

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):

July 31, 2008

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 2008) 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filed by us under the Securities Act of 1933, as amended, except to the extent that such incorporated information is superceded by information as of a subsequent date that is included in or incorporated by reference into any such registration statement.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 July 31, 2008, we issued a press release announcing our second quarter 2008 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 June 30, 2008, 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 July 31, 2008 reporting second quarter 2008 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: July 31, 2008

/ s/ Neil A. Sweasy _____
Neil A. Sweasy
Vice President and Controller

News Release

FOR IMMEDIATE RELEASE:

July 31, 2008

FOR MORE INFORMATION CONTACT:

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CenturyTel Reports Second Quarter 2008 Earnings

MONROE, La... CenturyTel, Inc. (NYSE: CTL) announces operating results for second quarter 2008.

- **Operating revenues, excluding nonrecurring items, increased 2.8% to \$657.1 million compared to \$639.1 million in second quarter 2007. Reported under GAAP, operating revenues decreased 4.6% to \$658.1 million, primarily due to a nonrecurring \$49 million favorable access dispute settlement in second quarter 2007.**
- **Operating cash flow (as defined in the attached financial schedules), excluding nonrecurring items, rose 2.3% to \$318.3 million from \$311.2 million in second quarter 2007.**
- **Net income, excluding nonrecurring items, increased 16.2% to \$91.2 million from \$78.4 million in second quarter 2007. Net income, reported under GAAP, was \$92.2 million compared to \$112.3 million in second quarter 2007.**
- **Diluted earnings per share, excluding nonrecurring items, rose 24.3% to \$.87 in second quarter 2008 compared to \$.70 in second quarter 2007, while GAAP diluted earnings per share was \$.88 in second quarter 2008 compared to \$1.00 in second quarter 2007.**
- **Free cash flow (as defined in the attached financial schedules), excluding nonrecurring items, rose to \$162.5 million in second quarter 2008 compared to \$154.8 million in second quarter 2007.**

Second Quarter Highlights

 (Excluding nonrecurring items reflected in the attached financial schedules)
 (In thousands, except per share amounts and subscriber data)

**Quarter Ended
6/30/08**
**Quarter Ended
6/30/07**
% Change

Operating Revenues	\$ 657,073	\$ 639,122	2.8%
Operating Cash Flow (1)	\$ 318,266	\$ 311,226	2.3%
Net Income	\$ 91,162	\$ 78,434	16.2%
Diluted Earnings Per Share	\$.87	\$.70	24.3%
Average Diluted Shares Outstanding	104,273	113,721	(8.3)%
Capital Expenditures	\$ 59,659	\$ 57,976	2.9%

Access Lines	2,077,000	2,205,000	(5.8)%
High-Speed Internet Customers	607,000	500,000	21.4%

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

“CenturyTel achieved solid second quarter results as operating revenues and diluted earnings per share exceeded our expectations for the quarter,” Glen F. Post, III, chairman and chief executive officer, said. “We generated free cash flow of more than \$162 million for the quarter, a nearly 5% increase over second quarter 2007. Our strong cash flows enable us to return significant cash to shareholders through our recently announced dividend increase and the acceleration of our current share repurchase program.”

Operating revenues, excluding nonrecurring items, increased 2.8% to \$657.1 million in second quarter 2008 compared to \$639.1 million in second quarter 2007. Revenue increases of approximately \$41 million were driven primarily by revenues contributed by the Madison River properties acquired April 30, 2007 and growth in high-speed Internet customers, along with selected price increases and favorable network access dispute settlements. These increases more than offset revenue declines of approximately \$23 million primarily attributable to lower access revenues, lower universal service fund receipts and access line losses.

Operating expenses, excluding nonrecurring items, increased 1.6% to \$469.8 million from \$462.2 million in second quarter 2007, primarily due to operating costs associated with the Madison River properties, growth in high-speed Internet customers and increased marketing expenses. These increases were partially offset by reduced personnel related costs and lower depreciation expense.

“We completed the integration of the Madison River properties in late June and expect to reach our \$17 million annual synergy run rate

target by the end of the third quarter,” Post said. “We expect these synergies, along with continued broadband growth and cost containment efforts, to enable CenturyTel to continue to generate solid cash flows in the months ahead.”

Operating cash flow, excluding nonrecurring items, for second quarter 2008 increased 2.3% to \$318.3 million from \$311.2 million in second quarter 2007. CenturyTel achieved an operating cash flow margin of 48.4% during the quarter versus 48.7% in second quarter 2007.

