

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

**FORM 8-K**

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

Date of Report (Date of earliest event reported):

November 1, 2007

**CenturyTel, Inc.**

(Exact name of registrant as specified in its charter)

Louisiana  
(State or other jurisdiction of  
incorporation or organization)

1-7784  
(Commission File Number)

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

100 CenturyTel Drive, Monroe, Louisiana 71203

(Address of principal executive offices) (Zip Code)

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

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 2.02. Results of Operations and Financial Condition.

The following information, except for any forward-looking statements (including our forecasts for the upcoming quarter and full year 2007) and except for our references to non-GAAP financial measures (as defined in Regulation G promulgated by the Securities and Exchange Commission), shall be deemed incorporated by reference into any registration statement heretofore and hereafter filed by us under the Securities Act of 1933, as amended, except to the extent that such incorporated information is superceded by information as of a subsequent date that is included in or incorporated by reference into any such registration statement. None of the following information shall be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

On November 1, 2007, we issued a press release announcing our third quarter 2007 consolidated operating results. More complete information on our operating results will be included in our Quarterly Report on Form 10-Q for the period ended September 30, 2007, which we expect to file shortly with the Securities and Exchange Commission. The complete press release is included as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press release dated November 1, 2007 reporting third quarter 2007 operating results.

SIGNATURES

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

CENTURYTEL, INC.

Dated: November 1, 2007

/s/ Neil A. Sweasy

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Neil A. Sweasy

Vice President and Controller

**FOR IMMEDIATE RELEASE:**

November 1, 2007

**FOR MORE INFORMATION CONTACT:**Tony Davis 318.388.9525  
tony.davis@centurytel.com**CenturyTel Reports Third Quarter Earnings**

Monroe, La... CenturyTel, Inc. (NYSE: CTL) announces operating results for third quarter 2007.

- **Operating revenues, excluding nonrecurring items, were \$708.3 million compared to \$619.2 million for third quarter 2006. Reported under GAAP, third quarter 2007 operating revenues were \$708.8 million.**
- **Net income, excluding nonrecurring items, was \$108.1 million compared to \$77.9 million in third quarter 2006. Reported under GAAP, third quarter 2007 net income was \$113.2 million.**
- **Diluted earnings per share, excluding nonrecurring items, was \$.97 compared to \$.66 in third quarter 2006. Reported under GAAP, third quarter 2007 diluted earnings per share was \$1.01.**
- **Free cash flow (as defined in the attached financial schedules), excluding nonrecurring items, was \$167.3 million in third quarter 2007 compared to \$125.5 million in third quarter 2006.**
- **Under the recently approved \$750 million share repurchase program, 786,000 shares were repurchased and retired for \$36.4 million during the quarter.**

<b>Third Quarter Highlights</b> (Excluding nonrecurring items) (In thousands, except per share amounts and customer units)	<b>Quarter Ended 9/30/07</b>	<b>Quarter Ended 9/30/06</b>	<b>% Change</b>
Operating Revenues	\$ 708,306	\$ 619,186	14.4%
Operating Cash Flow (1)	\$ 363,005	\$ 301,693	20.3%
Net Income	\$ 108,137	\$ 77,928	38.8%
Diluted Earnings Per Share	\$ .97	\$ .66	47.0%
Average Diluted Shares Outstanding	112,229	120,448	(6.8)%
Capital Expenditures	\$ 77,445	\$ 82,579	(6.2)%
Access Lines (2)	2,171,000	2,124,000	2.2%
High-speed Internet Customers	530,000	340,000	55.9%

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Reconciliation to GAAP.** This release includes certain non-GAAP financial measures, including but not limited to operating cash flow, free cash flow and adjustments to GAAP measures to exclude the effect of nonrecurring items. In addition to providing key metrics for management to evaluate the Company's performance, we believe these measurements assist investors in their understanding of period-to-period operating performance and in identifying historical and prospective trends. Reconciliations of non-GAAP financial measures to the most comparable GAAP measures are included in the attached financial schedules. Reconciliation of additional non-GAAP financial measures that may be discussed during the earnings call described below will be available in the Investor Relations portion of the Company's Web site at [www.centurytel.com](http://www.centurytel.com). Investors are urged to consider these non-GAAP measures in addition to, and not in substitution for, measures prepared in accordance with GAAP.

**Investor Call.** As previously announced, CenturyTel's management will host a conference call at 10:30 a.m. Central Time today. Interested parties can access the call by dialing 866.219.5631. The call will be accessible for replay through November 7, 2007, by calling 888.258.7854 and entering the access code: 1147641. Investors can also listen to CenturyTel's earnings conference call and replay by accessing the Investor Relations portion of the Company's Web site at [www.centurytel.com](http://www.centurytel.com) through November 21, 2007.

