginning with the 2002 annual meeting of shareholders and for as long as the Plan remains in effect and shares of Common Stock remain available for issuance hereunder, each Participant shall be automatically granted an Option to acquire up to 6,000 shares of Common Stock on the day following each annual meeting of shareholders. The Committee shall determine the size of the Option grants to be made to the Participants each year, within the limitations provided herein.

5.2 While the Plan remains in effect and shares of Common Stock remain available for issuance hereunder, any person who becomes a Director other than by election at an annual meeting of shareholders shall be granted an Option to acquire a pro rata number of shares of Common Stock calculated as follows:

Number of shares subject to Options granted to each Director on the day following the preceding annual meeting		Number of full calendar months between the date the person becomes a Director and the next annual meeting -----
	x	12

6. Terms and Conditions of Options.

6.1 Unless exercisability is accelerated as provided in Sections 6.4 or 8.2 hereof, the Options shall become exercisable beginning one year following the date of grant.

6.2 Unless terminated earlier as provided in Section 6.5 or 8.3, the Options shall expire ten years following the date of grant.

6.3 The exercise price of the Options granted to Directors shall be equal to the Fair Market Value, as defined herein, of a share of Common Stock on the date of grant.

6.4 The Committee may accelerate the exercisability of any Option at any time in its discretion.

6.5 In the event a Director ceases to serve on the Board because such Director is ineligible to stand for re-election to the Board under the CenturyTel Directors Retirement Policy (or any comparable successor retirement policy), the exercisable Options granted hereunder and held by such Director shall continue to be outstanding and exercisable for the remaining terms of such Options, subject to the rights of the Committee under Section 8.3 hereof. In the event a Director ceases to serve on the Board for any other reason, the Options granted hereunder must be exercised, to the extent otherwise exercisable at the time of termination of Board service, within two years from the date of termination of Board service. Subject to Section 6.4 hereof, Options that are not exercisable at the time of termination of Board service shall be forfeited.

6.6 An Option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased. The exercise notice shall be accompanied by tender of the full purchase price for such shares, which may be paid or satisfied by (a) cash; (b) check; (c) delivery of shares of Common Stock, which shares shall be valued for this purpose at the Fair Market Value on the business day immediately preceding the date such option is exercised and, unless otherwise determined by the Committee, shall have been held by the optionee for at least six months; (d) delivery of irrevocable written instructions to a broker approved by the Company (with a copy to the Company) to immediately sell a portion of the shares issuable under the Option and to deliver promptly to the Company the amount of sale proceeds (or loan proceeds if the broker lends funds to the participant for delivery to the Company) to pay the exercise price; or (e) in such other manner as may be authorized from time to time by the Committee, provided that all such payments shall be made or denominated in United States dollars. In the case of delivery of an uncertified check, no shares shall be issued until the check has been paid in full. Prior to the issuance of shares of Common Stock upon the exercise of an Option, a Participant shall have no rights as a shareholder.

6.7 Except for adjustments pursuant to Section 7 or actions permitted to be taken by the Committee under Section 8.3 in the event of a Change of Control, unless approved by the shareholders of the Company, (a) the exercise price for any outstanding Option granted under this Plan may

not be decreased after the date of grant and (b) an outstanding Option that has been granted under this Plan may not, as of any date that such Option has a per share exercise price that is less than the then current Fair Market Value of a share of Common Stock, be surrendered to the Company as consideration for the grant of a new Option with a lower exercise price or any payment of cash or Common Stock.

6.8 Upon approval of the Committee, the Company may repurchase all or a portion of a previously granted Option from a Participant by mutual agreement before such option has been exercised by payment to the Participant of cash or Common Stock or a combination thereof with a value equal to the amount per share by which: (a) the Fair Market Value of the Common Stock subject to the Option on the business day immediately preceding the date of purchase exceeds  
(b) the exercise price.

## 7. Adjustment Provisions.

In the event of any recapitalization, reclassification, stock dividend, stock split, combination of shares or other change in the Common Stock, all limitations on numbers of shares of Common Stock provided in this Plan, and the number of shares subject to outstanding Options, shall be equitably adjusted in proportion to the change in outstanding shares of Common Stock. In addition, in the event of any such change in the Common Stock, the Committee shall make any other adjustment that it determines to be equitable, including without limitation adjustments to the exercise price of any Option in order to provide Participants with the same relative rights before and after such adjustment.

## 8. Change of Control.

8.1 A Change of Control shall mean:

(a) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Common Stock or 30% or more of the combined voting power of CenturyTel's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this subsection (a), the following acquisitions shall not constitute a Change of Control:

(i) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under Section 8.1(c) hereof) of Common Stock directly from the Company,

(ii) any acquisition of Common Stock by the Company,

(iii) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(iv) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under Section 8.1(c) hereof; or

(b) individuals who, as of January 1, 2002, constituted the Board of Directors of CenturyTel (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by CenturyTel's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

(c) consummation of a reorganization, share exchange, merger or consolidation (including any such transaction involving any direct or indirect subsidiary of CenturyTel) or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"); provided, however, that in no such case shall any such transaction constitute a Change of Control if immediately following such Business Combination:

(i) the individuals and entities who were the beneficial owners of CenturyTel's outstanding Common Stock and CenturyTel's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of Common Stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the surviving or successor corporation, or, if applicable, the ultimate parent company thereof (the "Post-Transaction Corporation"), and

(ii) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either CenturyTel, the Post-Transaction Corporation or any subsidiary of either corporation) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of Common Stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and

(iii) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(d) approval by the shareholders of CenturyTel of a complete liquidation or dissolution of CenturyTel.

For purposes of this Section 8, the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

8.2 Upon a Change of Control of the type described in clause 8.1(a) or 8.1(b) or upon the approval by the Board of Directors of CenturyTel of any Change of Control of the type described in clause 8.1(c) or 8.1(d), all outstanding Options granted pursuant to this Plan shall automatically become fully vested and exercisable.

8.3 No later than 30 days after a Change of Control of the type described in subsections 8.1(a) or 8.1(b) and no later than 30 days after the approval by the Board of a Change of Control of the type described in subsections 8.1(c) or 8.1(d), the Committee, acting in its sole discretion without the consent or approval of any Participant (and notwithstanding any removal or attempted removal of some or all of the members thereof as Directors or Committee members), may act to effect one or more of the alternatives listed below, which may vary among individual Participants and which may vary among Options held by any individual Participant:

(a) require that all outstanding Options be exercised on or before a specified date (before or after such Change of Control) fixed by the Committee, after which specified date all unexercised Options and all rights of Participants thereunder shall terminate,

(b) make such equitable adjustments to Options then outstanding as the Committee deems appropriate to reflect such Change of Control (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary),

(c) provide for mandatory conversion or exchange of some or all of the outstanding Options held by some or all Participants as of a date, before or after such Change of Control, specified by the Committee, in which event such Options shall be deemed automatically cancelled and the Company shall pay, or cause to be paid, to each such Participant an amount of cash per share equal to the excess, if any, of the Change of Control Value of the shares subject to such Option, as defined and calculated below, over the per share exercise price of such Options or, in lieu of such cash payment, the issuance of Common Stock or securities of an acquiring entity having a Fair Market Value equal to such excess, or

(d) provide that thereafter, upon any exercise of an Option that entitles the holder to receive Common Stock, the holder shall be entitled to purchase or receive under such Option, in lieu of the number of shares of Common Stock then covered by such Option, the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the holder would have been entitled pursuant to the terms of the agreement providing for the reorganization, share exchange, merger, consolidation or asset sale, if, immediately prior to such Change of Control, the holder had been the record owner of the number of shares of Common Stock then covered by such Option.

8.4 For the purposes of any conversions or exchanges under paragraph

(c) of Section 8.3, the "Change of Control Value" shall equal the amount determined by whichever of the following items is applicable:

(a) the per share price to be paid to holders of Common Stock in any such merger, consolidation or other reorganization,

(b) the price per share offered to holders of Common Stock in any tender offer or exchange offer whereby a Change of Control takes place, or

(c) in all other events, the Fair Market Value of a share of Common Stock, as determined by the Committee as of the date determined by the Committee to be the date of conversion or exchange.

8.5 In the event that the consideration offered to shareholders of CenturyTel in any transaction described in this Section 8 consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered that is other than cash.

## 9. General Provisions.

9.1 Nothing in the Plan or in any instrument executed pursuant to the Plan will confer upon any Participant any right to continue as a Director or affect the right of the Company to terminate the services of any Participant.

9.2 No shares of Common Stock will be issued or transferred pursuant to an Option unless and until all then-applicable requirements imposed by federal and state securities and other laws, rules and regulations and by any regulatory agencies having jurisdiction, and by any stock exchanges upon which the Common Stock may be listed, have been fully met. As a condition precedent to the issuance of shares pursuant to the exercise of an Option, the Company may require the Participant to take any reasonable action to meet such requirements.

9.3 No Participant and no beneficiary or other person claiming under or through such Participant will have any right, title or interest in or to any shares of Common Stock allocated or reserved under the Plan or subject to any Option except as to such shares of Common Stock, if any, that have been issued or transferred to such Participant.

9.4 No Options granted hereunder may be transferred, pledged, assigned or otherwise encumbered by an optionee except:



(a) by will;

(b) by the laws of descent and distribution; or

(c) if permitted by the Committee and so provided in the stock option agreement or an amendment thereto, (i) pursuant to a domestic relations order, as defined in the Code, (ii) to Immediate Family Members (as defined below), (iii) to a partnership in which the Participant and/or the Participant's Immediate Family Members, or entities in which the Participant and/or the Participant's Immediate Family Members are the owners, members or beneficiaries, as appropriate, are the sole partners, (iv) to a limited liability company in which the Participant and/or the Participant's Immediate Family Members, or entities in which the Participant and/or the Participant's Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the sole members, (v) to a trust for the benefit solely of the Participant and/or the Participant's Immediate Family Members, or (vi) to non-Immediate Family Members following the death of the Participant to whom the stock option was granted. "Immediate Family Members" means the spouses and natural or adopted children or grandchildren of the Participants and their spouses.

Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Option or levy of attachment, or similar process upon an Option not specifically permitted herein, shall be null and void and without effect.

9.5 Each Option shall be evidenced by a written stock option agreement or notice, including terms and conditions consistent with the Plan, as the Committee may determine.

9.6 Anything in the Plan to the contrary notwithstanding:

(a) the Company may, if it shall determine it necessary or desirable for any reason, at the time of grant of any Option or the issuance of any shares of Common Stock pursuant to any Option, require the recipient of the Option, as a condition to the receipt thereof or to the receipt of shares of Common Stock issued pursuant thereto, to deliver to the Company a written representation of present intention to acquire the Option or the shares of Common Stock issued pursuant thereto for his own account for investment and not for distribution; and (b) if at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Option or the shares of Common Stock issuable pursuant thereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the grant of any Option, the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such Option shall not be granted or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

10. Amendment, Discontinuance or Termination of the Plan.

10.1 The Board may amend or discontinue the Plan at any time; provided, however, that no such amendment may

(a) without the approval of the shareholders, (i) increase, subject to adjustments permitted herein, the maximum number of shares of Common Stock that may be issued through the Plan, (ii) materially increase the benefits accruing to Participants under the Plan, (iii) materially expand the classes of persons eligible to participate in the Plan, or (iv) amend Section 6.7 to permit repricing of Options, or

(b) materially impair, without the consent of the recipient, an Option previously granted, except that the Company retains all rights under Section 8 hereof.

10.2 Subject to Section 10.1, no Options may be granted under the Plan later than May 9, 2012, which is ten years after the Plan was approved by the Company's shareholders; provided, however, that Options granted prior to such date shall remain in effect until all such Options have either been exercised, expired or canceled under the terms of the Plan.

11. Effective Date of Plan.

The Plan shall become effective upon adoption by the Board, subject to approval by the holders of a majority of the shares of Common Stock represented in person or by proxy and entitled to vote on the subject at the 2002 annual meeting of shareholders of the Company.

\* \* \* \* \*

IN WITNESS WHEREOF, the undersigned Secretary of CenturyTel, Inc. hereby certifies that the foregoing CenturyTel 2002 Directors Stock Option Plan was (i) recommended to the Board of Directors of CenturyTel, Inc. (the "Board") by its Compensation Committee at a meeting of the Compensation Committee duly held on February 25, 2002, (ii) approved by the Board at a meeting duly held on February 26, 2002, (iii) approved by the affirmative vote of the holders of a majority of the voting power present at the 2002 Annual Meeting of Shareholders of the Company held on May 9, 2002, (iv) amended by the Board on May 29, 2003, and (v) amended and restated by the Board at a meeting duly held on February 25, 2004.

*Dated February 25, 2004*

*/s/ Stacey W. Goff*

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*Stacey W. Goff*  
*Secretary*

[CENTURYTEL LETTERHEAD]

**THIS DOCUMENT CONSTITUTES PART OF A PROSPECTUS COVERING SECURITIES  
THAT HAVE BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933.**

May 9, 2003

**STOCK OPTION AGREEMENT  
UNDER THE CENTURYTEL, INC.  
2002 DIRECTORS STOCK OPTION PLAN**

[Name and Address of Recipient]

Re: Option to purchase 6,000 shares of Common Stock of CenturyTel, Inc. at \$32.18 per share granted on May 9, 2003.

Dear \_\_\_\_\_:

In consideration of your agreement to serve on the Board of Directors of CenturyTel, Inc. (the "Company"), on May 9, 2003 you were granted an option (the "Option") to purchase of 6,000 shares of common stock of the Company, \$1.00 par value per share (the "Common Stock"), under the CenturyTel, Inc. 2002 Directors Stock Option Plan (the "Plan"), subject to all of the terms and conditions set forth in the Plan. You hereby acknowledge that the Company has furnished you with a copy of the Plan and the Memorandum/ Prospectus for the Plan.

The Option exercise price is \$32.18 per share (the Fair Market Value of a share of Common Stock on the date of grant) payable in full at the time of exercise, either in the form of cash, check, Common Stock held for six months (unless otherwise permitted by the Compensation Committee) or through a broker-assisted exercise, as described in the Plan. Under the terms of the Plan, your Option becomes exercisable beginning on May 9, 2004 and expires on May 9, 2013 unless it terminates earlier under the circumstances described in Sections 6.5 and 8.3 of the Plan. Appropriate adjustments will be made to the number and class of shares of Common Stock subject to the Option and to the exercise price in certain situations described in Section 7 of the Plan. When you wish to exercise an Option, in whole or in part, please refer to the provisions of the Plan dealing with the procedures for exercise.

Upon exercise of your Option you will receive one preference share purchase right for each share of Common Stock issued. These rights are described in more detail in the Memorandum/Prospectus for the Plan.

The Options granted hereby are non-qualified stock options and shall not be treated as Incentive Stock Options under Section 422 of the Internal Revenue Code of 1986, as amended.

In the event any provision of this agreement conflicts with the provisions of the Plan, the Plan shall control.

Please indicate your acceptance of this Option and your agreement to comply with the provisions of the Plan and Memorandum/Prospectus for the Plan by signing and returning the enclosed copy of this agreement to the Company.

Sincerely,

**CENTURYTEL, INC.**

By:

Glen F. Post, III President and Chief Executive Officer

ACCEPTED as of the date hereof.

