

CENTURYTEL INC

FORM 10-Q (Quarterly Report)

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

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2002

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
(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

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

☒ Yes ☐ No

As of April 30, 2002, there were 141,354,246 shares of common stock outstanding.

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PART I. FINANCIAL INFORMATION

CenturyTel, Inc. CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended March 31,	
	2002	2001
	(Dollars, except per share amounts, and shares in thousands)	
OPERATING REVENUES		
Telephone	\$ 372,731	371,249
Other	50,187	40,353
Total operating revenues	422,918	411,602
OPERATING EXPENSES		
Cost of sales and operating expenses	206,844	203,496
Corporate overhead costs allocable to discontinued operations (See Note 3)	4,798	4,979
Depreciation and amortization	92,227	98,818
Total operating expenses	303,869	307,293
OPERATING INCOME	119,049	104,309
OTHER INCOME (EXPENSE)		
Interest expense	(50,648)	(61,703)
Other income and expense	(2,268)	2,467
Total other income (expense)	(52,916)	(59,236)
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE	66,133	45,073
Income tax expense	23,276	18,222
INCOME FROM CONTINUING OPERATIONS	42,857	26,851
DISCONTINUED OPERATIONS (See Note 3)		
Income from discontinued operations, net of \$15,670 and \$13,156 tax	27,910	19,871
NET INCOME	\$ 70,767	46,722
NET INCOME, AS ADJUSTED FOR GOODWILL AMORTIZATION (See Notes 1 and 4)	\$ 70,767	60,805
BASIC EARNINGS PER SHARE		
From continuing operations	\$.30	.19*
From discontinued operations	\$.20	.14*
Basic earnings per share	\$.50	.33
Basic earnings per share, as adjusted for goodwill amortization	\$.50	.43
DILUTED EARNINGS PER SHARE		
From continuing operations	\$.30	.19*
From discontinued operations	\$.20	.14*
Diluted earnings per share	\$.50	.33
Diluted earnings per share, as adjusted for goodwill amortization	\$.50	.43
DIVIDENDS PER COMMON SHARE	\$.0525	.05
AVERAGE BASIC SHARES OUTSTANDING	141,051	140,572
AVERAGE DILUTED SHARES OUTSTANDING	142,654	142,482

* Had goodwill not been subject to amortization in 2001, basic and diluted earnings per share would have been \$.27 from continuing operations and \$.16 from discontinued operations.

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
NET INCOME	\$ 70,767	46,722
OTHER COMPREHENSIVE INCOME, NET OF TAX:		
Unrealized holding loss arising during period, net of tax benefit of \$1,549	-	(2,877)
COMPREHENSIVE INCOME	\$ 70,767	43,845
COMPREHENSIVE INCOME, AS ADJUSTED FOR GOODWILL AMORTIZATION (See Notes 1 and 4)	\$ 70,767	57,928

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED BALANCE SHEETS
(UnAUDITED)

	March 31, 2002	December 31, 2001
	(Dollars in thousands)	

ASSETS		

CURRENT ASSETS		
Cash and cash equivalents	\$ 52,138	3,496
Accounts receivable, less allowance of \$10,092 and \$13,908	203,267	205,990
Materials and supplies, at average cost	9,388	10,916
Other	11,904	9,511

Total current assets	276,697	229,913

NET PROPERTY, PLANT AND EQUIPMENT	2,728,299	2,736,142

INVESTMENTS AND OTHER ASSETS		
Goodwill	2,116,265	2,087,158
Other	425,636	420,043

Total investments and other assets	2,541,901	2,507,201

ASSETS HELD FOR SALE (See Note 3)	832,543	845,428

TOTAL ASSETS	\$ 6,379,440	6,318,684
=====		
LIABILITIES AND EQUITY		

CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 916,966	955,834
Short-term debt	5,000	53,000
Accounts payable	93,959	61,056
Accrued expenses and other liabilities		
Salaries and benefits	52,011	46,588
Taxes	64,181	27,937
Interest	55,383	49,191
Other	11,806	15,968
Advance billings and customer deposits	30,152	29,308