*In addition to historical information, this release includes certain forward-looking statements, estimates and projections that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond the control of the Company. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the Company's ability to effectively manage its expansion opportunities, including successfully integrating newly-acquired properties into the Company's operations and retaining and hiring key personnel; possible changes in the demand for, or pricing of, the Company's products and services; the Company's continued access to credit markets on favorable terms; the Company's ability to successfully introduce new product or service offerings on a timely and cost-effective basis; the Company's ability to collect its receivables from financially troubled communications companies; the Company's ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; the effect of adverse weather; other risks referenced from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"); and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to the Company's business are described in greater detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2006, as updated by the Company's subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for management to identify all such factors, nor can it predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. The information contained in this release is as of November 1, 2007. The Company undertakes no obligation to update any of its forward-looking statements for any reason.*

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

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

	Three months ended September 30, 2007			Three months ended September 30, 2006				
	As	Less non-recurring	As adjusted excluding non-recurring	As	Less non-recurring	As adjusted excluding non-recurring	Increase (decrease) as reported	Increase (decrease) excluding nonrecurring
<i>In thousands, except per share amounts</i>	<u>reported</u>	<u>items</u>	<u>items</u>	<u>reported</u>	<u>items</u>	<u>items</u>	<u>reported</u>	<u>items</u>
OPERATING REVENUES								
Voice*	\$229,862		229,862	218,665		218,665	5.1%	5.1%
Network access	248,490	527	(1) 247,963	219,897	560	(1) 219,337	13.0%	13.1%
Data	134,630		134,630	91,473	91	(1) 91,382	47.2%	47.3%
Fiber transport and CLEC	41,811		41,811	37,487		37,487	11.5%	11.5%
Other*	54,040		54,040	52,315		52,315	3.3%	3.3%
	<u>708,833</u>	<u>527</u>	<u>708,306</u>	<u>619,837</u>	<u>651</u>	<u>619,186</u>	14.4%	14.4%
OPERATING EXPENSES								
Cost of services and products	246,430	1,967	(1) 244,463	226,536	3,092	(1) 223,444	8.8%	9.4%
Selling, general and administrative	101,612	774	(1) 100,838	94,212	163	(1) 94,049	7.9%	7.2%
Depreciation and amortization	136,606		136,606	130,147		130,147	5.0%	5.0%
	<u>484,648</u>	<u>2,741</u>	<u>481,907</u>	<u>450,895</u>	<u>3,255</u>	<u>447,640</u>	7.5%	7.7%
OPERATING INCOME	224,185	(2,214)	226,399	168,942	(2,604)	171,546	32.7%	32.0%
OTHER INCOME (EXPENSE)								
Interest expense	(55,176)		(55,176)	(47,857)		(47,857)	15.3%	15.3%
Other income (expense)	14,761	10,437	(2) 4,324	2,818		2,818	423.8%	53.4%
Income tax expense	(70,568)	(3,158)	(3) (67,410)	(47,579)	1,000	(3) (48,579)	48.3%	38.8%
NET INCOME	<u>\$113,202</u>	<u>5,065</u>	<u>108,137</u>	<u>76,324</u>	<u>(1,604)</u>	<u>77,928</u>	48.3%	38.8%
BASIC EARNINGS PER SHARE								
PER SHARE	\$ 1.04	0.05	0.99	0.66	(0.01)	0.68	57.6%	45.6%
DILUTED EARNINGS PER SHARE								
PER SHARE	\$ 1.01	0.05	0.97	0.64	(0.01)	0.66	57.8%	47.0%
AVERAGE SHARES OUTSTANDING								
Basic	108,996		108,996	115,221		115,221	(5.4%)	(5.4%)
Diluted	112,229		112,229	120,448		120,448	(6.8%)	(6.8%)
DIVIDENDS PER COMMON SHARE								
	\$ 0.0650		0.0650	0.0625		0.0625	4.0%	4.0%