Net income, excluding nonrecurring items, was \$91.2 million, a 16.2% increase over the \$78.4 million in second quarter 2007. Diluted earnings per share, excluding nonrecurring items, increased 24.3% to \$.87 in second quarter 2008 compared to \$.70 in second quarter 2007, primarily due to increased operating income, lower interest expense, a lower effective tax rate for 2008 and the reduction in diluted shares outstanding as a result of share repurchases.

For the first six months of 2008, operating revenues, excluding nonrecurring items, were \$1.31 billion compared to \$1.24 billion in 2007, a 5.3% increase. Operating cash flow, excluding nonrecurring items, was \$637.4 million for 2008, a 5.0% increase over the \$607.1 million a year ago. Net income, excluding nonrecurring items, increased 13.5% to \$177.3 million from \$156.3 million in 2007, while diluted earnings per share, excluding nonrecurring items, increased 21.7% to \$1.68 from \$1.38 in 2007.

Under generally accepted accounting principles (GAAP), net income for second quarter 2008 was \$92.2 million compared to \$112.3 million for second quarter 2007. Diluted earnings per share was \$.88 in second quarter 2008 compared to \$1.00 in second quarter 2007. Second quarter 2008 results include a net \$1.3 million after-tax charge related to the freeze of our supplemental executive pension plan and a net \$2.3 million benefit related to the resolution of certain income tax audit issues. Second quarter 2007 results include a \$30.2 million after-tax positive revenue settlement related to the resolution of network access disputes and a \$3.6 million after-tax benefit related to the amended satellite television agreement with EchoStar.

For the first six months of 2008, under GAAP, the Company reported net income of \$180.9 million, or \$1.71 per diluted share, compared to net income of \$190.1 million, or \$1.67 per diluted share, for the six months ended June 30, 2007. See the accompanying financial schedules for detail of the Company’s nonrecurring items for the years 2008 and 2007.

For third quarter 2008, CenturyTel expects total revenues of \$640 to \$650 million and diluted earnings per share of \$.79 to \$.83. This decrease in revenues and diluted earnings per share compared to second quarter 2008 is primarily due to approximately \$6 million in favorable revenue adjustments recognized in the second quarter, including the network access dispute settlements management discussed during the Company’s first quarter earnings call, that are not expected to reoccur in the third quarter.

For the full year 2008, diluted earnings per share is expected to be in the range of \$3.20 to \$3.30, an increase over the \$3.05 to \$3.20 range previously provided. This increase in 2008 diluted earnings per share guidance is primarily due to the better than anticipated results during second quarter 2008 and share repurchases since April 30.

These outlook figures for second quarter and full year 2008 exclude nonrecurring items, any share repurchases settled after July 31, 2008, and any future mergers, acquisitions, divestitures, or other similar business transactions.

“We are pleased with the operational performance and continued share buybacks that are driving an increase in our full year 2008 outlook,” said Post. “We continue to evaluate deployment and technology alternatives for our 700 MHz spectrum and are currently leaning toward the same type of LTE-based deployment that has been discussed by the larger carriers. We do not foresee material 700 MHz related effects on our capital or operating budgets in either 2008 or 2009 since LTE-based network elements and end-user devices are not expected to be commercially available until early 2010 or later.”

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. 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 866.206.5917. The call will be accessible for replay through August 6, 2008, by calling 888.258.7854 and entering the conference ID number 1253493. 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 through August 20, 2008.

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 adjust to changes in 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 pay a \$2.80 per share common dividend annually, which may be affected by changes in its cash requirements, capital spending plans, cash flow or financial position; 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 and plans are described in greater detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as updated and supplemented 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 July 31, 2008. 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 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 www.centurytel.com.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2008 AND 2007
(UNAUDITED)