Total current liabilities	1,229,458	1,238,882

LONG-TERM DEBT	2,081,396	2,087,500

DEFERRED CREDITS AND OTHER LIABILITIES	508,502	506,052

LIABILITIES RELATED TO ASSETS HELD FOR SALE (See Note 3)	155,679	148,870

STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 141,326,525 and 141,232,806 shares	141,327	141,233
Paid-in capital	528,090	524,668
Retained earnings	1,729,263	1,666,004
Unearned ESOP shares	(2,250)	(2,500)
Preferred stock - non-redeemable	7,975	7,975

Total stockholders' equity	2,404,405	2,337,380

TOTAL LIABILITIES AND EQUITY	\$ 6,379,440	6,318,684
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See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 141,233	140,667
Conversion of convertible securities into common stock	-	254
Issuance of common stock through dividend reinvestment, incentive and benefit plans	94	72
Balance at end of period	141,327	140,993
PAID-IN CAPITAL		
Balance at beginning of period	524,668	509,840
Conversion of convertible securities into common stock	-	3,046
Issuance of common stock through dividend reinvestment, incentive and benefit plans	2,383	1,170
Amortization of unearned compensation and other	1,039	1,422
Balance at end of period	528,090	515,478
UNREALIZED HOLDING GAIN ON INVESTMENTS, NET OF TAXES		
Balance at beginning of period	-	25,471
Change in unrealized holding gain on investments, net of tax	-	(2,877)
Balance at end of period	-	22,594
RETAINED EARNINGS		
Balance at beginning of period	1,666,004	1,351,626
Net income	70,767	46,722
Cash dividends declared		
Common stock-\$.0525 and \$.05 per share, respectively	(7,408)	(7,032)
Preferred stock	(100)	(100)
Balance at end of period	1,729,263	1,391,216
UNEARNED ESOP SHARES		
Balance at beginning of period	(2,500)	(3,500)
Release of ESOP shares	250	250
Balance at end of period	(2,250)	(3,250)
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning and end of period	7,975	7,975
TOTAL STOCKHOLDERS' EQUITY	\$ 2,404,405	2,075,006

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
OPERATING ACTIVITIES FROM CONTINUING OPERATIONS		
Net income	\$ 70,767	46,722
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:		
Income from discontinued operations, net of tax	(27,910)	(19,871)
Depreciation and amortization	92,227	98,818
Deferred income taxes	14,606	(7,804)
Changes in current assets and current liabilities:		
Accounts receivable	6,526	29,032
Accounts payable	20,482	(7,201)
Other accrued taxes	36,244	22,502
Other current assets and other current liabilities, net	3,647	(13,319)
Increase in other noncurrent assets	(5,103)	(19,201)
Increase (decrease) in other noncurrent liabilities	2,305	(3,862)
Other, net	4,253	12,773
Net cash provided by operating activities from continuing operations	218,044	138,589
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS		
Payments for property, plant and equipment	(73,532)	(102,253)
Acquisitions, net of cash acquired	(43,768)	(47,131)
Other, net	(2,509)	(834)
Net cash used in investing activities from continuing operations	(119,809)	(150,218)
FINANCING ACTIVITIES FROM CONTINUING OPERATIONS		
Proceeds from issuance of debt	-	172,173
Payments of debt	(92,722)	(189,514)
Proceeds from issuance of common stock	2,477	1,242
Cash dividends	(7,508)	(7,132)
Other, net	556	552
Net cash used in financing activities from continuing operations	(97,197)	(22,679)
Net cash provided by discontinued operations (See Note 3)	47,604	31,006
Net increase (decrease) in cash and cash equivalents	48,642	(3,302)
Cash and cash equivalents at beginning of period	3,496	11,523
Cash and cash equivalents at end of period	\$ 52,138	8,221
Supplemental cash flow information:		
Income taxes paid	\$ 2,708	790
Interest paid (net of capitalized interest of \$390 and \$1,654)	\$ 44,131	56,035

See accompanying notes to consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2002

(UNAUDITED)

(1) Basis of Financial Reporting

The consolidated financial statements of CenturyTel, Inc. and its subsidiaries (the "Company") include the accounts of CenturyTel, Inc. ("CenturyTel") and its majority-owned subsidiaries and partnerships. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, in the opinion of management, the disclosures which are made are adequate to make the information presented not misleading. The consolidated financial statements and footnotes included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2001. Certain 2001 amounts have been reclassified to be consistent with the Company's 2002 presentation.