**NONRECURRING  
ITEMS**

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

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

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

	Nine months ended September 30, 2007			Nine months ended September 30, 2006					
		Less non- recurring	As adjusted excluding non- recurring		Less non- recurring	As adjusted excluding non- recurring		Increase (decrease)	Increase (decrease) excluding nonrecurring
<i>In thousands, except per share amounts</i>	As			As			as reported		
	<u>reported</u>	<u>items</u>	<u>items</u>	<u>reported</u>	<u>items</u>	<u>items</u>		<u>reported</u>	<u>items</u>
OPERATING REVENUES									
Voice*	\$ 664,435		664,435	657,559		657,559		1.0%	1.0%
Network access	726,091	49,514	(1) 676,577	666,883	1,688	(6) 665,195		8.9%	1.7%
Data	338,700		338,700	259,158	275	(6) 258,883		30.7%	30.8%
Fiber transport and CLEC	120,851	13	(1) 120,838	109,318		109,318		10.5%	10.5%
Other*	149,602	1,869	(2) 147,733	147,117		147,117		1.7%	0.4%
	<u>1,999,679</u>	<u>51,396</u>	<u>1,948,283</u>	<u>1,840,035</u>	<u>1,963</u>	<u>1,838,072</u>		8.7%	6.0%
OPERATING EXPENSES									
Cost of services and products	686,349	(2,085)	(3) 688,434	665,282	8,585	(6) 656,697		3.2%	4.8%
Selling, general and administrative	290,525	774	(3) 289,751	285,748	845	(6) 284,903		1.7%	1.7%
Depreciation and amortization	398,701		398,701	397,146		397,146		0.4%	0.4%
	<u>1,375,575</u>	<u>(1,311)</u>	<u>1,376,886</u>	<u>1,348,176</u>	<u>9,430</u>	<u>1,338,746</u>		2.0%	2.8%
OPERATING INCOME	624,104	52,707	571,397	491,859	(7,467)	499,326		26.9%	14.4%
OTHER INCOME (EXPENSE)									
Interest expense	(159,804)		(159,804)	(148,582)		(148,582)		7.6%	7.6%
Other income (expense)	28,131	10,437	(4) 17,694	130,874	118,649	(7) 12,225		(78.5%)	44.7%
Income tax expense	(189,094)	(24,248)	(5) (164,846)	(176,357)	(36,976)	(8) (139,381)		7.2%	18.3%
NET INCOME	<u>\$ 303,337</u>	<u>38,896</u>	<u>264,441</u>	<u>297,794</u>	<u>74,206</u>	<u>223,588</u>		1.9%	18.3%
BASIC EARNINGS PER SHARE	\$ 2.77	0.36	2.41	2.53	0.63	1.90		9.5%	26.8%
DILUTED EARNINGS PER SHARE	\$ 2.68	0.34	2.34	2.44	0.60	1.84		9.8%	27.2%
AVERAGE SHARES OUTSTANDING									
Basic	109,478		109,478	117,685		117,685		(7.0%)	(7.0%)
Diluted	114,086		114,086	123,348		123,348		(7.5%)	(7.5%)
DIVIDENDS PER COMMON SHARE	\$ 0.1950		0.1950	0.1875		0.1875		4.0%	4.0%

**NONRECURRING  
ITEMS**

(1) - Revenue recorded upon settlement of a dispute with a carrier (\$49.0 million) and revenue impact of severance and related costs due to workforce reductions (\$.5 million).

(2) - Reimbursement of amounts upon a change in our satellite television



arrangement.

(3) - Severance and related costs due to workforce reductions (\$2.7 million), net of reimbursement of amounts upon a change in our satellite television arrangement (\$4.1 million).

(4) - Gain on sale of non-core asset.

(5) - Tax effects of items (1) through (4).

(6) - Severance and related costs due to workforce reduction, including revenue impact.

(7) - Includes gain recorded upon redemption of Rural Telephone Bank stock (\$117.8 million) and gain recorded upon sale of Arizona properties (\$0.9 million).

(8) - Includes \$43.4 million net tax expense related to Items (6) and (7), net of \$6.4 million net tax benefit due to the resolution of various income tax audit issues.

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

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

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

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

<i>In thousands</i>	Three months ended September 30, 2007			Three months ended September 30, 2006		
	As reported	Less non-recurring items	As adjusted excluding non-recurring items	As reported	Less non-recurring items	As adjusted excluding non-recurring items
<b>Operating cash flow and cash flow margin</b>						
Operating income	\$ 224,185	(2,214)	(1) 226,399	168,942	(2,604)	(1) 171,546
Add: Depreciation and amortization	136,606	-	136,606	130,147	-	130,147
Operating cash flow	<u>\$ 360,791</u>	<u>(2,214)</u>	<u>363,005</u>	<u>299,089</u>	<u>(2,604)</u>	<u>301,693</u>
Revenues	<u>\$ 708,833</u>	<u>527</u>	<u>(1) 708,306</u>	<u>619,837</u>	<u>651</u>	<u>(1) 619,186</u>
Operating income margin (operating income divided by revenues)	<u>31.6%</u>		<u>32.0%</u>	<u>27.3%</u>		<u>27.7%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>50.9%</u>		<u>51.2%</u>	<u>48.3%</u>		<u>48.7%</u>
<b>Free cash flow (prior to debt service requirements and dividends)</b>						
Net income	\$ 113,202	5,065	(2) 108,137	76,324	(1,604)	(3) 77,928
Add: Depreciation and amortization	136,606	-	136,606	130,147	-	130,147
Less: Capital expenditures	(77,445)	-	(77,445)	(82,579)	-	(82,579)
Free cash flow	<u>\$ 172,363</u>	<u>5,065</u>	<u>167,298</u>	<u>123,892</u>	<u>(1,604)</u>	<u>125,496</u>
Free cash flow	\$ 172,363			123,892		
Gain on asset dispositions	(10,436)			-		
Deferred income taxes	13,106			11,262		
Changes in current assets and current liabilities	(42,321)			(14,012)		
Increase in other noncurrent assets	4,400			4,132		
Decrease in other noncurrent liabilities	(2,542)			(1,729)		
Retirement benefits	6,745			10,406		
Excess tax benefits from share-based compensation	(122)			(2,913)		
Other, net	12,770			2,574		
Add: Capital expenditures	77,445			82,579		
Net cash provided by operating activities	<u>\$ 231,408</u>			<u>216,191</u>		