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**Optionee**

**AMENDED AND RESTATED  
CENTURYTEL, INC.**

**2002 MANAGEMENT INCENTIVE COMPENSATION PLAN**

WHEREAS, the CenturyTel, Inc. 2002 Management Incentive Compensation Plan (the "Plan") was adopted by the Board of Directors of CenturyTel, Inc. (the "Company") on February 26, 2002 and approved by the shareholders of the Company on May 9, 2002, and Amendment No. 1 to the Plan was approved by the Board of Directors of the Company on May 29, 2003; and

WHEREAS, the Board of Directors now wishes to amend Section 9.1 of the Plan to provide that no Incentives may be granted under the Plan later than May 9, 2012, which is ten years after the Plan was approved by the Company's stockholders.

NOW THEREFORE, Section 9.1 of the Plan is hereby amended to read as provided herein and the Plan is hereby restated in its entirety reflecting such amendment to read as follows:

1. Purpose. The purpose of the 2002 Management Incentive Compensation Plan (this "Plan") of CenturyTel, Inc. ("CenturyTel") is to increase shareholder value and to advance the interests of CenturyTel and its subsidiaries (collectively, the "Company") by furnishing a variety of equity incentives (the "Incentives") designed to attract, retain and motivate officers, key employees, consultants and advisors and to strengthen the mutuality of interests between such persons and CenturyTel's shareholders. Incentives may consist of options to purchase shares of CenturyTel's common stock, \$1.00 par value per share (the "Common Stock"), shares of restricted stock or other stock-based awards the value of which is based upon the value of the Common Stock, all on terms determined under this Plan. As used in this Plan, the term "subsidiary" means any corporation, limited liability company or other entity of which CenturyTel owns (directly or indirectly) within the meaning of Section 425(f) of the Internal Revenue Code of 1986, as amended (the "Code"), 50% or more of the total combined voting power of all classes of stock, membership interests or other equity interests issued thereby.

2. Administration.

2.1 Composition. This Plan shall be administered by the compensation committee of the Board of Directors of CenturyTel, or by a subcommittee of the compensation committee. The committee or subcommittee that administers this Plan shall hereinafter be referred to as the "Committee." The Committee shall consist of not fewer than two members of the Board of Directors, each of whom shall (a) qualify as a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934 (the "1934 Act"), or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Code and the regulations thereunder (collectively, "Section 162(m)").

2.2 Authority. The Committee shall have authority to award Incentives under this Plan, to interpret this Plan, to establish any rules or regulations relating to this Plan that it determines to be appropriate, to enter into agreements with or provide notices to participants as to the terms of the Incentives (the "Incentive Agreements") and to make any other determination that it believes necessary or advisable for the proper administration of this Plan. Its decisions concerning matters relating to this Plan shall be final, conclusive and binding on the Company and participants. The Committee may delegate its authority hereunder to the extent provided in Section 3 hereof. The Committee shall not have authority to award Incentives under this Plan to directors in their capacities as such.

3. Eligible Participants. Key employees and officers of the Company (including officers who also serve as directors of the Company) and consultants and advisors to the Company shall become eligible to receive Incentives under this Plan when designated by the Committee. Employees may be designated individually or by groups or categories, as the Committee deems appropriate. With respect to participants not subject to Section 16 of the 1934 Act or Section 162(m), the Committee may delegate to appropriate personnel of the Company its authority to designate participants, to determine the size, type and terms of the Incentives to be received by those participants and to determine any performance objectives for those participants; provided; however that the exercise price of any stock options granted pursuant to such delegation of authority shall be, unless otherwise determined by the Committee, equal to the Fair Market Value of a share of Common Stock on the later of the date of grant or the date the participant's employment with the Company commences. Any such delegation by the Committee shall not include the authority to change or modify in any way the terms of a previously granted Incentive or to take any other action authorized herein to be taken by the Committee and not specifically permitted to be delegated in this Section 3.

4. Shares Subject to this Plan. The shares of Common Stock with respect to which Incentives may be granted under this Plan shall be subject to the following:

4.1 Type of Common Stock. The shares of Common Stock with respect to which Incentives may be granted under this Plan may be currently authorized but unissued shares or shares currently held or subsequently acquired by the Company as treasury shares, including shares purchased in the open market or in private transactions.

4.2 Maximum Number of Shares. Subject to the other provisions of this Section 4, the maximum number of shares of Common Stock that may be delivered to participants and their beneficiaries under this Plan shall be 4,500,000 shares of Common Stock.

4.3 Share Counting. To the extent any shares of Common Stock covered by an Incentive are not delivered to a participant or beneficiary because the Incentive is forfeited or canceled, or the shares of Common Stock are not delivered because the Incentive is paid or settled in cash or used to satisfy the applicable tax withholding obligation, such shares shall not be deemed to have been delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under this Plan. In the event that shares of Common Stock are issued as Incentives and thereafter are forfeited or reacquired by the Company pursuant to rights reserved upon issuance thereof, such forfeited and reacquired Shares may again be issued under this Plan. If the exercise price of any stock option granted under this Plan or the applicable withholding taxes are satisfied by tendering shares of Common Stock to the Company (by either actual delivery or by attestation), only the number of shares of Common Stock issued net of the shares of Common Stock tendered shall be deemed delivered for purposes of determining the maximum number of shares of Common Stock available for delivery under this Plan.

4.4 Limitations on Number of Shares. Subject to Section 4.5, the following additional limitations are imposed under this Plan:

(a) The maximum number of shares of Common Stock that may be issued upon exercise of stock options intended to qualify as incentive stock options under Section 422 of the Code shall be 4,500,000 shares. Notwithstanding any other provision herein to the contrary, (i) all shares issuable under incentive stock options shall be counted against this limit and (ii) shares that are issued and are later forfeited, cancelled or reacquired by the Company, shares withheld to satisfy withholding tax obligations and shares delivered in payment of the Incentive price or applicable withholding taxes shall have no effect on this limitation.

(b) The maximum number of shares of Common Stock that may be covered by Incentives granted under this Plan to any one individual during any one calendar-year period shall be 600,000.

(c) The maximum number of shares of Common Stock that may be issued as restricted stock or Other Stock-Based Awards (as defined below) shall be 500,000 shares.

(d) If, after shares have been earned under an Incentive, the delivery is deferred, any additional shares attributable to dividends paid during the deferral period shall be disregarded for purposes of the limitations of this Section 4.

4.5 Adjustment. In the event of any recapitalization, reclassification, stock dividend, stock split, combination of shares or other change in the Common Stock, all limitations on numbers of shares of Common Stock provided in this Section 4 and the number of shares of Common Stock subject to outstanding Incentives shall be equitably adjusted in proportion to the change in outstanding shares of Common Stock. In addition, in the event of any such change in the Common Stock, the Committee shall make any other adjustment that it determines to be equitable, including without limitation adjustments to the exercise price of any option and any per share performance objectives of any Incentive in order to provide participants with the same relative rights before and after such adjustment.

5. Stock Options. The Committee may grant incentive stock options (as such term is defined in Section 422 of the Code) or non-qualified stock options. Any option that is designated as a non-qualified stock option shall not be treated as an incentive stock option. Each stock option granted by the Committee under this Plan shall be subject to the following terms and conditions:

5.1 Price. The exercise price per share shall be determined by the Committee, subject to adjustment under Section 4.5; provided that in no event shall the exercise price be less than the Fair Market Value (as defined below) of a share of Common Stock on the date of grant, except in the case of a stock option granted in assumption of or in substitution for an outstanding award of a company acquired by the Company or with which the Company combines.

5.2 Number. The number of shares of Common Stock subject to the option shall be determined by the Committee, subject to the limitations and adjustments provided in Section 4 hereof.

5.3 Duration and Time for Exercise. Subject to earlier termination as provided in Section 9.4 and 9.13, the term of each stock option shall be determined by the Committee, but may not exceed ten years. Each stock option shall become exercisable at such time or times during its term as shall be determined by the Committee. The Committee may accelerate the exercisability of any stock option at any time.

5.4 Repurchase. Upon approval of the Committee, the Company may repurchase all or a portion of a previously granted stock option from a participant by mutual agreement before such option has been exercised by payment to the participant of cash or Common Stock or a combination thereof with a value equal to the amount per share by which: (a) the Fair Market Value of the Common Stock subject to the option on the business day immediately preceding the date of purchase exceeds (b) the exercise price.

5.5 Manner of Exercise. A stock option may be exercised, in whole or in part, by giving written notice to the Company, specifying the number of shares of Common Stock to be purchased. The exercise notice shall be accompanied by tender of the full purchase price for such shares, which may be paid or satisfied by (a) cash; (b) check; (c) delivery of shares of Common Stock, which shares shall be valued for this purpose at the Fair Market Value on the business day immediately preceding the date such option is exercised and, unless otherwise determined by the Committee, shall have been held by the optionee for at least six months; (d) delivery of irrevocable written instructions to a broker approved by the Company (with a copy to the Company) to immediately sell a portion of the shares issuable under the option and to deliver promptly to the Company the amount of sale proceeds (or loan proceeds if the broker lends funds to the participant for delivery to the Company) to pay the exercise price; or (e) in such other manner as may be authorized from time to time by the Committee, provided that all such payments shall be made or

denominated in United States dollars. In the case of delivery of an uncertified check, no shares shall be issued until the check has been paid in full. Prior to the issuance of shares of Common Stock upon the exercise of a stock option, a participant shall have no rights as a shareholder.

**5.6 Repricing.** Except for adjustments pursuant to Section 4.5 or actions permitted to be taken by the Committee under Section 9.13(c) in the event of a Change of Control, unless approved by the shareholders of the Company, (a) the exercise price for any outstanding option granted under this Plan may not be decreased after the date of grant and (b) an outstanding option that has been granted under this Plan may not, as of any date that such option has a per share exercise price that is less than the then current Fair Market Value of a share of Common Stock, be surrendered to the Company as consideration for the grant of a new option with a lower exercise price, shares of restricted stock, an Other Stock-Based Award (as defined in Section 7.1), a cash payment or Common Stock.

**5.7 Incentive Stock Options.** Notwithstanding anything in this Plan to the contrary, the following additional provisions shall apply to the grant of stock options that are intended to qualify as incentive stock options.

(a) Any incentive stock option authorized under this Plan shall contain such other provisions as the Committee shall deem advisable, but shall in all events be consistent with and contain or be deemed to contain all provisions required in order to qualify the options as incentive stock options;

(b) All incentive stock options must be granted within ten years from the date on which this Plan was adopted by the Board of Directors;

(c) No incentive stock option shall be granted to any participant who, at the time such option is granted, would own (within the meaning of Section 422 of the Code) stock possessing more than 10% of the total combined voting power of all classes of stock of the employer corporation or of its parent or subsidiary corporation; and

(d) The aggregate Fair Market Value (determined with respect to each incentive stock option as of the time such incentive stock option is granted) of the Common Stock with respect to which incentive stock options are exercisable for the first time by a participant during any calendar year (under this Plan or any other plan of the Company) shall not exceed \$100,000. To the extent that such limitation is exceeded, such options shall not be treated, for federal income tax purposes, as incentive stock options.

**5.8 Equity Maintenance.** If a participant exercises an option during the term of his employment with the Company, and pays the exercise price (or any portion thereof) through the surrender of shares of outstanding Common Stock owned by the participant, the Committee may, in its discretion, grant to such participant an additional option to purchase the number of shares of Common Stock equal to the shares of Common Stock so surrendered by such participant. Any such additional options granted by the Committee shall be exercisable at the Fair Market Value of the Common Stock determined as of the business day immediately preceding the respective dates such additional options may be granted. The grant of such additional options under this Section 5.8 shall be made upon such other terms and conditions as the Committee may from time to time determine.

## **6. Restricted Stock.**

**6.1 Grant of Restricted Stock.** An award of restricted stock may be subject to the attainment of specified performance goals or targets, restrictions on transfer, forfeitability provisions and such other terms and conditions as the Committee may determine, subject to the provisions of this Plan. To the extent restricted stock is intended to qualify as performance based compensation under Section 162(m), it must be granted subject to the attainment of performance goals as described in Section 8 and meet the additional requirements by imposed by Section 162(m).

**6.2 Restricted Period.** At the time an award of restricted stock is made, the Committee shall establish a period of time during which the transfer of the shares of restricted stock shall be restricted (the "Restricted Period"). Each award of restricted stock may have a different Restricted Period. A Restricted Period of at least three years is required, except that if vesting of the shares is subject to the attainment of specified performance goals, the Restricted Period may be one year or more. Incremental periodic vesting of portions of the award during the Restricted Period is permitted. Unless otherwise provided in the Incentive Agreement, the Committee may in its discretion declare the Restricted Period terminated upon a participant's death, disability, retirement or other termination by the Company and permit the sale or transfer of the restricted stock. The expiration of the Restricted Period shall also occur as provided under Section 9.13 upon a Change of Control of the Company.

**6.3 Escrow.** The participant receiving restricted stock shall enter into an Incentive Agreement with the Company setting forth the conditions of the grant. Certificates representing shares of restricted stock shall be registered in the name of the participant and deposited with the Company, together with a stock power endorsed in blank by the participant. Each such certificate shall bear a legend in substantially the following form:

The transferability of this certificate and the shares of Common Stock represented by it is subject to the terms and conditions (including conditions of forfeiture) contained in the CenturyTel, Inc. 2002 Management Incentive Compensation Plan (the "Plan") and an agreement entered into between the registered owner and CenturyTel, Inc. thereunder. Copies of this Plan and the agreement are on file and available for inspection at the principal office of the Company.

**6.4 Dividends on Restricted Stock.** Any and all cash and stock dividends paid with respect to the shares of restricted stock shall be subject to any restrictions on transfer, forfeitability provisions or reinvestment requirements as the Committee may, in its discretion, prescribe in the Incentive Agreement.

6.5 Forfeiture. In the event of the forfeiture of any shares of restricted stock under the terms provided in the Incentive Agreement (including any additional shares of restricted stock that may result from the reinvestment of cash and stock dividends, if so provided in the Incentive Agreement), such forfeited shares shall be surrendered and the certificates cancelled. The participants shall have the same rights and privileges, and be subject to the same forfeiture provisions, with respect to any additional shares received pursuant to Section 4.5 due to a recapitalization, stock split or other change in capitalization.

6.6 Expiration of Restricted Period. Upon the expiration or termination of the Restricted Period and the satisfaction of any other conditions prescribed by the Committee or at such earlier time as provided for in Section 6.2 and in the Incentive Agreement or an amendment thereto, the restrictions applicable to the restricted stock shall lapse and a stock certificate for the number of shares of restricted stock with respect to which the restrictions have lapsed shall be delivered, free of all such restrictions and legends other than those required by law, to the participant or the participant's estate, as the case may be.

6.7 Rights as a Shareholder. Subject to the restrictions imposed under the terms and conditions of this Plan and subject to any other restrictions that may be imposed in the Incentive Agreement, each participant receiving restricted stock shall have all the rights of a shareholder with respect to shares of Common Stock during any period in which such shares are subject to forfeiture and restrictions on transfer, including without limitation, the right to vote such shares.