The unaudited financial information for the three months ended March 31, 2002 and 2001 has not been audited by independent certified public accountants; however, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the three-month periods have been included therein. The results of operations for the first three months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). Under SFAS 142, effective January 1, 2002, 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. Each adjustment reflected in the consolidated statements of income and comprehensive income by use of the term "as adjusted for goodwill amortization" reflects the effects of SFAS 142.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets 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 (see Note 3), such operations have been reflected as discontinued operations for the three months ended March 31, 2002. Assets and liabilities related to the Company's wireless operations are reflected as "Held for sale" on the accompanying consolidated balance sheets. Results of operations for 2001 have been restated to conform to this presentation. The depreciation of long-lived assets ceased upon the classification of such assets as held for sale.

(2) Net Property, Plant and Equipment

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

	March 31, 2002	Dec. 31, 2001

	(Dollars in thousands)	
Telephone, at original cost	\$ 5,344,135	5,292,255
Accumulated depreciation	(2,912,384)	(2,839,268)

	2,431,751	2,452,987

Other, at cost	470,154	446,920
Accumulated depreciation	(173,606)	(163,765)

	296,548	283,155

	\$ 2,728,299	2,736,142
=====		

(3) Discontinued Operations

On March 19, 2002, the Company signed a definitive agreement to sell all of its wireless operations to an affiliate of ALLTEL Corporation ("Alltel") for \$1.65 billion in cash, subject to adjustment. In connection with this transaction, the Company will divest its (i) interests in its majority-owned and operated cellular systems, which at December 31, 2001 served approximately 797,000 customers and had access to approximately 7.8 million pops, (ii) minority cellular equity interests representing approximately 2.0 million pops at December 31, 2001, and (iii) licenses to provide personal communications services covering 1.3 million pops in Wisconsin and Iowa. Subject to certain closing conditions, this transaction is expected to close in the third quarter of 2002. As a result, the Company's wireless operations have been reflected as discontinued operations and as assets held for sale in the Company's consolidated financial statements as of and for the three months ended March 31, 2002. Amounts reported for 2001 have been restated to conform to the 2002 presentation.

The following table represents certain summary income statement information related to the Company's wireless operations reflected as discontinued operations.

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
Operating revenues	\$ 102,421	104,406
Operating income (1)	\$ 35,016	29,899
Income from unconsolidated cellular entities	11,514	5,321
Minority interest expense	(2,871)	(2,637)
Other income and (expense)	(79)	444
Pre tax income from discontinued operations	43,580	33,027
Income tax expense	(15,670)	(13,156)
Income from discontinued operations	\$ 27,910	19,871

(1) Excludes corporate overhead costs of \$4.8 million and \$5.0 million for the three months ended March 31, 2002 and 2001, respectively, allocated to the wireless operations that the Company expects to continue to incur subsequent to the disposal of the wireless operations.

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

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
Net cash provided by operating activities	\$ 45,841	44,359
Net cash provided by (used in) investing activities	1,763	(13,353)
Net cash used in financing activities	-	-
Net cash provided by discontinued operations	\$ 47,604	31,006

The following table represents the net assets of the discontinued wireless operations as of March 31, 2002 and December 31, 2001, which are classified as held for sale on the consolidated balance sheets.

	March 31, 2002	Dec. 31, 2001
(Dollars in thousands)		
Current assets	\$ 61,913	70,360
Net property, plant and equipment	257,862	263,421
Goodwill	384,326	384,326
Other assets	128,442	127,321
Assets held for sale	\$ 832,543	845,428
Current liabilities	\$ 62,996	55,074
Deferred credits and other liabilities	92,683	93,796
Liabilities related to assets held for sale	\$ 155,679	148,870

(4) Goodwill and other intangible assets

The following information relates to the Company's goodwill as of March 31, 2002 and December 31, 2001:

	March 31, 2002	Dec. 31, 2001
(Dollars in thousands)		
Carrying amount of goodwill		
Telephone segment	\$ 2,077,553	2,074,036
Other operations	38,712	13,122
Total goodwill	\$ 2,116,265	2,087,158

Based on analysis performed to date, the Company believes its goodwill is not impaired under the transitional impairment tests of SFAS 142.