	Three months ended June 30, 2008				Three months ended June 30, 2007					
	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	\$219,901			219,901	222,677			222,677	(1.2%)	(1.2%)
Network access	207,904	1,012	(1)	206,892	266,202	48,987	(4)	217,215	(21.9%)	(4.8%)
Data	131,060	21	(1)	131,039	108,206			108,206	21.1%	21.1%
CLEC Fiber transport and										
	43,166			43,166	40,714	13	(4)	40,701	6.0%	6.1%
Other	56,075			56,075	52,192	1,869	(5)	50,323	7.4%	11.4%
	<u>658,106</u>	<u>1,033</u>		<u>657,073</u>	<u>689,991</u>	<u>50,869</u>		<u>639,122</u>	(4.6%)	2.8%
OPERATING EXPENSES										
Cost of services and products	239,626			239,626	226,388	(4,052)	(5)	230,440	5.8%	4.0%
Selling, general and administrative	106,836	7,655	(1)	99,181	97,456			97,456	9.6%	1.8%
Depreciation and amortization	<u>130,954</u>			<u>130,954</u>	<u>134,311</u>			<u>134,311</u>	(2.5%)	(2.5%)
	<u>477,416</u>	<u>7,655</u>		<u>469,761</u>	<u>458,155</u>	<u>(4,052)</u>		<u>462,207</u>	4.2%	1.6%
OPERATING INCOME	180,690	(6,622)		187,312	231,836	54,921		176,915	(22.1%)	5.9%
OTHER INCOME (EXPENSE)										
Interest expense	(49,166)			(49,166)	(57,667)			(57,667)	(14.7%)	(14.7%)
Other income										
(expense)	12,907	5,425	(2)	7,482	8,080			8,080	59.7%	(7.4%)
Income tax expense	<u>(52,264)</u>	<u>2,202</u>	(3)	<u>(54,466)</u>	<u>(69,984)</u>	<u>(21,090)</u>	(6)	<u>(48,894)</u>	(25.3%)	11.4%
NET INCOME	<u>\$ 92,167</u>	<u>1,005</u>		<u>91,162</u>	<u>112,265</u>	<u>33,831</u>		<u>78,434</u>	(17.9%)	16.2%
BASIC EARNINGS PER SHARE										
	\$ 0.89	0.01		0.88	1.03	0.31		0.72	(13.6%)	22.2%
DILUTED EARNINGS PER SHARE										
	\$ 0.88	0.01		0.87	1.00	0.30		0.70	(12.0%)	24.3%
AVERAGE SHARES OUTSTANDING										
Basic	103,644			103,644	108,405			108,405	(4.4%)	(4.4%)
Diluted	104,273			104,273	113,721			113,721	(8.3%)	(8.3%)
DIVIDENDS PER COMMON SHARE										
	\$ 0.0675			0.0675	0.0650			0.0650	3.8%	3.8%

NONRECURRING ITEMS

(1) - Curtailment loss related to freezing Supplemental Executive Retirement Plan, including revenue impact.

(2) - Gain upon liquidation of Supplemental Executive Retirement Plan trust assets (\$4.5 million) and interest income recorded upon the resolution of certain income tax audit issues (\$919,000).

(3) - Includes \$448,000 net income tax benefit related to items (1) and (2) and \$1.8 million income tax benefit recorded upon resolution of certain income tax audit issues.

(4) - Revenue recorded upon settlement of a dispute with a carrier.

(5) - Reimbursement of amounts upon a change in our satellite television arrangement.

(6) - Tax effects of items (4) and (5).

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2008 AND 2007
(UNAUDITED)

In thousands, except per share amounts	Six months ended June 30, 2008			Six months ended June 30, 2007					Increase (decrease) excluding nonrecurring items	
	As reported	Less non-recurring items	As adjusted excluding non-recurring items	As reported	Less non-recurring items	As adjusted excluding non-recurring items	Increase (decrease) as reported			
OPERATING REVENUES										
Voice	\$ 440,381			440,381	434,573			434,573	1.3%	1.3%
Network access	416,602	1,012	(1)	415,590	477,601	48,987	(4)	428,614	(12.8%)	(3.0%)
Data	257,832	21	(1)	257,811	204,070			204,070	26.3%	26.3%
Fiber transport and CLEC	82,799			82,799	79,040	13	(4)	79,027	4.8%	4.8%
Other	109,106			109,106	95,562	1,869	(5)	93,693	14.2%	16.5%
	<u>1,306,720</u>	<u>1,033</u>		<u>1,305,687</u>	<u>1,290,846</u>	<u>50,869</u>		<u>1,239,977</u>	1.2%	5.3%
OPERATING EXPENSES										
Cost of services and products	477,438			477,438	439,919	(4,052)	(5)	443,971	8.5%	7.5%
Selling, general and administrative	198,461	7,655	(1)	190,806	188,913			188,913	5.1%	1.0%
Depreciation and amortization	266,638			266,638	262,095			262,095	1.7%	1.7%
	<u>942,537</u>	<u>7,655</u>		<u>934,882</u>	<u>890,927</u>	<u>(4,052)</u>		<u>894,979</u>	5.8%	4.5%
OPERATING INCOME	364,183	(6,622)		370,805	399,919	54,921		344,998	(8.9%)	7.5%
OTHER INCOME (EXPENSE)										
Interest expense	(99,288)			(99,288)	(104,628)			(104,628)	(5.1%)	(5.1%)
Other income (expense)	21,324	9,561	(2)	11,763	13,370			13,370	59.5%	(12.0%)
Income tax expense	(105,292)	655	(3)	(105,947)	(118,526)	(21,090)	(6)	(97,436)	(11.2%)	8.7%
NET INCOME	<u>\$ 180,927</u>	<u>3,594</u>		<u>177,333</u>	<u>190,135</u>	<u>33,831</u>		<u>156,304</u>	(4.8%)	13.5%
BASIC EARNINGS PER SHARE										
	\$ 1.72	0.03		1.69	1.73	0.31		1.42	(0.6%)	19.0%
DILUTED EARNINGS PER SHARE										
	\$ 1.71	0.03		1.68	1.67	0.29		1.38	2.4%	21.7%
AVERAGE SHARES OUTSTANDING										
Basic	104,893			104,893	109,718			109,718	(4.4%)	(4.4%)
Diluted	105,635			105,635	115,015			115,015	(8.2%)	(8.2%)
DIVIDENDS PER COMMON SHARE										
	\$ 0.1350			0.1350	0.130			0.130	3.8%	3.8%