## 7. Other Stock-Based Awards.

7.1 Grant of Other Stock-Based Awards. Subject to the limitations described in Section 7.2 hereof, the Committee may grant to eligible participants "Other Stock-Based Awards," which shall consist of awards, other than options or restricted stock provided for in Sections 5 and 6, the value of which is based in whole or in part on the value of shares of Common Stock. Other Stock-Based Awards may be awards of shares of Common Stock or may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, shares of, or appreciation in the value of, Common Stock (including, without limitation, securities convertible or exchangeable into or exercisable for shares of Common Stock), as deemed by the Committee consistent with the purposes of this Plan. The Committee shall determine the terms and conditions of any Other Stock-Based Award (including which rights of a shareholder, if any, the recipient shall have with respect to Common Stock associated with any such award) and may provide that such award is payable in whole or in part in cash. An Other Stock-Based Award may be subject to the attainment of such specified performance goals or targets as the Committee may determine, subject to the provisions of this Plan. To the extent that an Other Stock-Based Award is intended to qualify as "performance-based compensation" under Section 162(m), it must be granted subject to the attainment of performance goals as described in Section 8 and meet the additional requirements imposed by Section 162(m).

### 7.2 Limitations. Other Stock-Based Awards granted under this

Section 7 shall be subject to a vesting period of at least three years, except that if vesting of the award is subject to the attainment of specified performance goals, a minimum vesting period of one year is allowed. Incremental periodic vesting of portions of the award over the required vesting period is permitted. Notwithstanding the minimum vesting periods described in this Section 7.2, the Committee may make special grants of Other Stock-Based Awards with respect to an aggregate of no more than 225,000 shares of Common Stock, as adjusted under Section 4.5, which special awards shall not be subject to any minimum vesting requirements.

8. Section 162(m) Awards. To the extent that shares of restricted stock or Other Stock-Based Awards granted under the Plan are intended to qualify as "performance-based compensation" under Section 162(m), the vesting, grant or payment of such awards shall be conditioned on the achievement of one or more performance goals and must satisfy the other requirements of Section 162(m). The performance goals pursuant to which such awards shall vest, be granted or be paid out shall be any or a combination of the following performance measures applied to the Company, a subsidiary or a division: earnings per share, return on assets, an economic value added measure, stockholder return, earnings, return on equity, return on investment, cash provided by operating activities, increase in cash flow, increase in revenues or operating revenues, or customer growth. The performance goals may be subject to such adjustments as are specified in advance by the Committee. For any performance period, the performance objectives may be measured on an absolute basis or relative to a group of peer companies selected by the Committee, relative to internal goals or relative to levels attained in prior years.

## 9. General.

9.1 Duration. Subject to Section 9.10, no Incentives may be granted under the Plan later than May 9, 2012, which is ten years after the Plan was approved by the Company's shareholders; provided, however, that Incentives granted prior to such date shall remain in effect until all such Incentives granted under this Plan have either been satisfied by the issuance of shares of Common Stock or the payment of cash or been terminated under the terms of this Plan or the applicable Incentive Agreement and all restrictions imposed on shares of Common Stock in connection with their issuance under this Plan have lapsed.

9.2 Transferability of Incentives. No Incentive granted hereunder may be transferred, pledged, assigned or otherwise encumbered by the holder thereof except:

(a) by will;

(b) by the laws of descent and distribution; or

(c) pursuant to a domestic relations order, as defined in the Code; or

(d) in the case of stock options only, if permitted by the Committee and so provided in the Incentive Agreement or an amendment thereto, (i) to Immediate Family Members (as defined below), (ii) to a partnership in which the participant and/or Immediate Family Members, or entities in which the participant and/or Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the sole partners, (iii) to a limited liability company in which the participant and/or Immediate Family Members, or entities in which the participant and/or Immediate Family Members are the sole owners, members or beneficiaries, as appropriate, are the sole members, (iv) to a trust for the sole benefit of the participant and/or Immediate Family Members, or (v) to non-Immediate Family Members following the death of the Plan participant to whom the stock option was granted. "Immediate Family Members" means the spouse and natural or adopted children or grandchildren of the participant and their respective spouses. To the extent that an incentive stock option is permitted to be transferred during the lifetime of the participant, it shall be treated thereafter as a non-qualified stock option.

Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Incentive, or levy of attachment or similar process upon the Incentive not specifically permitted herein, shall be null and void and without effect.

9.3 Dividend Equivalents. In the sole and complete discretion of the Committee, an Incentive may provide the holder thereof with dividends or dividend equivalents, payable in cash, shares, other securities or other property on a current or deferred basis.

9.4 Effect of Termination of Employment or Death. In the event that a participant ceases to be an employee of the Company for any reason, including death, disability, early retirement or normal retirement, any Incentives may be exercised, shall vest or shall expire at such times as may be determined by the Committee and set forth in the Incentive Agreement.

9.5 Additional Condition. Anything in this Plan to the contrary notwithstanding: (a) the Company may, if it shall determine it necessary or desirable for any reason, at the time of award of any Incentive or the issuance of any shares of Common Stock pursuant to any Incentive, require the recipient of the Incentive, as a condition to the receipt thereof or to the receipt of shares of Common Stock issued pursuant thereto, to deliver to the Company a written representation of present intention to acquire the Incentive or the shares of Common Stock issued pursuant thereto for his own account for investment and not for distribution; and (b) if at any time the Company further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of any Incentive or the shares of Common Stock issuable pursuant thereto is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the award of any Incentive, the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such Incentive shall not be awarded or such shares of Common Stock shall not be issued or such restrictions shall not be removed, as the case may be, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Company.

9.6 Incentive Agreements. An Incentive under this Plan shall be subject to such terms and conditions, not inconsistent with this Plan, as the Committee may, in its sole discretion, prescribe and set forth in the Incentive Agreement. Such terms and conditions may provide for the forfeiture of an Incentive or the gain associated with an Incentive under certain circumstances to be set forth in the Incentive Agreement, including if the participant competes with the Company or engages in other activities that are harmful to the Company. All terms and conditions of any Incentive shall be reflected in such form of Incentive Agreement as is determined by the Committee. A copy of such document shall be provided to the participant, and the Committee may, but need not, require that the participant duly execute and deliver to the Company a copy of such document as a condition precedent to the effectiveness of the grant of the Incentive. Such document is referred to in this Plan as an "Incentive Agreement" regardless of whether a participant's signature is required.

9.7 Withholding.

(a) The Company shall have the right to withhold from any payments or stock issuances under this Plan, or to collect as a condition of payment, any taxes required by law to be withheld.

(b) Any participant may, but is not required to, satisfy his or her withholding tax obligation in whole or in part by electing (the "Election") to deliver currently owned shares of Common Stock or to have the Company withhold from the shares the participant otherwise would receive shares of Common Stock having a value equal to the minimum amount required to be withheld. The value of the shares to be delivered or withheld shall be based on the Fair Market Value of the Common Stock on the date that the amount of tax to be withheld shall be determined (the "Tax Date"). Each Election must be made prior to the Tax Date. The Committee may disapprove of any Election, may suspend or terminate the right to make Elections, or may provide with respect to any Incentive that the right to make Elections shall not apply to such Incentive.

9.8 No Continued Employment. No participant under this Plan shall have any right, because of his or her participation, to continue in the employ of the Company for any period of time or to any right to continue his or her present or any other rate of compensation.

9.9 Deferral Permitted. Payment of cash or distribution of any shares of Common Stock to which a participant is entitled under any Incentive shall be made as provided in the Incentive Agreement. Payment may be deferred at the option of the participant if provided in the Incentive Agreement.



9.10 Amendment or Discontinuance of this Plan. The Board may amend or discontinue this Plan at any time; provided, however, that no such amendment may:

(a) without the approval of the shareholders, (i) increase, subject to adjustments permitted herein, the maximum number of shares of Common Stock that may be issued through this Plan, (ii) materially increase the benefits accruing to participants under this Plan, (iii) materially expand the classes of persons eligible to participate in this Plan, or (iv) amend Section 5.6 to permit repricing of options, or

(b) materially impair, without the consent of the recipient, an Incentive previously granted, except that the Company retains all rights under Section 9.13 hereof.

9.11 Definition of Fair Market Value. Whenever the "Fair Market Value" of Common Stock or some other specified security must be determined for purposes of this Plan, it shall be determined as follows: (i) if the Common Stock or other security is listed on an established stock exchange or any automated quotation system that provides sale quotations, the closing sale price for a share thereof on such exchange or quotation system on the applicable date and if shares are not traded on such day, on the next preceding trading date, (ii) if the Common Stock or other security is not listed on any exchange or quotation system, but bid and asked prices are quoted and published, the mean between the quoted bid and asked prices on the applicable date and if bid and asked prices are not available on such day, on the next preceding day on which such prices were available; and (iii) if the Common Stock or other security is not regularly quoted, the fair market value of a share thereof on the applicable date as established by the Committee in good faith.

9.12 Loans. In order to assist a participant in acquiring shares of Common Stock pursuant to an Incentive granted under this Plan, the Committee may authorize, at either the time of the grant of the Incentive, at the time of the acquisition of Common Stock pursuant to the Incentive, or at the time of the lapse of restrictions on shares of restricted stock granted under this Plan, the extension of a loan to the participant by the Company. The terms of any loans, including the interest rate, collateral and terms of repayment, will be subject to the discretion of the Committee. The maximum credit available hereunder shall be equal to the aggregate purchase price of the shares of Common Stock to be acquired pursuant to the Incentive plus the maximum tax liability that may be incurred in connection with the Incentive.

#### 9.13 Change of Control

(a) A Change of Control shall mean:

(i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the Common Stock or 30% or more of the combined voting power of CenturyTel's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this subsection (i), the following acquisitions shall not constitute a Change of Control:

(A) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under Section 9.13(a)(iii) hereof) of Common Stock directly from the Company,

(B) any acquisition of Common Stock by the Company,

(C) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by the Company or any corporation controlled by the Company, or

(D) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under Section 9.13(a)(iii) hereof; or

(ii) individuals who, as of January 1, 2002, constituted the Board of Directors of CenturyTel (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by CenturyTel's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or

(iii) consummation of a reorganization, share exchange, merger or consolidation (including any such transaction involving any direct or indirect subsidiary of CenturyTel) or sale or other disposition of all or substantially all of the assets of the Company (a "Business Combination"); provided, however, that in no such case shall any such transaction constitute a Change of Control if immediately following such Business Combination:

(A) the individuals and entities who were the beneficial owners of CenturyTel's outstanding Common Stock and CenturyTel's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the surviving or successor corporation, or, if

applicable, the ultimate parent company thereof (the "Post-Transaction Corporation"), and

(B) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either CenturyTel, the Post-Transaction Corporation or any subsidiary of either corporation) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and

(C) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(iv) approval by the shareholders of CenturyTel of a complete liquidation or dissolution of CenturyTel.

For purposes of this Section 9.13, the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

(b) Upon a Change of Control of the type described in clause (a)(i) or (a)(ii) of this Section 9.13 or upon the approval by the Board of Directors of CenturyTel of any Change of Control of the type described in clause (a)(iii) or (a)(iv) of this Section 9.13, all outstanding Incentives granted pursuant to this Plan shall automatically become fully vested and exercisable, all restrictions or limitations on any Incentives shall automatically lapse and, unless otherwise provided in the applicable Incentive Agreement, all performance criteria and other conditions relating to the payment of Incentives shall be deemed to be achieved or waived by CenturyTel without the necessity of action by any person.

(c) No later than 30 days after a Change of Control of the type described in subsections (a)(i) or (a)(ii) of this Section 9.13 and no later than 30 days after the approval by the Board of a Change of Control of the type described in subsections (a)(iii) or (a)(iv) of this Section 9.13, the Committee, acting in its sole discretion without the consent or approval of any participant (and notwithstanding any removal or attempted removal of some or all of the members thereof as directors or Committee members), may act to effect one or more of the alternatives listed below, which may vary among individual participants and which may vary among Incentives held by any individual participant:

(i) require that all outstanding options or Other Stock-Based Awards be exercised on or before a specified date (before or after such Change of Control) fixed by the Committee, after which specified date all unexercised options and Other Stock-Based Awards and all rights of participants thereunder shall terminate,

(ii) make such equitable adjustments to Incentives then outstanding as the Committee deems appropriate to reflect such Change of Control (provided, however, that the Committee may determine in its sole discretion that no adjustment is necessary),

(iii) provide for mandatory conversion or exchange of some or all of the outstanding options or Other Stock-Based Awards held by some or all participants as of a date, before or after such Change of Control, specified by the Committee, in which event such options and Other Stock-Based Awards shall be deemed automatically cancelled and the Company shall pay, or cause to be paid, to each such participant an amount of cash per share equal to the excess, if any, of the Change of Control Value of the shares subject to such option or Other Stock-Based Award, as defined and calculated below, over the per share exercise price of such options or the per share exercise or base price of such Other Stock-Based Awards or, in lieu of such cash payment, the issuance of Common Stock or securities of an acquiring entity having a Fair Market Value equal to such excess, or

(iv) provide that thereafter, upon any exercise of an option or Other Stock-Based Award that entitles the holder to receive Common Stock, the holder shall be entitled to purchase or receive under such option or Other Stock-Based Award, in lieu of the number of shares of Common Stock then covered by such option or Other Stock-Based Award, the number and class of shares of stock or other securities or property (including, without limitation, cash) to which the holder would have been entitled pursuant to the terms of the agreement providing for the reorganization, share exchange, merger, consolidation or asset sale, if, immediately prior to such Change of Control, the holder had been the record owner of the number of shares of Common Stock then covered by such option or Other Stock-Based Award.

(d) For the purposes of conversions or exchanges under paragraph (iii) of Section 9.13(c), the "Change of Control Value" shall equal the amount determined by whichever of the following items is applicable:

(i) the per share price to be paid to holders of Common Stock in any such merger, consolidation or other reorganization,

(ii) the price per share offered to holders of Common Stock in any tender offer or exchange offer whereby a Change of Control takes place, or

(iii) in all other events, the fair market value of a share of Common Stock, as determined by the Committee as of the date determined by the Committee to be the date of conversion or exchange.

(e) In the event that the consideration offered to shareholders of CenturyTel in any transaction described in this

Section 9.13 consists of anything other than cash, the Committee shall determine the fair cash equivalent of the portion of the consideration offered that is other than cash.

\* \* \* \* \*

IN WITNESS WHEREOF, the undersigned Secretary of CenturyTel, Inc. hereby certifies that the foregoing CenturyTel 2002 Management Incentive Compensation Plan was (i) recommended to the Board of Directors of CenturyTel, Inc. (the "Board") by its Compensation Committee at a meeting of the Compensation Committee duly held on February 25, 2002, (ii) approved by the Board at a meeting duly held on February 26, 2002, (iii) approved by the affirmative vote of the holders of a majority of the voting power present at the 2002 Annual Meeting of Shareholders of the Company held on May 9, 2002, (iv) amended by the Board on May 29, 2003, and (v) amended and restated by the Board at a meeting duly held on February 25, 2004.