The Company also has certain intangible assets that are subject to amortization in accordance with SFAS 142. These intangible assets relate to certain customer base assets in the Company's wireless operations (which are reflected as assets held for sale). The gross carrying amount (and accumulated amortization) of these assets was \$22.7 million (\$19.6 million) as of March 31, 2002 and \$22.7 million (\$18.5 million) as of December 31, 2001. Total amortization expense for the first quarter of 2002 (which is reflected in discontinued operations) was \$1.1 million. Such amortization was ceased upon the classification of such assets as held for sale on March 19, 2002.

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.

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
Net income, as reported	\$ 70,767	46,722
Goodwill amortization, net of taxes	-	14,083
Net income, as adjusted	\$ 70,767	60,805
Basic earnings per share, as reported	\$.50	.33
Goodwill amortization, net of taxes	-	.10
Basic earnings per share, as adjusted	\$.50	.43
Diluted earnings per share, as reported	\$.50	.33
Goodwill amortization, net of taxes	-	.10
Diluted earnings per share, as adjusted	\$.50	.43

(5) Business Segments

The Company's only separately reportable business segment is its telephone operations. The operating income of this segment is reviewed by the Company's chief operating decision maker to assess performance and make business decisions. Due to the pending sale of the Company's wireless operations, such operations (which were previously reported as a separate segment) are classified as discontinued operations (see Note 3). Other operations include, but are not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier operations and security monitoring operations.

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
Operating revenues		
Telephone	\$ 372,731	371,249
Other operations	50,187	40,353
Total operating revenues	\$ 422,918	411,602
Operating income		
Telephone	\$ 117,968	103,981
Other operations	5,879	5,307
Corporate overhead costs allocable to discontinued operations (See Note 3)	(4,798)	(4,979)
Total operating income	\$ 119,049	104,309
Operating income	\$ 119,049	104,309
Interest expense	(50,648)	(61,703)
Other income and expense	(2,268)	2,467
Income from continuing operations before income tax expense	\$ 66,133	45,073

	March 31, 2002	Dec. 31, 2001

	(Dollars in thousands)	
Assets		
Telephone	\$ 4,725,150	4,754,522
Other operations	821,747	718,734
Assets held for sale (See Note 3)	832,543	845,428

Total assets	\$ 6,379,440	6,318,684
=====		

(6) Subsequent Event

On May 6, 2002, the Company issued and sold in an underwritten public offering \$500 million of Equity Units. 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. The total distributions on the Equity Units will be at an annual rate of 6.875%, consisting of interest (6.02%) and contract adjustment payments (0.855%), which were accrued upon the issuance of the Equity Units as a charge to paid in capital. 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. CenturyTel intends to use the net proceeds from the issuance of the Equity Units, estimated at \$483.4 million, to fund a portion of its previously announced access line acquisitions from Verizon Communications, Inc. ("Verizon").

(7) Commitments and Contingencies

From time to time, the Company is involved in various 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.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in the Company's annual report on Form 10-K for the year ended December 31, 2001. The results of operations for the three months ended March 31, 2002 are not necessarily indicative of the results of operations which might be expected for the entire year.

CenturyTel, Inc. and its subsidiaries (the "Company") is a regional integrated communications company engaged primarily in providing local exchange, wireless, long distance, Internet access and data services to customers in 21 states. On March 19, 2002, the Company entered into a definitive agreement to sell the stock of its wireless business to an affiliate of ALLTEL Corporation ("Alltel") in exchange for \$1.65 billion in cash, subject to certain adjustments. As a result of such agreement, the Company's wireless operations for the three months ended March 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.