**NONRECURRING ITEMS**

(1) - Severance and related costs due to workforce reduction, including revenue impact (presented on a pre-tax basis).

(2) - After-tax effect of gain on sale of non-core asset and severance and related costs due to workforce reduction.

(3) - After-tax effect of severance and related costs due to workforce reduction.

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

<i>In thousands</i>	Nine months ended September 30, 2007			Nine months ended September 30, 2006		
	As reported	Less non-recurring items	As adjusted excluding non-recurring items	As reported	Less non-recurring items	As adjusted excluding non-recurring items
<b>Operating cash flow and cash flow margin</b>						
Operating income	\$ 624,104	52,707	(1) 571,397	491,859	(7,467)	(4) 499,326
Add: Depreciation and amortization	398,701	-	398,701	397,146	-	397,146
Operating cash flow	<u>\$1,022,805</u>	<u>52,707</u>	<u>970,098</u>	<u>889,005</u>	<u>(7,467)</u>	<u>896,472</u>
Revenues	<u>\$1,999,679</u>	<u>51,396</u>	<u>(2) 1,948,283</u>	<u>1,840,035</u>	<u>1,963</u>	<u>(4) 1,838,072</u>
Operating income margin (operating income divided by revenues)	<u>31.2%</u>		<u>29.3%</u>	<u>26.7%</u>		<u>27.2%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>51.1%</u>		<u>49.8%</u>	<u>48.3%</u>		<u>48.8%</u>
<b>Free cash flow (prior to debt service requirements and dividends)</b>						
Net income	\$ 303,337	38,896	(3) 264,441	297,794	74,206	(5) 223,588
Add: Depreciation and amortization	398,701	-	398,701	397,146	-	397,146
Less: Capital expenditures	(184,301)	-	(184,301)	(213,034)	-	(213,034)
Free cash flow	<u>\$ 517,737</u>	<u>38,896</u>	<u>478,841</u>	<u>481,906</u>	<u>74,206</u>	<u>407,700</u>
Free cash flow	\$ 517,737			481,906		
Gain on asset dispositions	(10,436)			(118,649)		
Deferred income taxes	43,111			33,413		
Changes in current assets and current liabilities	28,514			(14,472)		
Decrease in other noncurrent assets	8,053			4,429		
Increase (decrease) in other noncurrent liabilities	(14,209)			557		
Retirement benefits	21,392			25,332		
Excess tax benefits from share-based compensation	(6,434)			(7,860)		
Other, net	17,404			4,818		
Add: Capital expenditures	<u>184,301</u>			<u>213,034</u>		
Net cash provided by operating activities	<u>\$ 789,433</u>			<u>622,508</u>		

**NONRECURRING ITEMS**

(1) - Includes (i) \$49.0 million revenue recorded upon settlement of a dispute with a carrier; (ii) \$5.9 million reimbursement of amounts upon a change in our satellite television arrangement, net of (iii) impact of severance and related costs due to workforce reduction (\$2.2 million).

(2) - Includes (i) \$49.0 million revenue recorded upon settlement of a dispute with a carrier; (ii) \$1.9 million reimbursement of amounts upon a change in our satellite television arrangement and (iii) revenue impact of severance and related costs due to workforce reduction (\$.5 million).

(3) - Includes after-tax gain on sale of non-core asset and the after-tax effect of Item (1).

(4) - Severance and related costs due to workforce reduction, including related revenue impact.

(5) - Includes (i) the after-tax effect of gains on sales of assets (primarily gain on Rural Telephone Bank stock redemption), (ii) the after-tax effect of Item (4) and (iii) a \$6.4 million

net tax benefit due to the resolution of various income tax audit issues.