*Dated February 25, 2004*

*/s/ Stacey W. Goff*

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*Stacey W. Goff*

*Secretary*

**FORM OF NON-QUALIFIED STOCK OPTION AGREEMENT  
UNDER THE AMENDED AND RESTATED CENTURYTEL, INC.**

**2002 MANAGEMENT INCENTIVE COMPENSATION PLAN**

(February 25, 2004 Grants)

THIS AGREEMENT is entered into as of February 25, 2004 by and between CenturyTel, Inc., a Louisiana corporation ("CenturyTel"), and \_\_\_\_\_ ("Optionee").

WHEREAS, Optionee is a key employee of CenturyTel or one of its subsidiaries (collectively, the "Company") and CenturyTel considers it desirable and in its best interest that Optionee be given an incentive to advance the interests of CenturyTel by possessing an option to purchase shares of the common stock, \$1.00 par value per share, of CenturyTel (the "Common Stock") under the Amended and Restated CenturyTel, Inc. 2002 Management Incentive Compensation Plan (the "Plan"), which was approved by the Board of Directors of CenturyTel on February 26, 2002, approved by the shareholders at CenturyTel's 2002 Annual Meeting of Shareholders on May 9, 2002 and most recently amended and restated by the Board of Directors of CenturyTel on February 25, 2004;

NOW, THEREFORE, in consideration of the premises, it is agreed as follows:

1.

Grant of Option

1.01 In consideration of future services, CenturyTel hereby grants to Optionee, effective February 25, 2004 (the "Date of Grant"), the right, privilege and option to purchase \_\_\_\_\_ shares of Common Stock (the "Option") at an exercise price of \$28.34 per share.

1.02 The Option is a non-qualified stock option and shall not be treated as an incentive stock option under Section 422 of the Internal Revenue Code of 1986, as amended (the "Code").

2.

Time of Exercise

2.01 Subject to the provisions of the Plan and the other provisions of this Agreement, the Optionee shall be entitled to exercise the Option as follows:

With respect to 1/3 of  
the shares covered by  
the Option..... beginning on the Date of Grant

With respect to 2/3 of  
the shares covered by  
the Option, less any  
shares previously issued ..... beginning February 25, 2005

With respect to all of  
the shares covered by  
the Option, less any  
shares previously issued..... beginning February 25, 2006.

The Option shall expire and may not be exercised later than ten years after the Date of Grant.

2.02 Notwithstanding the foregoing, the Option shall become accelerated and immediately exercisable in full (a) if Optionee dies while he is employed by the Company, (b) if Optionee becomes disabled within the meaning of Section 22(e)(3) of the Code ("Disability") while he is employed by the Company, (c) if Optionee retires from employment with the Company on or after attaining the age of 55 ("Retirement") or (d) pursuant to the provisions of the Plan.

3.

Conditions for Exercise of Option

During Optionee's lifetime, the Option may be exercised only by him or by his legal representative. The Option must be exercised while Optionee is employed by the Company, or, to the extent exercisable at the time of termination of employment, within 190 days of the date on which he ceases to be an employee, except that (a) if he ceases to be an employee because of Retirement, the Option may be exercised within three years from the date on which he ceases to be an employee, (b) if an Optionee's employment is terminated for cause, the unexercised portion of the Option is immediately terminated, and (c) in the event of Optionee's Disability or death, the Option may be exercised by the Optionee or, in the case of death, by his estate or by the person to whom such right devolves from him by reason of his death within two years after the date of his Disability or death; provided, however, that the Option and all option gain, as defined in Section 4.01, shall at all times be subject to the forfeiture provisions of Section 4 hereof; and provided further that no rights to purchase Common Stock under this Option may be exercised later than ten years after the Date of Grant.

4.

#### Forfeiture of Option and Option Gain

4.01 If, at any time during Optionee's employment by the Company or within 18 months after termination of employment, Optionee engages in any activity in competition with any activity of the Company, or inimical, contrary or harmful to the interests of the Company, including but not limited to: (a) conduct relating to Optionee's employment for which either criminal or civil penalties against Optionee may be sought, (b) conduct or activity that results in termination of Optionee's employment for cause, (c) violation of Company policies, including, without limitation, the Company's insider trading policy and corporate compliance program, (d) accepting employment with, acquiring a 5% or more equity or participation interest in, serving as a consultant, advisor, director or agent of, directly or indirectly soliciting or recruiting any employee of the Company who was employed at any time during Optionee's tenure with the Company, or otherwise assisting in any other capacity or manner any company or enterprise that is directly or indirectly in competition with or acting against the interests of the Company or any of its lines of business (a "competitor"), except for (A) any isolated, sporadic accommodation or assistance provided to a competitor, at its request, by Optionee during Optionee's tenure with the Company, but only if provided in the good faith and reasonable belief that such action would benefit the Company by promoting good business relations with the competitor and would not harm the Company's interests in any substantial manner or (B) any other service or assistance that is provided at the request or with the written permission of the Company, (e) disclosing or misusing any confidential information or material concerning the Company, (f) engaging in, promoting, assisting or otherwise participating in a hostile takeover attempt of the Company or any other transaction or proxy contest that could reasonably be expected to result in a Change of Control (as defined in the Plan) not approved by the Company's Board of Directors or (g) making any statement or disclosing any information to any customers, suppliers, lessors, lessees, licensors, licensees, regulators, employees or others with whom the Company engages in business that is defamatory or derogatory with respect to the business, operations, technology, management, or other employees of the Company, or taking any other action that could reasonably be expected to injure the Company in its business relationships with any of the foregoing parties or result in any other detrimental effect on the Company, then (i) the Option shall automatically terminate without any payment to Optionee effective the date on which Optionee engages in such activity, unless terminated sooner by operation of another term or condition of this Agreement or the Plan, and (ii) Optionee shall pay in cash to the Company, without interest, any option gain realized by Optionee from exercising all or a portion of the Option during the period beginning one year prior to termination of employment (or one year prior to the date Optionee first engages in such activity if no termination occurs) and ending on the date on which the Option terminates. For purposes hereof, "option gain" shall mean the difference between the closing market price of the Common Stock on the date of exercise minus the exercise price, multiplied by the number of shares purchased.

4.02 If Optionee owes any amount to the Company under Section 4.01 above, Optionee acknowledges that the Company may deduct such amount from any amounts the Company owes Optionee from time to time for any reason (including without limitation amounts owed to Optionee as salary, wages or other compensation, fringe benefits, or vacation pay). Whether or not the Company elects to make any such set-off in whole or in part, if the Company does not recover by means of set-off the full amount Optionee owes it, Optionee hereby agrees to pay immediately the unpaid balance to the Company.

4.03 Optionee may be released from Optionee's obligations under Sections 4.01 and 4.02 above only if the Compensation Committee (the "Committee") determines in its sole discretion that such action is in the best interests of the Company.

5.

#### Preference Share Purchase Rights

Upon exercise of an Option at a time when preference share purchase rights to purchase shares of Series BB Participating Cumulative Preference Stock or other securities or property of the Company (the "Rights" and each a "Right") remain outstanding pursuant to that certain Rights Agreement dated as of August 27, 1996 between CenturyTel and the Rights Agent named therein, as amended by Amendment No. 1 to Rights Agreement dated May 25, 1999 and Amendment No. 2 to Rights Agreement dated June 30, 2000, and as may be further amended (the "Rights Agreement"), or any successor rights agreement, then Optionee shall receive Rights in conjunction with Optionee's receipt of shares of Common Stock on the terms and conditions of the Rights Agreement.

6.

## Additional Conditions

Anything in this Agreement to the contrary notwithstanding, if at any time CenturyTel further determines, in its sole discretion, that the listing, registration or qualification (or any updating of any such document) of the shares of Common Stock issuable pursuant to the exercise of an Option is necessary on any securities exchange or under any federal or state securities or blue sky law, or that the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with the issuance of shares of Common Stock pursuant thereto, or the removal of any restrictions imposed on such shares, such shares of Common Stock shall not be issued, in whole or in part, unless such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to CenturyTel. CenturyTel agrees to promptly take any and all actions necessary or desirable in order that all shares of Common Stock issuable hereunder shall be issued as provided herein.

7.

## Attorneys' Fees and Expenses

Should any party hereto retain counsel for the purpose of enforcing, or preventing the breach of, any provision hereof, including, but not limited to, the institution of any action or proceeding in court to enforce any provision hereof, to enjoin a breach of any provision of this Agreement, to obtain specific performance of any provision of this Agreement, to obtain monetary or liquidated damages for failure to perform any provision of this Agreement, or for a declaration of such parties' rights or obligations hereunder, or for any other judicial remedy, then the prevailing party shall be entitled to be reimbursed by the losing party for all costs and expenses incurred thereby, including, but not limited to, attorneys' fees (including costs of appeal).

8.

## No Contract of Employment Intended

Nothing in this Agreement shall confer upon Optionee any right to continue in the employment of the Company or to interfere in any way with the right of the Company to terminate Optionee's employment relationship with the Company at any time.

9.

## Taxes

The Company may make such provisions as it may deem appropriate for the withholding of any federal, state and local taxes that it determines are required to be withheld on any exercise of the Option. In accordance with the terms of the Plan, Optionee may satisfy the tax withholding obligation by delivering currently owned shares of Common Stock or electing to have CenturyTel withhold from the shares Optionee otherwise would receive shares of Common Stock having a value equal to the minimum amount required to be withheld.

10.

## Binding Effect

This Agreement shall inure to the benefit of and be binding upon the parties hereto and their respective heirs, executors, administrators, legal representatives and successors. Without limiting the generality of the foregoing, whenever the word "Optionee" is used in any provision of this Agreement under circumstances where the provision appropriately applies to the heirs, executors, administrators or legal representatives to whom this Option may be transferred by will or by the laws of descent and distribution, the word "Optionee" shall be deemed to include such person or persons.

11.

## Inconsistent Provisions

Optionee agrees that the Option granted hereby is subject to the provisions of the Plan as fully as if all such provisions were set forth in their entirety in this Agreement. If any provision of this Agreement conflicts with a provision of the Plan, the Plan provision shall control. Optionee acknowledges that a copy of the Plan was distributed or made available to Optionee and that Optionee was advised to review such Plan prior to entering into this Agreement. Optionee waives the right to claim that the provisions of the Plan are not binding upon Optionee and Optionee's heirs, executors, representatives and administrators.

12.

## Adjustments to Options

The parties acknowledge that (i) appropriate adjustments shall be made to the number and class of shares of Common Stock subject to the Option and to the exercise price in certain situations described in Section 4.5 of the Plan and (ii) adjustments to the rights of the Optionee might be made in the event of a Change of Control, as defined in Section 9.13 of the Plan.

13.

Termination of Option

The Committee, in its sole discretion, may terminate the Option. However, no termination may adversely affect the rights of Optionee to the extent that the Option is currently exercisable on the date of such termination.

14.

Severability

If any term or provision of this Agreement, or the application thereof to any person or circumstance, shall at any time or to any extent be invalid, illegal or unenforceable in any respect as written, Optionee and CenturyTel intend for any court construing this Agreement to modify or limit such provision so as to render it valid and enforceable to the fullest extent allowed by law. Any such provision that is not susceptible of such reformation shall be ignored so as to not affect any other term or provision hereof, and the remainder of this Agreement, or the application of such term or provision to persons or circumstances other than those as to which it is held invalid, illegal or unenforceable, shall not be affected thereby and each term and provision of this Agreement shall be valid and enforced to the fullest extent permitted by law.

15.

Entire Agreement; Modification

The Plan and this Agreement contain the entire agreement between the parties with respect to the subject matter contained herein and may not be modified, except as provided in the Plan, as it may be amended from time to time in the manner provided therein, or in this Agreement, as it may be amended from time to time by a written document signed by each of the parties hereto. Any oral or written agreements, representations, warranties, written inducements, or other communications with respect to the subject matter contained herein made prior to the execution of the Agreement shall be void and ineffective for all purposes.

IN WITNESS WHEREOF the parties hereto have caused this Agreement to be executed as of the day and year first above written.

CENTURYTEL, INC.

By:

Name:

Title:

{insert name} Optionee



COMPLIANCE  
PROGRAM  
HANDBOOK  
CENTURYTEL

March 2003

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Dear CenturyTel Employees,

CenturyTel's Compliance Program outlines the moral, legal and ethical standards which govern the business conduct of CenturyTel employees. It also provides a framework to help employees prevent, detect and report violations of these standards.

As employees of CenturyTel we all must make daily decisions regarding how we will do our jobs and how we will work with our fellow employees, customers and members of the public. Our success as individuals -- and as a company -- requires that we conduct all our business activities with integrity and the highest standards of ethical behavior.

You are responsible for reading and following the principles contained in this handbook. Although the handbook cannot address every situation you may have to deal with, it underscores the basic principles that should guide all our conduct -- good judgment, personal honesty and sound business ethics. Those principles require that we avoid any conflict of interest between work and personal interests, comply with laws that govern our business, and be honest and fair in all our work activities and relationships.

The Vice President, Employee & Labor Relations has been assigned to serve as the Corporate Compliance Officer and is available to supervise the confidential investigation of alleged Program violations, or to answer any questions about the Company's policies and procedures. If you have a good faith belief that a violation of laws, company policies or business ethics has occurred, you may arrange a personal meeting with the Corporate Compliance Officer. If you prefer, you may make an oral telephone report by calling (360) 905-6861, a private, confidential extension for this purpose, or you may seek guidance from your supervisor, manager, or the Office of the General Counsel. If you have any concerns, complaints or questions about the Company's accounting, internal accounting controls or auditing, you may contact the Audit Committee of the Board of Directors by sending a letter to the Chairman of the Audit Committee, c/o Post Office Box 4364, Monroe, Louisiana 71211. All information that you provide will be held in strictest confidence.

Keep this handbook handy and refer to it. We must be committed to safeguarding our own personal integrity and that of the Company.

Sincerely,  
  
Glen F. Post, III  
Chairman and Chief Executive Officer

CENTURYTEL, INC.  
CORPORATE COMPLIANCE PROGRAM  
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## 1. INTRODUCTION

CenturyTel requires its directors, officers, and employees to comply with all laws, rules and standards of conduct applicable to our business. To assist you in understanding these obligations, CenturyTel has prepared the Corporate Compliance Program included in this handbook, along with a companion book entitled "Corporate Compliance Program Procedures." This program sets forth or summarizes CenturyTel's policies and guidelines regarding appropriate business conduct, and also summarizes certain laws with which we expect you to be familiar. The program also summarizes CenturyTel's Corporate Compliance Program Procedures, which explain in detail how CenturyTel responds to alleged policy violations and otherwise administers its corporate compliance program. If you are unable to resolve a specific ethical or legal issue after reviewing this handbook, please talk to your supervisor, consult with the Corporate Compliance Officer or call the compliance telephone number included below. Please contact your supervisor or the Vice President of Employee & Labor Relations if you would like a personal copy of these procedures, or a complete copy of any policies that are summarized below. The program, procedures and the policies are also published on the Company's intranet website under Human Resources Department, Policies.

Please note that neither this handbook nor the procedures booklet is intended to address how to handle every type of business encounter. If a law conflicts with any policies or guidelines set forth or summarized in this Program, you must comply with the law; however, if a local custom or policy conflicts with this Program, you must comply with this Program.

Please note that no representative of CenturyTel has authority to give an order or direction that would result in a violation of the policies or guidelines set forth or summarized below. Violations of these policies or guidelines by any employee or supervisor of CenturyTel could result in discharge, legal liability, criminal prosecution or other appropriate disciplinary action.