NONRECURRING ITEMS

(1) - Curtailment loss related to freezing Supplemental Executive Retirement Plan, including revenue impact.

(2) - Gain on the sale of a nonoperating investment (\$4.1 million), gain upon liquidation of Supplemental Executive Retirement Plan trust assets (\$4.5 million), and interest income recorded upon the resolution of certain income tax audit issues (\$919,000).

(3) - Includes \$1.1 million net income tax expense related to items (1) and (2) and \$1.8 million income tax benefit recorded upon resolution of certain income tax audit issues.

(4) - Revenue recorded upon settlement of a dispute with a carrier.

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

arrangement.

(6) - Tax effects of items (4) and (5).

CenturyTel, Inc.
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2008 AND DECEMBER 31, 2007
(UNAUDITED)

	June 30, 2008	Dec. 31, 2007
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 63,900	34,402
Other current assets	267,416	257,997
Total current assets	<u>331,316</u>	<u>292,399</u>
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	8,751,414	8,666,106
Accumulated depreciation	(5,783,574)	(5,557,730)
Net property, plant and equipment	<u>2,967,840</u>	<u>3,108,376</u>
GOODWILL AND OTHER ASSETS		
Goodwill	4,010,027	4,010,916
Other	858,881	772,862
Total goodwill and other assets	<u>4,868,908</u>	<u>4,783,778</u>
TOTAL ASSETS	<u>\$ 8,168,064</u>	<u>8,184,553</u>
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 45,344	279,898
Other current liabilities	444,774	456,637
Total current liabilities	<u>490,118</u>	<u>736,535</u>
LONG-TERM DEBT	3,016,243	2,734,357
DEFERRED CREDITS AND OTHER LIABILITIES	1,286,666	1,304,456
STOCKHOLDERS' EQUITY	<u>3,375,037</u>	<u>3,409,205</u>
TOTAL LIABILITIES AND EQUITY	<u>\$ 8,168,064</u>	<u>8,184,553</u>

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

<i>In thousands</i>	Three months ended June 30, 2008			Three months ended June 30, 2007		
	As reported	Less non-recurring items	As adjusted excluding non-recurring items	As reported	Less non-recurring items	As adjusted excluding non-recurring items
Operating cash flow and cash flow margin						
Operating income	\$ 180,690	(6,622)	(1) 187,312	231,836	54,921	(3) 176,915
Add: Depreciation and amortization	130,954		130,954	134,311		134,311
Operating cash flow	<u>\$ 311,644</u>	<u>(6,622)</u>	<u>318,266</u>	<u>366,147</u>	<u>54,921</u>	<u>311,226</u>
Revenues	<u>\$ 658,106</u>	<u>1,033</u>	(1) <u>657,073</u>	<u>689,991</u>	<u>50,869</u>	(3) <u>639,122</u>
Operating income margin (operating income divided by revenues)	<u>27.5%</u>		<u>28.5%</u>	<u>33.6%</u>		<u>27.7%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>47.4%</u>		<u>48.4%</u>	<u>53.1%</u>		<u>48.7%</u>
Free cash flow (prior to debt service requirements and dividends)						
Net income	\$ 92,167	1,005	(2) 91,162	112,265	33,831	(3) 78,434
Add: Depreciation and amortization	130,954		130,954	134,311		134,311
Less: Capital expenditures	(59,659)		(59,659)	(57,976)		(57,976)
Free cash flow	<u>\$ 163,462</u>	<u>1,005</u>	<u>162,457</u>	<u>188,600</u>	<u>33,831</u>	<u>154,769</u>
Free cash flow	\$ 163,462			188,600		
Gain on liquidation of marketable securities	(4,506)			-		
Deferred income taxes	5,068			16,634		
Changes in current assets and current liabilities	(44,749)			36,943		
Decrease in other noncurrent assets	3,043			2,621		
Decrease in other noncurrent liabilities	(2,689)			(11,266)		
Retirement benefits	12,728			9,011		
Excess tax benefits from share-based compensation	(55)			(3,280)		
Other, net	4,816			2,076		
Add: Capital expenditures	59,659			57,976		
Net cash provided by operating activities	<u>\$ 196,777</u>			<u>299,315</u>		