In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: the Company's ability to effectively manage its growth, including successfully financing and timely consummating its pending Verizon acquisitions, integrating newly-acquired businesses into the Company's operations, hiring adequate numbers of qualified staff and successfully upgrading its billing and other information systems; the Company's ability to timely consummate the pending sale of its wireless business; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the telecommunications industry; the effects of greater than anticipated competition in the Company's markets; 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; and the effects of more general factors such as changes in interest rates, in general market 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 to the Company's Annual Report on Form 10-K for the year ended December 31, 2001. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2002 Compared to Three Months Ended March 31, 2001

Net income (and diluted earnings per share) was \$70.8 million (\$.50) and \$46.7 million (\$.33) for the first quarter of 2002 and 2001, respectively. Income from continuing operations was \$42.9 million for the first quarter of 2002 and \$26.9 million for the first quarter of 2001. Diluted earnings per share from continuing operations was \$.30 during the first quarter of 2002 compared to \$.19 during the first quarter of 2001. 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. Had the results of operations for the three months ended March 31, 2001 been subject to SFAS 142, income from continuing operations (and diluted earnings per share) would have been \$39.6 million (\$.27) and net income (and diluted earnings per share) would have been \$60.8 million (\$.43).

	Three months ended March 31,	
	2002	2001
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 117,968	103,981
Other	5,879	5,307
Corporate overhead costs allocable to discontinued operations	(4,798)	(4,979)
	119,049	104,309
Interest expense	(50,648)	(61,703)
Other income and expense	(2,268)	2,467
Income tax expense	(23,276)	(18,222)
	42,857	26,851
Income from continuing operations	42,857	26,851
Discontinued operations, net of tax	27,910	19,871
	70,767	46,722
Net income	\$ 70,767	46,722
Net income, as adjusted for goodwill amortization	\$ 70,767	60,805
Basic earnings per share		
From continuing operations	\$.30	.19
Discontinued operations	\$.20	.14
Basic earnings per share	\$.50	.33
Basic earnings per share, as adjusted for goodwill amortization	\$.50	.43
Diluted earnings per share		
From continuing operations	\$.30	.19
Discontinued operations	\$.20	.14
Diluted earnings per share	\$.50	.33
Diluted earnings per share, as adjusted for goodwill amortization	\$.50	.43
Average basic shares outstanding	141,051	140,572
Average diluted shares outstanding	142,654	142,482

Contributions to operating revenues and operating income by the Company's telephone and other operations for the three months ended March 31, 2002 and 2001 were as follows:

	Three months ended March 31,	
	2002	2001
Operating revenues		
Telephone operations	88.1%	90.2
Other operations	11.9%	9.8
Operating income		
Telephone operations	99.1%	99.7
Other operations	4.9%	5.1
Corporate overhead costs allocable to discontinued operations	(4.0)%	(4.8)

Telephone Operations

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 123,877	121,161
Network access	216,576	213,867
Other	32,278	36,221
	372,731	371,249
Operating expenses		
Plant operations	91,086	93,885
Customer operations	29,938	29,257
Corporate and other	44,396	46,765
Depreciation and amortization	89,343	97,361
	254,763	267,268
Operating income	\$ 117,968	103,981

The Company conducts its telephone operations in rural, suburban and small urban communities in 21 states. As of March 31, 2002, approximately 87% of the Company's 1.8 million access lines were in Wisconsin, Arkansas, Washington, Missouri, Michigan, Louisiana, Colorado, Ohio and Oregon.

Telephone operating income increased \$14.0 million (13.5%) due to an increase in operating revenues of \$1.5 million (0.4%) and a decrease in operating expenses of \$12.5 million (4.7%).

Of the \$2.7 million (2.2%) increase in local service revenues, \$1.5 million was due to the increased provision of custom calling features and \$1.1 million was due to increased rates in certain jurisdictions.

Network access revenues increased \$2.7 million (1.3%) in the first quarter of 2002 primarily due to a \$4.3 million increase in the partial recovery of increased operating expenses through revenue sharing arrangements in which the Company participates with other telephone companies and a \$3.0 million increase in rates in certain jurisdictions. Such increases were substantially offset by a \$4.9 million decrease in revenues due to decreased intrastate minutes of use, primarily due to certain interexchange carriers shifting traffic factors from the intrastate jurisdiction to the interstate jurisdiction.

Other revenues decreased \$3.9 million (10.9%) due to a \$3.8 million decrease in certain nonregulated services, primarily due to decreased equipment sales and a \$1.6 million decrease in amounts received by providing billing and collection services to certain interexchange carriers. Such decreases were partially offset by a \$2.3 million increase due to increased rates for certain nonregulated product offerings.