This handbook is applicable to all directors, officers and employees of CenturyTel and its subsidiaries. As explained further in the Corporate Compliance Program Procedures, this handbook is also generally applicable to certain of Company's agents and independent contractors, subject to certain exceptions.

## 2. PRINCIPLES OF BUSINESS CONDUCT

CenturyTel is committed to providing the highest level of quality services and products to our customers. In pursuing our corporate goals, we must concurrently have the highest moral standards and ethical behavior. This handbook communicates the moral, legal, and ethical standards by which you should govern your business conduct.

### (a) General Principles

Although a business enterprise is usually thought of in broad economic terms, it is more importantly an institution of people. As such, a business has moral and ethical responsibilities in addition to its basic economic role. The business must operate in a manner that conforms to laws, to customs, and to human values. Consequently, the Company is publishing this Program to guide employees in their conduct as representatives of CenturyTel.

CenturyTel will, through its directors, officers and employees, conduct its affairs with honesty and integrity. These qualities are characterized by truthfulness and freedom from deception or fraud and do not vary by business, product, country, or by culture. These qualities dictate one standard of conduct company wide. If we are steadfast in this belief, questions of ethical behavior are easily answered in most situations and questionable acts that can open the door to serious violations will be avoided.

No "code of conduct" can hope to spell out the appropriate moral conduct and ethical behavior for every situation with which we, as employees, might be confronted. Whenever we are faced with a difficult ethical decision, we must seek counsel - from our colleagues and our management - and, most importantly, exercise our own good judgment. Further, whenever we find ourselves in situations that represent possible violations of these principles, we must disclose the facts immediately to our supervisors or take any of the other steps listed below.

CenturyTel prospers to the degree - and only to the degree - that we serve our customers well. We are committed to: the provision of high-quality telecommunications services at fair prices; strong growth and attractive returns for our stockholders; competitive income and benefits for our family of employees; good community citizenship in our service areas; and the accomplishment of these goals within an environment of honesty and integrity.

In dealing with the public, we will be responsive and responsible. While we do not control our environment, we have a significant impact on it and the communities we serve. We believe that obligates us to be open and timely in our communications to the public and to play an important citizenship role in the communities in which we operate.

These are the overriding business principles that must guide us in the conduct of our businesses. What follows is more specific and deals with the ways in which the Company will implement these policies and how your responsibilities are affected by these principles.

### (b) Conflicts of Interest and Corporate Opportunities

CenturyTel requires its directors, officers and employees to avoid conflicts of interest. A conflict of interest occurs when an employee's

personal or financial interests interfere with or appear to interfere with their duties and responsibilities to the organization.

o The term "conflict of interest" describes any circumstance that could cast doubt on our ability to act with total objectivity with regard to CenturyTel's best interests. We not only want to be loyal to CenturyTel, we want that loyalty to come easily and free from any conflicting interests.

o While CenturyTel respects the privacy of its employees in the conduct of their personal affairs, it does insist that we discharge our obligations to CenturyTel. Activities that involve the unauthorized use of CenturyTel time, equipment, or information, or that significantly interfere with job performance, or that could damage our good reputation, or that otherwise conflict with CenturyTel's business interests are to be avoided. Of particular concern are situations in which our personal interests may conflict with the interests of CenturyTel in relations with present or prospective suppliers, customers, or competitors. In essence, we should not use our positions or the assets or influence of the organization for personal advantage or for the advantage of others, and we should always act in the best interests of CenturyTel.

o By policy, CenturyTel prohibits certain types of personal involvement in time or money where a conflict or perceived conflict may exist.

o Sometimes conflicts of interest will develop accidentally or unexpectedly. If this happens, any employee having knowledge of the situation must report the matter directly to his or her supervisor. Usually these problems can be resolved if they are handled quickly and openly.

While it is not possible to describe all the circumstances and conditions which might develop, the following is set forth for your guidance:

>> You may not take advantage of opportunities which rightfully belong to the Company. For example, you may not acquire property or stock that you know the Company is interested in purchasing, divert business from CenturyTel or receive a commission or fee, except from the Company, for a transaction which you have conducted for the Company.

>> Corporate opportunities include the chance to purchase or receive stock or options from other companies (including "IPO allocations"). If you receive any such offer or similar opportunity from a company with whom CenturyTel does business, you must seek the permission of your supervisor. Directors and officers of CenturyTel must receive approval of the Board of Directors.

>> You may not directly or indirectly work for, hold a financial interest in, or otherwise be associated with, a competitor or supplier (except if such financial interest is less than one percent of the publicly traded stock of a corporation or unless you have received the approval of the Company's Chairman, CEO or President).

>> The best policy is to avoid any direct or indirect business connection with our suppliers or competitors, except on our behalf.

>> You may not make credit, purchase, lease or other agreements for the Company if you have a personal or family financial interest in the individual or organization seeking credit or other agreements from CenturyTel.

>> If you, your spouse or other immediate family member are engaged in a business similar in nature to the Company's, it must be disclosed in full to the Corporate Compliance Officer.

>> You may not acquire any interest in property or assets of any kind for the purpose of selling or leasing it to the Company, or commit the Company without proper authorization to give its financial or other support to any outside activity or organization.

>> You may not develop a personal relationship with a subordinate employee or with any employee of a competitor, customer or supplier that might interfere with the exercise of impartial judgment in decisions affecting the Company or any employees of the Company.

>> If you or someone with whom you have a close relationship (an immediate family member or close companion) has a financial or employment relationship with a current or prospective competitor or supplier, the employee must disclose this fact in writing to the Corporate Compliance Officer.

If you enter into a personal relationship with a subordinate employee or with an employee of a competitor or supplier, a conflict of interest may exist that requires full disclosure to the Company.

Examples: \*

>> You own 25% of "XYZ Company" and XYZ owns equipment which it offers to lease to the Company for a construction project. To ensure that no conflict in your duties or the Company's interests will occur, you are obligated at the outset to fully disclose your financial interest in XYZ and not participate in any decisions whether to utilize XYZ's services.

>> Your spouse is soliciting a consulting contract with a Company department unrelated to your work responsibilities. Although this may not be a conflict of interest, it could appear as such to others. It is your responsibility to ensure that the relationship and financial interest of your spouse are disclosed to managers involved in the decision.

\*Examples are offered to help understand general principles. The examples are not meant to cover all issues that might arise.

Employees unsure as to whether a certain transaction, activity or relationship constitutes a conflict of interest should discuss it with their supervisor or the Corporate Compliance Officer at (360) 905-6861.

(c) Loans to Directors, Officers or Employees

It is against the law for the Company to make personal loans to any director or executive officer. No other employee may receive a loan from the Company unless the loan is approved by the employee's supervisor and is in accordance with all other Company policies and procedures.

(d) Use of Company Name/Special Discounts

You may not use the Company's name, influence or purchasing power to obtain personal discounts or rebates unless communicated and made available to employees in general. The Company's policy is to make available to all employees any Company discounts with suppliers or other businesses which may be passed on to employees.

**Examples:**

>> You work in the Company's information services department and contact "Computer Inc.," a frequent Company supplier. You use the Company's purchasing power to obtain a special discount only for yourself. This would be improper use of the influence of your Company position for personal gain.

>> You are a member of a frequent flyer program and receive mileage bonuses and other discounts as a result of travel for Company business. Acceptance of such bonuses and discounts from airlines, hotels, and restaurants are proper when offered to travelers generally. However, it would be improper to make travel arrangements to receive travel bonuses if suitable, alternative arrangements are available at lower cost to the Company.

Test: Do you have any question as to whether your use of the Company name or Company discount may be improper or conflict with the Company's best interests? If so, discuss the matter promptly with your supervisor or the Corporate Compliance Officer so the situation can be evaluated before problems develop.

(e) Use of Company Resources

Loss, destruction or improper use of any Company resources can increase the cost of doing business, make the Company less efficient, and ultimately less competitive. Employees are responsible for using Company resources -- including vehicles, planes, computers, equipment, materials, services and supplies -- for Company business.

All computer equipment, files, data, programs and capabilities (such as EMail), and all telephones and related equipment and records (such as voice mail), including all back-up disks, tapes and the like, are considered Company records and are the property of the Company.

Employees are expected to utilize electronic communication, electronic records, and computer resources in accordance with applicable CenturyTel policies, including those set forth below under the heading "Company Communications."

Employees must adhere to internal controls, licensing agreements and copyright laws protecting computer software. Computer software products may not be used or copied in a manner contrary to the terms of the license agreement.

Use of Company tools and facilities for personal use is discouraged, and employees should seek alternate commercially available resources. If an employee has an appropriate personal need to use Company resources, prior authorization must be obtained from the appropriate local manager or designee.

**Examples:**

>> You have access to a Company pick-up that is not used on the weekends and wish to use it to move dirt to landscape your yard. If you pay for the gas, can you use the pick-up? No, unless you have prior authorization. Personal use puts additional wear on the vehicle, exposes the Company to potential liability for accidents, and gives the impression to members of the public that property paid for by customers and shareholders is being used improperly.

>> You are required to spend several days on Company business away from your normal workplace and have been authorized to use a Company vehicle for the trip. Is it appropriate to take a "side trip" to sightsee at the business location or on your return home? The more personal trips and detours you mix with business, the more questionable your conduct and integrity in using a Company vehicle (or in charging rental car costs to the Company). If such personal use is more than incidental, it is necessary that the personal use be discussed and approved as part of the prior travel authorization process, to include reimbursement to the Company for non-incidental personal mileage and any other related costs.

>> Can I use my Company telephone to make personal telephone calls? To ensure that personal telephone calls do not interfere with your work duties, they should generally be made during non-working time or should be infrequent and brief.

Further, you should avoid making personal long distance or cellular phone calls at the Company's cost. If you must make such a call except for an emergency or similar reason, you should charge the call to your home phone or promptly notify your supervisor so any costs to the Company can be reimbursed.

>> Listed below are examples of questions concerning the personal use of Company resources. May I:

- borrow a Company tool overnight to do repair work at my house?
- use the shop or its tools and equipment to do work on my car or other personal projects?
- use office equipment (e.g. copiers, computers, printers) for my personal use?

Test: Is your use of a Company resource, facility, tool or business machine for profit purposes? Or in non-compliance with locally established written procedures? If so, the use would be improper.

#### (f) Confidential and Proprietary Information

Confidential and proprietary business information relating to CenturyTel may not be provided to unauthorized persons or used to the Company's detriment or for the purpose of furthering a private interest or making a personal profit. All material non-public information concerning the business, securities, financial condition, earnings, or prospects of CenturyTel remains confidential until fully and properly disseminated to the public (e.g., current, interim earnings figures or trends, possible acquisitions or divestitures, projections, business plans, new products or processes). For further information, see below the "Policy Statement on Insider Trading."

It is Company policy that all confidential business information relating to CenturyTel will be used solely for Company purposes and will not be provided to unauthorized persons or used for the purpose of furthering a private interest or making a personal profit.

Employees who leave CenturyTel may not:

- o Use any Company confidential information for their own or another's gain; or
- o Keep any originals or copies of notebooks, proposals, documents, drawings, reports, other documents or property belonging to CenturyTel.

#### (g) Intellectual Property Rights

If during your employment with CenturyTel, you generate, author or contribute to any invention, design, product, program, method, process, copyrightable work, trade secret, proprietary information or other intellectual property, such intellectual property will be the exclusive property of CenturyTel and you must cooperate in obtaining in CenturyTel's name any patent, copyright or other proprietary right in such intellectual property (including signing and filing of appropriate documents and forms).

#### **Examples:**

>> Ideas, inventions, or discoveries conceived, developed, or made by employees that relate to Company business, research or development, or arise through the use of Company facilities, shall be the property of the Company, and appropriate measures shall be taken to protect such property.

#### (h) Entertainment, Gifts and Favors

The primary rule to remember regarding gifts and gratuities is that they must not influence or appear to influence the recipient's judgment, or to violate any laws.

No CenturyTel employee may offer or accept any levels of entertainment, gifts, favors, or gratuities which:

- o May reasonably be construed as intended to affect the judgment of the recipient so as to secure preferential treatment.
- o Are not of such limited nature and value that they could not be reasonably perceived by anyone to affect the judgment of the recipient.
- o Would be embarrassing to CenturyTel or the recipient if publicly disclosed.

- o Would violate any laws or regulations.

No employee should give or offer to give any entertainment, gifts, favors, or gratuities to any government official, even if lawful, if the action might reasonably be construed as an attempt to influence a government decision in any matter affecting CenturyTel. All relations with government or public officials should be conducted in a manner that will not adversely reflect on CenturyTel or the official's integrity and with the expectation that all such actions will become a matter of public knowledge.

#### **Examples:**

>> Your job is to evaluate car lease bids. One of the bidders offers to lend you at no cost a car for your personal use for several days. Accepting this offer would be improper. (Evaluation of the bidder's product can be done on the job or by other means that would not raise the question of whether your actions have compromised your ability to make an independent business decision.)

>> A parts vendor you do business with offers to take you to a professional basketball game as his guest. A ticket costs \$40. Should you accept? You should carefully review all the circumstances with your supervisor. Is there a business decision pending by you that could lead others to believe the vendor's ticket influenced your decision? If so, you should decline the ticket. Employees who have decision-making authority over pending or prospective business with a vendor must ensure that their decisions are not influenced, or perceived to be influenced, by a vendor's gratuities or hospitality.

>> You occasionally have need for certain consulting services and have retained a consultant who is currently providing services. The consultant invites you to a professional sports event as his guest. A ticket costs \$40. If you and your supervisor determine that the event will enhance "responsible business relations", acceptance would be appropriate since the hospitality is of reasonable cost under the circumstances.

>> Your facility wants to hold an employee picnic. Would it be appropriate to solicit or accept a financial contribution or gratuity (e.g., food, entertainment, transportation, etc.) from a supplier or subcontractor? The Company does not want a reputation of having its activities supported by the finances or gifts of its suppliers or others doing or seeking to do business with the Company. Accepting a supplier's gratuities for a Company-approved activity could be perceived as obligating the Company to give "favored status" to contributing suppliers to the exclusion of other non-contributing suppliers who may be more competitive. A supplier's contributions to a Company-approved activity should not be accepted without officer approval.

Test: Before accepting any gratuity (including forms of hospitality), you should ask yourself the following questions:

- o Would accepting a gratuity affect or appear to affect my ability to make an impartial decision with respect to the products or services of the individual or company giving the gift? It must not. If you have any doubts, contact your supervisor or manager for assistance.
- o Would the Company offer the same gratuity or business courtesy? If not, then it is likely that the gratuity is inappropriate under the circumstances and should not be accepted.

The Company will not pay any bribe, gratuity, kick-back, or any similar payment to anyone, including agents of our customers or members of their family, in connection with the sale of any of our products. Should any such payments be requested, the Company's lawyers should be contacted immediately. Company policy is to forego any business which can only be obtained by improper or illegal payments. The Company will not pay "push money" or secret payments to employees of our customers in order to induce them to purchase our products or services.

#### **(i) Marketing and Advertising**

In marketing our products, we must, of course, observe all of the basic antitrust laws summarized below under the heading "Compliance with Law." There are, however, some additional legal and ethical principles that should govern our conduct.