NONRECURRING ITEMS

(1) - Curtailment loss related to freezing Supplemental Executive Retirement Plan, including revenue impact.

(2) - Includes after-tax impact of gain upon liquidation of Supplemental Executive Retirement Plan trust assets (\$2.8 million) and net benefit due to the resolution of certain income tax audit issues (\$2.3 million), net of the after-tax impact of Item (1) (\$4.1 million).

(3) - Includes \$49.0 million revenue recorded upon settlement of a dispute with a carrier and \$5.9 million reimbursement of amounts (of which \$1.9 million increased revenues) upon a change in our satellite television arrangement (presented on both a pre-tax and after-tax basis).

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

<i>In thousands</i>	Six months ended June 30, 2008			Six months ended June 30, 2007		
	As reported	Less non-recurring items	As adjusted excluding non-recurring items	As reported	Less non-recurring items	As adjusted excluding non-recurring items
Operating cash flow and cash flow margin						
Operating income	\$ 364,183	(6,622)	(1) 370,805	399,919	54,921	(3) 344,998
Add: Depreciation and amortization	266,638		266,638	262,095		262,095
Operating cash flow	<u>\$ 630,821</u>	<u>(6,622)</u>	<u>637,443</u>	<u>662,014</u>	<u>54,921</u>	<u>607,093</u>
Revenues	<u>\$1,306,720</u>	<u>1,033</u>	(1) <u>1,305,687</u>	<u>1,290,846</u>	<u>50,869</u>	(3) <u>1,239,977</u>
Operating income margin (operating income divided by revenues)	<u>27.9%</u>		<u>28.4%</u>	<u>31.0%</u>		<u>27.8%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>48.3%</u>		<u>48.8%</u>	<u>51.3%</u>		<u>49.0%</u>
Free cash flow (prior to debt service requirements and dividends)						
Net income	\$ 180,927	3,594	(2) 177,333	190,135	33,831	(3) 156,304
Add: Depreciation and amortization	266,638		266,638	262,095		262,095
Less: Capital expenditures	(114,398)		(114,398)	(106,856)		(106,856)
Free cash flow	<u>\$ 333,167</u>	<u>3,594</u>	<u>329,573</u>	<u>345,374</u>	<u>33,831</u>	<u>311,543</u>
Free cash flow	\$ 333,167			345,374		
Gain on asset dispositions and liquidation of marketable securities	(8,641)			-		
Deferred income taxes	13,425			30,005		
Changes in current assets and current liabilities	(57,026)			70,835		
Decrease in other noncurrent assets	2,254			3,653		
Decrease in other noncurrent liabilities	(5,479)			(11,667)		
Retirement benefits	18,202			14,647		
Excess tax benefits from share-based compensation	(74)			(6,312)		
Other, net	16,761			4,634		
Add: Capital expenditures	114,398			106,856		
Net cash provided by operating activities	<u>\$ 426,987</u>			<u>558,025</u>		

NONRECURRING ITEMS

- (1) - Curtailment loss related to freezing Supplemental Executive Retirement Plan, including revenue impact.
- (2) - Includes (i) after-tax impact of gain upon liquidation of Supplemental Executive Retirement Plan trust assets (\$2.8 million), (ii) after-tax impact of gain on sale of nonoperating investment (\$2.6 million), and (iii) net benefit due to the resolution of certain income tax audit issues (\$2.3 million), all partially offset by the after-tax impact of Item (1) (\$4.1 million).
- (3) - Includes \$49.0 million revenue recorded upon settlement of a dispute with a carrier and \$5.9 million reimbursement of amounts (of which \$1.9 million increased revenues) upon a change in our satellite television arrangement (presented on both a pre-tax and after-tax basis).