Our advertising should always be truthful. If we make specific claims about our products or the performance of our products, we should have evidence to substantiate those claims. We should not label or market our products in any way that might cause confusion between our products and those of any of our competitors. Similarly, we should be alert to any situation where a competitor may be attempting to mislead potential customers as to the origin of products and inform appropriate management or the Company's Legal Department of any such cases.

All of our advertising will be in full compliance with all laws, and will not discriminate with regards to race, creed, sex, color, national origin, disability, or otherwise.

If we offer advertising or promotional allowances, we should generally offer them on a proportionately equal basis to all of our customers. Advertising and promotional allowances are subject to very detailed and technical regulation under the Robinson-Patman Act and, therefore, should only be offered after it is clear that the allowances are proper and in conformance with law.

We should not unfairly disparage any of the products, services, or employees of any of our competitors. If we do engage in any comparison of our products against those of our competitors, such comparisons should be fair. Comparative advertising is also subject to some regulation and should, therefore, be cleared with the Company's lawyers beforehand. All use of the Company's trademarks and trade names should be in

accordance with our policies governing such use.

#### (j) Employment of Family Members

Your relatives and friends may apply for employment with the Company and, if employed, are eligible for job changes (e.g., promotions, transfers) to positions for which they are qualified as long as it will not create what CenturyTel considers an inappropriate employment relationship among friends or relatives (as described further below). However, relatives and friends are not entitled to preferential consideration.

For the purposes of this policy, "relative" is defined to include spouses, children, grandchildren, parents, brothers, sisters, in-laws, aunts, uncles, nieces, nephews, stepparents or stepchildren and other dependents whether or not living in the same household. The definition also includes all others living in the same household, including persons who live in non-marital, non-related arrangements (e.g., roommates and domestic partners).

#### **Examples:**

An inappropriate employment relationship may exist where:

>> One relative is in a position to exercise supervisory, appointment, promotional or grievance adjustment authority over another, or to audit the other's cash handling or accounts; or

>> It would constitute a violation of any federal or state law or regulation with which we are required to comply; or

>> It would constitute a violation of the conditions of our eligibility for government contracts or financial assistance; or

>> It would cause disregard of a bona fide occupational requirement reasonably necessary to the normal operation of business.

If after hiring, two employees become "relatives" and the Company feels the circumstance of their positions may create an inappropriate employment relationship, the employees will be notified and requested to make a recommendation as to who will be transferred or reassigned if an appropriate position is available, or laid off or terminated. CenturyTel will make the final decision consistent with business needs.

#### (k) Employment-Related Laws and Regulations

Brief descriptions of a few of the federal statutes generally applicable to CenturyTel are included in the section below entitled "Compliance with Law". Also included in this Program are the Company's employment policies regarding Equal Employment Opportunity and Unlawful Discrimination and Harassment. If you need advice with regard to laws and regulations relating to your job, you should consult with your supervisor. If a situation arises where you feel a need to consult privately or anonymously about such a matter, you may contact the Corporate Compliance Officer at (360) 905-6861.

#### (l) Outside Employment and Business Activities

Employees are expected to devote full time to CenturyTel's interests during regular working hours and during any additional work time that is required. In addition, no Company assets or labor are to be used for personal business. Although the Company discourages outside employment (including working as a consultant), this activity is allowed if it does not interfere, compete or conflict with the Company's interests. Any outside employment which in any way competes or conflicts with CenturyTel's interests must be approved in advance by your manager, division executive and the Vice President of Human Resources.

No outside work may be done during your regular work hours and no Company facilities, equipment, labor, information or supplies are to be used to conduct this outside activity. Any employee doing any outside work is under obligation to advise their client that the work is in no way by, for, or in the name of CenturyTel.

#### **Examples:**

>> It is improper and against Company policy to accept employment or a consulting position with any competitor of the Company or with a contractor who will use your services to perform work for the competitor. It is also improper to work for an outside consultant or other employer which provides goods or services to or solicits business from the Company. If you are uncertain what constitutes a "competitor" of the Company, you should seek assistance through your supervisor.

>> You work in the engineering department and a consultant (or contractor) who performs work for your department offers you a part-time job on weekends or during your vacation. You should decline the offer to avoid the appearance of a conflict of interest unless you have reviewed the circumstances with your supervisor and received the approvals specified above. No matter how innocently the offer of part-time work might be made or accepted, others might see it as a kickback paid to you in return for Company business or for helpful "inside information" of special value to the consultant not available to his or her competitors.



>> You sell sports equipment after hours which presents no conflict with your job. However, you now want to contact co-workers during your work time to sell or promote your products. It would be improper to use your work time or interrupt the work time of other employees to conduct or promote your personal business interests.

>> You are developing software programs after work hours and now want to sell those programs to the Company. This raises a potential conflict of interest. It is necessary that you demonstrate to your supervisor, and the supervisor involved in the transaction, that the development of the product occurred outside the performance of your job and without the use of Company materials. Products and designs developed as part of your job are the property of the Company.

>> Your job involves use of testing equipment. Based on information and knowledge obtained through your job, you feel you can design and build testing equipment used by the Company far better and more inexpensively than the supplier the Company is now using. If you work on your own time, would it be acceptable if you started your own business and competed for Company work? No. As an employee who has received money and training from the Company, you are expected to give the Company the best of your creativity and energy. You might consider suggesting how the design and construction of the testing equipment could be incorporated into your job.

Test: Would the outside employment or personal business enterprise compete with products or services provided by the Company? If so, you should reject the opportunities. Also, you should not conduct or promote outside business during work time paid by the Company.

#### (m) Political Contributions & Activities

The Company may not make any political contributions of any kind without the express approval of the General Counsel or the Chief Executive Officer.

o CenturyTel recognizes that employees will participate in the political process, including voluntary contributions to any appropriate political action committee and to candidates and parties of their choice. However, no influence shall be exerted by any employee on another employee to make any personal political contribution or to engage in any political activity inconsistent with that employee's own personal inclination.

o Corporate contributions, direct or indirect, and of whatever amount or type, to any political candidate or party, or to any other organization that might use the contributions for a political candidate or party, are illegal for all federal elections and may be illegal for state and local elections except in certain situations. No permissible corporate contributions are to be made for political purposes without review by the General Counsel or the Chief Executive Officer.

o CenturyTel may from time to time take stands on issues of public policy, particularly those that affect its interest or those of its constituencies. In such cases, CenturyTel may elect to express its views publicly and spend Company authorized funds to ensure that its position is broadly disseminated. It may also provide authorized financial support to groups that advocate essentially consistent positions.

#### (n) Accountability

The law requires that CenturyTel keep accurate books, records, and accounts to fairly reflect CenturyTel's transactions and that CenturyTel maintain an adequate system of internal accounting controls. Therefore, it cannot be over-emphasized that our books and records should have the highest degree of integrity. Employees should fulfill their responsibilities to ensure that CenturyTel's books, records, and accounts are complete, accurate, and supported by appropriate documents in auditable form. All vouchers, bills, invoices, expense accounts, and other business records should be prepared with care and complete candor. No false or misleading entries should be permitted for any reason. Unrecorded or "off the books" funds or assets should not be maintained unless permitted by applicable law or regulation. No payment is to be made for purposes other than those described in the documents supporting the payment. Records should always be retained or destroyed according to the Company's record retention policies. You are expected to be familiar with the Company's record retention policies, and strictly adhere to the procedures outlined therein. You may obtain a copy of these policies by contacting the Records and Information Management Department.

#### (o) Honesty and Integrity in All Matters and Things

Unfortunately, there is no formula or set of rigid guidelines that can "define" appropriate ethical and moral judgment in every situation which an employee might face. Thus, CenturyTel must depend upon the good judgment and common sense of each of its employees and their willingness to seek advice from others within the Company when difficult or ambiguous situations arise.

Our absolute and unwavering expectation is that all of our directors, officers and employees, regardless of position or responsibilities, will conduct themselves and their affairs with honesty and integrity in all matters and things. This not only means that falsification, misrepresentations and untruthfulness will not be tolerated, but that we also cannot accept conduct, statements, and "omissions" which are misleading or result in impressions or conclusions which distort the larger reality. Of necessity, this also means that we expect you to courteously and candidly cooperate in all Company-initiated investigations or inquiries.

A violation of the law or compromise of the Company's principles of conduct can result in serious disciplinary actions (including dismissal and criminal or civil proceedings where appropriate). No director, officer or employee is exempt from the principles, guidelines and policies expressed herein. The cooperation of each and every person in the organization is required to ensure that violations of these principles,

guidelines or policies are called to the attention of appropriate representatives of the Company. Furthermore, if we are to hold ourselves to these high standards, we must also understand that the Company's best interests are our best interests and that we are expected to exercise good judgment, as well as ethical courage, in matters of reporting violations covered in this policy.

Company policy allows the use of any lawful method of investigation which the Company deems necessary to determine whether any person has engaged in any conduct which interferes or adversely affects its business. This includes the theft of any company property or any property of any employee or visitor. It also includes suspicion of possession of drugs, alcohol, firearms, or anything else that is prohibited or restricted on company property. All employees are expected to participate in the Company's reasonable security efforts.

### 3. POLICY STATEMENT ON INSIDER TRADING

Excerpts from the Company's Policy Statement on Insider Trading are reproduced below:

#### (a) Penalties for Insider Trading

The consequences of insider trading violations are extremely serious. For individuals who trade on inside information or tip information to others, the sanctions may include:

- (i) a civil penalty of up to three times the profit gained or loss avoided;
- (ii) a criminal fine (no matter how small the benefit) of up to \$1 million; and
- (iii) a jail term of up to ten years.

In addition, any director or supervisory employee who fails to take appropriate steps to prevent illegal trading by another employee over whom he exercises control could be sued for the greater of \$1 million or three times the profit gained or loss avoided as a result of the subordinate employee's violation.

In addition to the criminal and civil penalties, persons who buy from or sell to a CenturyTel employee or who buy from or sell to persons who have been "tipped" by a CenturyTel employee, have a civil cause of action for damages against the trading or tipping employee. Moreover, as discussed further below, any violation by an employee of CenturyTel's insider trading policies and procedures set forth herein could result in Company-imposed sanctions, including dismissal for cause.

#### (b) The Company's Policies and Procedures on Insider Trading

##### Prohibition against Trading on or Disclosing Material Nonpublic Information

If any employee is in possession of material nonpublic information relating to CenturyTel, it is the Company's policy that neither that person nor any family members or other person living in the employee's household may buy or sell securities of the Company or engage in any other action to take advantage of, or disclose to others, that information. Employees will be deemed responsible for compliance by members of their household. This prohibition also applies to material nonpublic information obtained in the course of employment that relates to any other company that has publicly-traded stock. Transactions that may be necessary or justifiable for independent reasons (such as the need to raise money for an emergency expenditure) are no exception. Even the appearance of an improper transaction must be avoided to preserve Century's reputation for adhering to the highest standard of conduct.

Serious problems could be caused for CenturyTel by unauthorized disclosure of internal information about CenturyTel or other companies with which it does business, whether or not for the purpose of facilitating improper trading in stock. Company personnel should not discuss internal Company matters or developments with anyone outside the Company, except as required in the performance of regular corporate duties. This prohibition against disclosing nonpublic information to others will apply regardless of whether or not the director or employee derives any monetary benefit therefrom.

##### Material Information

Material information includes any information, whether positive or negative, that a reasonable investor would consider important in a decision to buy, hold or sell CenturyTel stock. Information is material even if it alone would not determine the investor's decision; the fact that a reasonable investor would want to know it in connection with his decision to buy, hold or sell securities will suffice. Examples of material information include annual and quarterly financial results, a significant change in earnings or earnings projections, internal financial information that departs in any way from what the market would expect (such as the potential payment of a special dividend, including a stock split, or an increase in regular dividends), a potential merger or acquisition, the acquisition or disposition of a significant amount of assets, the initiation or settlement of a significant lawsuit, or a transaction that is likely to significantly affect the financial condition or performance of CenturyTel.

#### (c) Policy on When Information is Public

Employees will be free to trade in CenturyTel stock whenever there is no material nonpublic information concerning the Company. If any such

person, however, is in possession of any such information, he or she may not trade until this information is disseminated to the investing public. Even when material information has been publicly disclosed, CenturyTel employees must continue to refrain from trading in CenturyTel stock until such information has been adequately disseminated to the public and investors have been able to evaluate it. Generally, information regarding relatively simple matters, such as earnings results, will be deemed to have been adequately disseminated and absorbed by the marketplace two business days after its release. When more complex matters such as a prospective major acquisition or disposition are announced, it may be necessary to allow additional time for information to be digested by the investors. In such circumstances, employees desiring to trade CenturyTel stock should consult with the Office of the General Counsel regarding a suitable waiting period before trading.

### **Window Period**

As a general guideline, CenturyTel employees should note that the most appropriate time to trade in CenturyTel stock is during the twenty business day period commencing on the third business day following the release of quarterly or annual financial results. This period of time is frequently referred to as the "window period." It is permissible to trade at other times (except as noted below for directors and certain officers). However, you may not trade in CenturyTel stock (whether during or outside of a window period) if you are in possession of material, non-public information.

### **Additional Prohibited Transactions for All Employees**

Because CenturyTel believes it is improper and inappropriate for any employees to engage in short-term or speculative transactions involving CenturyTel stock, it is the Company's policy that employees should not engage in any of the following activities with respect to CenturyTel stock:

- (i) purchases or sales of short-term options (that is, options with expiration periods of less than six months) with respect to CenturyTel stock; or
- (ii) sales of CenturyTel stock not owned or not delivered within 20 days of the sale, i.e. "short sales."

#### **(d) Sanctions for Violations of Policy Statement**

CenturyTel will expect the strictest compliance with the terms of this Policy Statement by all personnel at every level. Failure to observe these procedures may result in serious legal problems for you, as well as the Company. A failure to follow the letter and spirit of this Policy Statement will be considered a matter of grave concern and Company-imposed sanctions, including dismissal for cause, could result.

It should be remembered that if an employee's transactions in CenturyTel stock become the subject of scrutiny the transactions would be viewed after the fact with the benefit of hindsight. As a result, before engaging in any transaction an employee should carefully consider how regulators and others might view the transaction in hindsight. Any employee who has any questions about specific transactions or this Policy Statement in general may obtain additional guidance from the Office of the General Counsel; telephone (318) 388-9000 or Email [harvey.perry@centurytel.com](mailto:harvey.perry@centurytel.com). Remember, however, the ultimate responsibility for adhering to this Policy Statement and avoiding improper transactions rests with you. In this regard, it is imperative that you use your best judgment.

\* \* \* \* \*

The Company's Policy Statement on Insider Trading imposes additional trading restrictions on directors and certain officers. For a complete copy of this policy, please contact the General Counsel's office.

### **4. DISCLOSURE POLICY**

CenturyTel is committed to providing timely, accurate and complete information to the investment community consistent with all applicable legal and regulatory requirements. To assist in this process, CenturyTel's Board of Directors has adopted a Disclosure Policy. The Disclosure Policy provides that the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), in conjunction with others, will be primarily responsible for determining when material developments justify public disclosure, and will be the primary spokespersons for the Company. The CEO and CFO may from time to time designate other officers or employees to speak on behalf of the Company or to respond to specific inquiries from the investment community or the media. Employees, other than the authorized spokespersons, should not respond to inquiries from the investment community or the media without specific authority to do so from an authorized spokesperson specified above.

For a complete copy of CenturyTel's Disclosure Policy, please contact the General Counsel's office.

CenturyTel has also adopted Disclosure Controls and Procedures that are intended to, among other things, enhance the accuracy and completeness of the Company's reports under the Securities Exchange Act. For a copy of these procedures, please contact the General Counsel's office

### **5. POLICY ON CONFIDENTIALITY**

CenturyTel requires employees to respect the confidentiality of any and all customer and supplier information obtained in the course of

business, except when disclosure is authorized by the General Counsel's office or required by laws or regulations. Employees are prohibited from disclosing information obtained from our customers and suppliers and shall not engage in any conduct in the non-exclusive list set forth below:

1. Employees must not disclose the contents, or any part thereof, of any letter, telephone, or Fax message addressed to another person without the permission of such person, or willfully alter the purport or effect or meaning of any such message to the injury of another.
2. Employees must not use for any unauthorized purpose any information derived by them from any private message passing through their hands and addressed to another person, or acquired in any other manner by them as employees of the Company.
3. Employees must not permit any unauthorized person to listen to any telephone conversation. Employees must not monitor any connection beyond the requirements for its proper supervision.
4. Employees must not divulge the existence or the nature of any message, except as required for the proper handling thereof.
5. Employees must not discuss communication arrangements made between the Company and its customers, except as required for the proper handling thereof.
6. Employees must not give any unauthorized person any information whatever regarding the location of equipment, trunks, circuits, cables, or similar equipment, or regarding local or toll ticket records of calls, telegraph messages, or similar communications.
7. Employees must not disclose any proprietary information concerning a customer's business, operations, costs, plans, trade secrets or other confidential matters. See "Policy Statement on Insider Trading" for related information.
8. Employees must not disclose to unauthorized persons information gathered in response to a lawful request by an administrative or governmental agency.

The secrecy of communications is protected by laws that impose civil and criminal penalties for violations. See the section below entitled "Compliance with Law - Unauthorized Publication or Use of Communications."

As discussed further in Section 2 above, all confidential business information relating to CenturyTel should be used solely for company business and should not be provided to unauthorized persons or used for the purpose of furthering the private financial or other interests of any employee or his family, friends, or others with whom he comes in contact.

The obligations to preserve confidential information continues even after employment ends.

## 6. COMPETITION AND FAIR DEALING

We expect to outperform our competition fairly and honestly. We seek competitive advantages through superior performance, never through unethical or illegal business practices. Stealing proprietary information, possessing trade secret information that was obtained without the owner's consent, or inducing such disclosures by past or present employees of other companies is prohibited. Each employee should endeavor to respect the rights of and deal fairly with the Company's customers, suppliers, competitors and employees. No employee should take unfair advantage of anyone through manipulation, concealment, abuse of privileged information, misrepresentation of material facts, or any other intentional unfair-dealing practice.

## 7. COMPANY COMMUNICATIONS

### (a) Statement of Philosophy

All computer equipment, files, data, programs and capabilities (including e-mail), and all telephones and related equipment and records (including voice mail) are the property of the Company. Computer files, e-mail messages, voice mail messages, group-ware messages and other recordings of electronic communications, including all back-up disks, tapes and the like ("Electronic Records"), are considered Company records.

The primary purpose of electronic communications is to facilitate the timely and efficient conduct of business, and further to encourage and facilitate the free exchange of business-related communications and ideas.

This policy is applicable to all employees of CenturyTel and its wholly owned domestic subsidiaries, as well as all consultants, contractors or other persons who may utilize the Company's computers or other electronic communications media. References in this policy to the Information Services ("IS") Department shall mean the IS staff which have day to day information services management responsibility for the particular CenturyTel subsidiary, business unit or staff function, as well as any contractors or consultants authorized by such persons.

## (b) Electronic Communications - General Principles

o The Company owns all Electronic Records, and reserves the right to review, audit, intercept, access and disclose to others all electronic communications and Electronic Records at any time, with or without employee notice. To ensure compliance with this Policy, the Company's IS Department may designate certain Company personnel to audit the operation, utilization or content of the Company's communications resources, computer resources and Electronic Records. As a result, employees should not expect or assume personal privacy with respect to any electronic communications or Electronic Records.

o Although Electronic Records are not private, all employees should respect the confidentiality of electronic communications or Electronic Records. Accordingly, no employee may review, audit, intercept, access or disclose any electronic communications or Electronic Records without authorization from the author, the intended recipient or an executive officer of the Company.

o All Electronic Records, including e-mail, voice mail messages, and group-ware communications, are routinely backed up or otherwise saved so that data can later be restored. This means that computer and telephone records and messages are not destroyed even though they may have been "deleted" or "erased" by the user, but will instead be preserved in accordance with the Company's record retention policies.

o For purposes of lawsuits, Electronic Records, including e-mail, voice mail messages, and group-ware communications are accorded the same treatment as paper documents; that is, they could be treated as evidence in lawsuits involving the Company.

o Accordingly, employees should use discretion and good judgment in creating Electronic Records. All Electronic Records should be created with the same care and consideration as a paper report or memorandum.

## (c) Company E-mail

o E-mail is an important part of the Company's business communications. All employees are responsible for adhering to the standards set forth in this Policy when e-mail is created, sent, forwarded or saved. The failure to do so can put both the Company and the individual at risk for legal liabilities, embarrassment or other problems.

o Employees should compose e-mail messages with the same care and discretion that they would use for Company memoranda, reports, and letters presented in paper form. All messages should be composed with the expectation that they could be made public. Appropriate uses of internal e-mail include routine scheduling, exchanges of basic information, and updates. E-mail is generally not a suitable format for discussion of extremely sensitive or highly confidential information. Instead, sensitive and confidential matters should be handled through in-person meetings and formal memoranda and reports, where there is more opportunity for dialogue, analysis and necessary clarifications.

o E-mail communications should be businesslike, courteous and civil. Use of the e-mail system or any other Company-owned medium of communication to transmit obscene or pornographic material or derogatory or discriminatory statements of any kind about co-workers, customers, or competitors, including but not limited to those based on age, gender, physical attributes, sexual orientation, race, color, creed, citizenship status, national origin, religion, mental or physical disability or veteran status or any other status protected under applicable local, state or federal nondiscrimination law is strictly prohibited.

o To avoid the excessive expense of tracking, storing, administering and retrieving e-mail, the Company will periodically purge all e-mail from the Company's computer systems and backup tapes in accordance with the Company's record retention schedule. (Please refer to the Company's current Records Retention Policy for the retention/destruction schedule of e-mail.) Any e-mail that contains information which needs to be preserved for a significant period of time should be modified and stored in another, more permanent format.

o Employees may not install any e-mail system except as specifically authorized by the IS Department.

o The Company's e-mail system may not be used to solicit or proselytize for commercial ventures, non-profit organizations, religious or political causes, or other purposes unrelated to Company business, except in regard to Company sponsored programs or such other activity as may be approved in advance by the Company's executive officers.

o In some instances, Company employees may be connected to the Company's e-mail system through the Internet. Such employees must be aware of and adhere to the Internet policies described below.

## (d) Use of Company Computers

o Generally, copyright laws provide that anyone who purchases a copy of software has the right to load that software onto a single computer and make another copy for archival purposes only. In some cases, a software license may also authorize a copy for other limited uses. Violation of software copyright laws can result in significant civil and criminal penalties, and trade organizations have become much more aggressive about enforcement of the law. As such, employees may acquire, use, copy and distribute software only in accordance with the policies and procedures of the IS Department and any applicable software license.

o Employees may not use encryption capabilities for purposes of internal communications unless approved by the IS Department.

o The Company's computer system, including hardware, software and accessories, is Company property to be used for business purposes.

(e) Software Copying and Other Types of Unlawful Copying

U.S. and International copyright laws prohibit the copying, distribution, use, and display of a copyrighted work without the prior permission of the copyright owner. These restrictions apply to software as well as written material and extend to the making of derivative works or compilation of any copyrighted material. Violations can result in civil and criminal penalties for the Company and its employees. To ensure compliance, address any concerns to the IS Department or Legal Department.

Neither the Company nor its employees should make or use unauthorized copies of computer software programs in violation of U.S. copyright laws or the relevant software license agreement.

(f) Internet and Other External Electronic Communications

o The Internet and other external electronic communications are not secure. Any message sent over the Internet, even if addressed to only one specific address, may potentially be intercepted and read by anyone. Also, Internet communications are not anonymous. Each message will generally contain information that will identify the source of the message by employee and company name.

o Accordingly, employees should avoid communicating extremely confidential, proprietary or sensitive information via the Internet or other comparable electronic communications media.

Internet communications, as well as other comparable communications media, should not be used for business purposes.

## 8. POLICY STATEMENT EQUAL EMPLOYMENT OPPORTUNITY

The Company's Policy Statement on Equal Employment Opportunity is reproduced in full below:

It is the policy of CenturyTel to employ qualified personnel and to provide equal employment opportunity for all applicants and employees. This policy applies to recruitment, hiring, training, promotion and other terms and conditions of employment. It will be administered without regard to race, color, religion, creed, national origin, age or sex; mental or physical disability (except where disability is a bona fide occupational disqualification); marital status, change in marital status, parenthood, pregnancy, or family relationship; status as a disabled veteran, or a veteran of the Vietnam Era; or any other impermissible characteristic as defined by federal or state law.

Accordingly, all employment decisions shall be consistent with these principles. Selection decisions will rely on valid qualifications. Other personnel actions or programs such as, but not limited to, compensation, benefits, transfers, layoffs, returns from layoff, company sponsored training, education, tuition assistance, social, and recreational programs, will be administered in a nondiscriminatory manner.

An employee who believes that he or she (or a coworker) may not have been provided equal employment opportunity or may have been the subject of unlawful discrimination or believes he or she may have witnessed some violation of this policy, should promptly report the facts to his or her supervisor. An employee who is not comfortable discussing the matter with his or her supervisor may report it directly to the manager/department head, Human Resources Manager or Corporate Employee Relations at (360) 905-5943. Human Resources will ensure that all claims are investigated promptly and that appropriate corrective action is taken. Any supervisor or employee, who after appropriate investigation, is found to have engaged in unlawful discrimination, will be subject to appropriate sanctions, which may, depending upon the circumstances, include termination.

Employees who report possible incidents of unlawful discrimination or Equal Employment Opportunity violations will be treated courteously and all such reports will be swiftly and thoroughly investigated in as confidential a manner as is possible under the circumstances. No employee will be discriminated or retaliated against in any way for bringing a question or complaint to the Company's attention.

CenturyTel is committed to a policy of equal employment opportunity. The Company believes that such a policy is a proper concern of business and we encourage each employee to sincerely support this policy. For further information, you may contact Employee Relations at (360) 905-5943.

## 9. OUR POLICY ON UNLAWFUL DISCRIMINATION AND HARASSMENT

The Company's Policy on Unlawful Discrimination and Harassment is reproduced in full below:

### **Our Commitment**

We are committed to providing equal employment opportunities to all persons regardless of race, color, religion, ancestry, sex, national origin, marital or veteran status, physical or mental disability, on-the-job injuries, age, or any other legally protected status, unless it is a bona fide occupational requirement reasonably necessary to the operation of our business. We are also absolutely committed to providing a work environment that is free of ALL forms of unlawful harassment. We will not tolerate the harassment of our employees by anyone -- supervisors,

co-workers, customers, or vendors. It is each employee's responsibility to eliminate all forms of prohibited harassment. It is every supervisor's responsibility to prevent such behavior from occurring within his or her work jurisdiction and provide a work environment free from harassment.

### **Sexual Harassment**

Sexual harassment consists of unwelcome sexual advances, requests for sexual favors, and other verbal or physical conduct of a sexual nature if (1) submission to the conduct is in any way made a term or condition of employment;

(2) submission to (or rejection of) the conduct is used as the basis for any employment-related decisions; or (3) the conduct has the purpose or effect of unreasonably interfering with an individual's work performance or creating an intimidating, hostile or offensive work environment.

This means no sexual or sexist language, jokes or innuendo; nude, profane, or obscene cartoons, drawings or photographs; whistling or cat-calling; staring or leering; pinching, patting, inappropriate touching, unwelcome hugging or kissing; etc.; or other conduct that might create or contribute to a hostile or offensive working atmosphere.

### **Other Forms of Unlawful Harassment**

We want to maintain a working environment free from all forms of unlawful harassment, whether based upon race, color, religion, ancestry, national origin, age, marital or veteran status, physical or mental disabilities, on-the-job injuries, sex, or any other legally protected characteristic or status. This means no "ethnic jokes"; religious slurs; use of offensive "slang" or derogatory terms or slurs denoting race, age, national origin, disability, etc.; mimicking one's speech, accent or disability; derogatory comments regarding protected statuses or characteristics; or other conduct that might create or contribute to a hostile or offensive working atmosphere.

### **Reporting Unlawful Discrimination or Harassment**

If you believe that you have been harassed, witness or suspect any violation of this policy, you may report the matter to your supervisor, manager or to the next level of management. If you are uncomfortable doing so at those levels, regardless of the reason, you should report it directly to the Manager of Human Resources. No employee will be discriminated or retaliated against in any way for bringing a question or complaint to our attention or for bypassing the chain of command.

All employees, supervisors and managers are required to support both the letter and spirit of this policy. The Human Resources Department is responsible for ensuring that all complaints are promptly and thoroughly investigated in as confidential a manner as is possible under the circumstances. (If the matter includes employees within the Human Resources Department, the investigation will be performed by the Legal Department.) Appropriate corrective action will be taken, up to and including termination, when violations have occurred. For further information, or to report any problems or complaints relating to discrimination or harassment, contact your Manager, Human Resource Department.

### **(10) APPLICABILITY OF OTHER COMPANY POLICIES**

Employees should note that this handbook does not set forth all of the policies or guidelines governing your employment relationship with CenturyTel or the particular region, division, group or business unit for which you work. Please consult CenturyTel's Employee Handbook, CenturyTel's Intranet site or with your supervisor for information on such other policies and guidelines.

### **(11) COMPLIANCE WITH LAW**

CenturyTel has a policy of strict compliance with all laws that are applicable to our business, wherever conducted. Compliance with the law means not only observing the law, but conducting our business affairs so that we will deserve and receive recognition as a law-abiding organization. No employee should assume that CenturyTel's interest ever requires some other course of conduct. Moreover, no individual within CenturyTel has authority to give any order or direction that would result in a violation of this policy. Following are brief descriptions of a few of the federal statutes that may significantly affect CenturyTel's operations. This list is not intended to be exclusive, as there exist many other federal statutes that may affect CenturyTel's operations. As many of these statutes are complex and difficult to interpret, employees should take the initiative to consult the responsible manager or officer, or the Legal Department, when the proper course of action is in doubt.

(a) Clean Water Act; Resource Conservation and Recovery Act; Toxic Substances Control Act; Comprehensive Environmental Response, Compensation and Liability Act.

Federal environmental statutes govern the storage, transportation, release and disposal of hazardous and toxic substances (such as gasoline, asbestos, lead, sulfuric acid, cadmium and materials found in certain vacuum tubes and capacitors) and impose certain record keeping and reporting requirements in connection with such hazardous and toxic substances.

In addition, Department of Transportation regulations require that certain emergency response information be provided at the time hazardous material is shipped, that the material be properly classified, documented, packaged and labeled, and that the material be in the proper condition for shipment. Many substances are included within the definition of "hazardous materials," such as paints (including aerosol paints), corrosives, compressed or liquefied gases, dyes, disinfectants, insecticides, poisons, refrigerants, flammable materials and explosives.

#### (b) Occupational Safety and Health Act

This statute provides criminal penalties for: willful violations that result in the death of an employee; giving advance notice of an inspection conducted pursuant to the statute; and knowingly making a false statement, representation or certification in connection with records or reports required under the statute. The Company strives to provide each employee with a safe and healthy work environment. Each employee has responsibility for maintaining a safe and healthy workplace for all employees by following safety and health rules and practices and reporting accidents, injuries and unsafe equipment, practices or conditions.

#### (c) Sherman Act; Clayton Act; Robinson-Patman Act

In broad terms, these federal antitrust statutes prohibit the following:

1. Agreements, associations or conspiracies between two or more companies that unreasonably restrain interstate or foreign trade or commerce;
2. The monopolization or attempted monopolization of any market for a particular product or service, except in certain circumstances; and
- 3 . Price discrimination in the sale of goods (such as telephone equipment) purchased for resale.

Certain activities are considered violations of the antitrust laws whether or not there exists a business reason for such activity. These include:

1. Price fixing, which includes agreements among competitors that fix key terms of an agreement that affect price;
2. Customer and territorial allocation, such as agreements among companies that they will not compete as to certain business; and
3. Agreements among companies to refuse to deal with particular customers or suppliers.

It must be emphasized that the laws regarding granting price and promotional allowances to some but not other customers is complex. Please take extra care in this area, consult with your supervisors and refer all legal questions that you may have to the Legal Department.

#### (d) Procurement Integrity

Generally, these laws prohibit the following in connection with any federal agency procurement of property or services:

1. Making any offer of future employment or business opportunity to, or discussing such matters with, a procurement official of the agency;
2. Giving or offering any money or thing of value to a procurement official of the agency; and
3. Soliciting or obtaining from the agency, prior to the award of a contract, any proprietary or source selection information regarding such contract.

#### (e) False Statements or Entries

These laws prohibit the making of any false, fictitious or fraudulent statements, representations or entries, or the use of any writing or document containing any such statements, representations or entries, in connection with any matter within the jurisdiction of any department or agency of the United States.

#### (f) Unauthorized Publication or Use of Communications

These laws prohibit the disclosure of the existence, contents, effect or meaning of any wire or radio communication to any person other than the addressee, except under certain statutorily defined circumstances. Fines of as much as \$10,000 and imprisonment for as long as five years and in some instances longer may be imposed for breaking these laws.

#### (g) Records and Reports on Monetary Instruments Transactions

These laws require the filing of a report when monetary instruments of more than \$10,000 are transported at one time into or out of the United States.

#### (h) Willful Failure to File Return, Supply Information or Pay Tax

In addition to other proscribed actions, applicable tax statutes make it a crime to fail to keep any records or make any returns required by the Internal Revenue Code (including returns relating to receipt of more than \$10,000 in cash in a single transaction or related transactions), or to



structure a transaction so as to avoid such reporting requirements.

(i) Securities Act of 1933; Securities Exchange Act of 1934

The federal securities laws regulate the issuance and sale of securities (stocks, bonds, notes, investment contracts, etc.), prohibit fraudulent or deceptive practices in the offer or sale of securities and impose disclosure and other requirements on publicly-held corporations. Also prohibited is "insider trading" -- purchases or sales by persons who have access to information that is not available to the public. For additional information, see above Sections 3 and 4, "Policy Statement on Insider Trading" and "Disclosure Policy".

(j) Foreign Corrupt Practices Act

This statute, generally speaking, prohibits bribes or other "corrupt" payments by a U.S. company to a foreign official who exercises discretionary decision-making authority for the purpose of obtaining or retaining business.

(k) Government Inquiries

It is the Company's policy to cooperate with governmental authorities in the proper performance of their functions in conducting investigations of our Company or other companies, or in gathering information in preparation for making a decision as to whether to conduct such an investigation. However, it is important that all such matters be properly coordinated within the Company and that all inquiries or investigations from the government be handled in an orderly manner.

Therefore, if a representative of the Department of Justice, the Federal Trade Commission, a member of the FBI, or any representative of any other government agency requests an interview with any Company personnel, seeks data or copies of documents, or seeks access to files, he should be told that the Company will cooperate, but the matter must first be referred to the Legal Department (unless the matter is a routine tax audit, OSHA inspection, employment law review or any other similar routine matter of which the Legal Department is already aware). This procedure should be followed whether the request is by letter or oral. It is not necessary to get the government's request in writing. All requests, written or oral, must be reported to the General Counsel by telephone immediately. The Legal Department will then provide advice as to further action.

## 12. WAIVERS OF THE CODE OF BUSINESS CONDUCT AND ETHICS

Any waiver of any of the above-described policies, principles or guidelines relating to business conduct and ethics for executive officers or directors may be made only by the Board of Directors or an authorized Board committee, and will be promptly disclosed as required by law or stock exchange regulation.

## 13. ACCOUNTING COMPLAINT PROCEDURES

Any person who has any concerns, complaints or questions about the Company's accounting, internal accounting controls or auditing may contact the Audit Committee of the Board of Directors by sending a letter to the Chairman of the Audit Committee, c/o Post Office Box 4364, Monroe, Louisiana 71211. Employees may send any such letter on an anonymous basis, and may request that their letter be handled on a confidential basis. Copies of all such letters will be retained for a five-year period.

## 14. INQUIRIES REGARDING ALL OTHER POSSIBLE COMPLIANCE PROGRAM VIOLATIONS

For any concern, complaint or question not covered by Section 13, please note that the Vice President of Employee & Labor Relations serves as the Corporate Compliance Officer (CCO) and supervises the confidential investigation of alleged Compliance Program violations. If you have a good faith belief that a violation of laws, company policies or business ethics has occurred, you may arrange a personal meeting or teleconference with the Corporate Compliance Officer.

If you prefer, you may make an oral telephone report by calling (360) 905-6861, a private, confidential extension maintained for this purpose, you may send a letter to the Corporate Compliance Officer or you may also seek guidance from your supervisor or manager. You may make or send any such report or seek any such guidance on an anonymous basis. If follow up investigations are necessary, they will be handled confidentially to the maximum extent possible.

It is recognized that an employee who encounters a violation or possible violation of laws, policies or ethics by another employee is in a sensitive situation. However, an employee who reports such information in good faith will not be penalized or suffer reprisals of any form as a result.

For additional information regarding how CenturyTel responds to alleged policy violations and otherwise administers its corporate compliance program, please consult the Corporate Compliance Program Procedures, copies of which may be obtained from your supervisor, the Corporate Compliance Officer or on the Company's intranet site.

**EMPLOYEE ACKNOWLEDGMENT**

**CORPORATE COMPLIANCE PROGRAM  
HANDBOOK**

I have received the March 2003 information relating to CenturyTel's Corporate Compliance Program, Equal Employment Opportunity, and Policy on Unlawful Discrimination and Harassment.

**Employee Name (please print)**

**Company/Division Social Security Number**

**Employee Signature Date**

**CENTURYTEL, INC.**  
**SUBSIDIARIES OF THE REGISTRANT**  
**AS OF DECEMBER 31, 2003**

Subsidiary	State of incorporation
Actel, LLC	Delaware
Century Business Communications, LLC	Louisiana
Century Interactive Fax, Inc.	Louisiana
CenturyTel Arkansas Holdings, Inc.	Arkansas
CenturyTel Fiber Company II, LLC	Louisiana
CenturyTel Holdings, Inc.	Louisiana
CenturyTel Holdings Missouri, Inc.	Missouri
CenturyTel Interactive Company, Inc.	Louisiana
CenturyTel Internet Services, LLC	Louisiana
CenturyTel Investments, LLC	Louisiana
CenturyTel Investments of Texas, Inc.	Delaware
CenturyTel Long Distance, Inc.	Louisiana
CenturyTel Michigan Network, LLC	Louisiana
CenturyTel Midwest - Michigan, Inc.	Michigan
CenturyTel of Adamsville, Inc.	Tennessee
CenturyTel of Alabama, LLC	Louisiana
CenturyTel of Arkansas, Inc.	Arkansas
CenturyTel of Central Arkansas, LLC	Arkansas
CenturyTel of Central Indiana, Inc.	Indiana
CenturyTel of Central Louisiana, LLC	Louisiana
CenturyTel of Central Wisconsin, LLC	Delaware
CenturyTel of Chatham, LLC	Louisiana
CenturyTel of Chester, Inc.	Iowa
CenturyTel of Claiborne, Inc.	Tennessee
CenturyTel of Colorado, Inc.	Colorado
CenturyTel of Cowiche, Inc.	Washington
CenturyTel of Eagle, Inc.	Colorado
CenturyTel of East Louisiana, LLC	Louisiana
CenturyTel of Eastern Oregon, Inc.	Oregon
CenturyTel of Evangeline, LLC	Louisiana
CenturyTel of Fairwater-Brandon-Alto, LLC	Delaware
CenturyTel of Forestville, LLC	Delaware
CenturyTel of Idaho, Inc.	Delaware
CenturyTel of Inter Island, Inc.	Washington
CenturyTel of Lake Dallas, Inc.	Texas
CenturyTel of Larsen-Readfield, LLC	Delaware
CenturyTel of Michigan, Inc.	Michigan
CenturyTel of Minnesota, Inc.	Minnesota
CenturyTel of Missouri, LLC	Louisiana
CenturyTel of Monroe County, LLC	Wisconsin
CenturyTel of Montana, Inc.	Oregon
CenturyTel of Mountain Home, Inc.	Arkansas
CenturyTel of North Louisiana, LLC	Louisiana
CenturyTel of North Mississippi, Inc.	Mississippi
CenturyTel of Northern Michigan, Inc.	Michigan
CenturyTel of Northern Wisconsin, LLC	Delaware
CenturyTel of Northwest Arkansas, LLC	Delaware
CenturyTel of Northwest Louisiana, Inc.	Louisiana
CenturyTel of Northwest Wisconsin, LLC	Delaware
CenturyTel of Odon, Inc.	Indiana
CenturyTel of Ohio, Inc.	Ohio
CenturyTel of Ooltewah-Collegedale, Inc.	Tennessee
CenturyTel of Oregon, Inc.	Oregon
CenturyTel of Port Aransas, Inc.	Texas
CenturyTel of Postville, Inc.	Iowa
CenturyTel of Redfield, Inc.	Arkansas
CenturyTel of Ringgold, LLC	Louisiana
CenturyTel of San Marcos, Inc.	Texas
CenturyTel of South Arkansas, Inc.	Arkansas
CenturyTel of Southeast Louisiana, LLC	Louisiana
CenturyTel of Southern Wisconsin, LLC	Louisiana
CenturyTel of Southwest Louisiana, LLC	Louisiana
CenturyTel of the Gem State, Inc.	Idaho
CenturyTel of the Midwest-Kendall, LLC	Delaware
CenturyTel of the Midwest-Wisconsin, LLC	Delaware
CenturyTel of the Northwest, Inc.	Washington
CenturyTel of the Southwest, Inc.	New Mexico
CenturyTel of Upper Michigan, Inc.	Michigan
CenturyTel of Washington, Inc.	Washington
CenturyTel of Wisconsin, LLC	Louisiana
CenturyTel of Wyoming, Inc.	Wyoming

CenturyTel Security Systems Holding Company, LLC	Louisiana
CenturyTel Service Group, LLC	Louisiana
CenturyTel Solutions, LLC	Louisiana
CenturyTel Supply Group, Inc.	Louisiana
CenturyTel Web Solutions, LLC	Louisiana
CenturyTel/Area Long Lines, Inc.	Wisconsin
CenturyTel/Tele-Max, Inc.	Texas
CenturyTel TeleVideo, Inc.	Louisiana
CenturyTel/Televue of Wisconsin, Inc.	Wisconsin
Spectra Communications Group, LLC	Delaware
Telephone USA of Wisconsin, LLC	Delaware

Certain of the Company's smaller subsidiaries have been intentionally omitted from this exhibit pursuant to rules and regulations of the Securities and Exchange Commission.

**Independent Auditors' Consent**

The Board of Directors  
CenturyTel, Inc.:

We consent to incorporation by reference in the Registration Statements (No. 333-91361, No. 333-84276 and No. 333-100481) on Form S-3, the Registration Statements (No. 33-46562, No. 33-60061, No. 333-37148, No. 333-60806, No. 333-64992, No. 333-65004, No. 333-89060, No. 333-105090 and No. 333-109181) on Form S-8, the Registration Statement (No. 33-31314) on combined Form S-8 and Form S-3, and the Registration Statements (No. 33-48956 and No. 333-17015) on Form S-4 of CenturyTel, Inc. of our report dated January 29, 2004, relating to the consolidated balance sheets of CenturyTel, Inc. and subsidiaries as of December 31, 2003 and 2002, and the related consolidated statements of income, comprehensive income, cash flows, and stockholders' equity and related financial statement schedule for each of the years in the three-year period ended December 31, 2003, which report appears in the December 31, 2003 annual report on Form 10-K of CenturyTel, Inc.

*/s/ KPMG LLP*

*KPMG LLP*

*Shreveport, Louisiana*  
*March 12, 2004*

## CERTIFICATIONS

I, Glen F. Post, III, Chairman of the Board and Chief Executive Officer, certify that:

1. I have reviewed this annual report on Form 10-K of CenturyTel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee or registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ Glen F. Post, III  
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Glen F. Post, III  
Chairman of the Board and  
Chief Executive Officer

## CERTIFICATIONS

I, R. Stewart Ewing, Jr., Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this annual report on Form 10-K of CenturyTel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee or registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2004

/s/ R. Stewart Ewing, Jr.  
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R. Stewart Ewing, Jr.  
Executive Vice President and  
Chief Financial Officer

**CenturyTel, Inc.**

March 12, 2004

Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, D.C. 20549

Re: CenturyTel, Inc.

Certification of Contents of Form 10-K for the year ending December 31, 2003, pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

The undersigned, acting in their capacities as the Chief Executive Officer and the Chief Financial Officer of CenturyTel, Inc. (the "Company"), certify that the Form 10-K for the year ended December 31, 2003 of the Company fully complies with the requirements of Section 13(a) or 15 (d) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by such report.

This certification is being furnished as an exhibit to the Form 10-K solely to comply with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, and should not be deemed to be filed with the Securities and Exchange Commission, either as a part of the Form 10-K or otherwise.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Very truly yours,

*/s/ Glen F. Post, III*

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*Glen F. Post, III  
Chairman of the Board and  
Chief Executive Officer*

*/s/ R. Stewart Ewing, Jr.*

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*R. Stewart Ewing, Jr.  
Executive Vice President and  
Chief Financial Officer*