Access lines declined 0.1% during the three months ended March 31, 2002. Access line growth during the three months ended March 31, 2001 was 0.1%. The Company believes the decline in the number of access lines during 2002 is primarily due to general economic conditions in the Company's markets and disconnecting service to customers for non-payment.

Plant operations expenses decreased \$2.8 million (3.0%), of which \$5.4 million related to decreased access expenses primarily as a result of recently approved changes in certain optional calling plans in Arkansas, and \$1.7 million related to decreased maintenance costs as compared to the first quarter of 2001, which included the costs of an ice storm. Such decreases were partially offset by a \$3.1 million increase in salaries and benefits and a \$1.9 million increase in network costs.

During the first quarter of 2002 customer operations expenses increased \$681,000 (2.3%) primarily due to an increase in collection expenses.

Corporate and other expenses decreased \$2.4 million (5.1%) primarily due to a \$1.7 million decrease associated with the Company's sales, leases, installations, maintenance and repair of customer premise telecommunications equipment and wiring and a \$1.5 million decrease in operating taxes.

Depreciation and amortization decreased \$8.0 million (8.2%), of which \$14.6 million related to ceasing amortization of goodwill effective January 1, 2002 in accordance with the provisions of SFAS 142. Such decrease was partially offset by a \$6.4 million increase in depreciation expense due to higher levels of plant in service.

Other Operations

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
Operating revenues		
Long distance	\$ 31,817	27,600
Internet	12,561	8,399
Other	5,809	4,354
	50,187	40,353
Operating expenses		
Cost of sales and operating expenses	41,424	33,589
Depreciation and amortization	2,884	1,457
	44,308	35,046
Operating income	\$ 5,879	5,307

Other operations include the results of continuing operations 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 operations and security monitoring operations. The \$4.2 million increase in long distance revenues was primarily attributable to the growth in the number of customers and increased minutes of use. The number of long distance customers as of March 31, 2002 and 2001 was 515,400 and 392,900, respectively. Internet revenues increased \$4.2 million due primarily to growth in the number of customers. Other revenues increased \$1.5 million primarily due to increased revenues in the Company's competitive local exchange carrier ("CLEC") business primarily due to an acquisition of certain CLEC operations in the first quarter of 2002.

Cost of sales and operating expenses increased \$7.8 million primarily due to (i) a \$5.6 million increase in expenses associated with the Company's long distance operations (of which \$1.7 million related to increased sales and marketing costs; \$1.9 million was due to increased minutes of use; and \$1.5 million was due to an increase in the provision for doubtful accounts); (ii) a \$2.8 million increase in expenses associated with the Company's CLEC operations primarily due to the expansion of the business and costs associated with an acquisition consummated in the first quarter of 2002; and (iii) a \$2.6 million increase associated with expanding the Company's Internet operations. Such increases were partially offset by a \$1.6 million reduction in expenses 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 \$1.4 million (97.9%) primarily due to increased depreciation expense in the Company's fiber network and CLEC businesses.

Interest Expense

Interest expense decreased \$11.1 million (17.9%) in the first quarter of 2002 compared to the first quarter of 2001 substantially due to decreased debt outstanding and a decrease in interest rates.

Other Income and Expense

Other income and expense was a \$2.3 million expense for the first quarter of 2002 compared to \$2.5 million of income for the first quarter of 2001. Such change was primarily due to \$3.0 million of costs recorded in the first quarter of 2002 associated with responding to an unsolicited takeover proposal and a \$1.3 million reduction in capitalized interest.

Income Tax Expense

Income tax expense from continuing operations increased \$5.1 million in the first quarter of 2002 compared to the first quarter of 2001 primarily due to an increase in income before taxes. The effective income tax rate (from continuing operations) was 35.2% and 40.4% for the three months ended March 31, 2002 and 2001, respectively. Such decrease 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.

Discontinued Operations

On March 19, 2002, the Company entered into a definitive agreement to sell the stock of its wireless business to an affiliate of Alltel in exchange for \$1.65 billion in cash, subject to certain adjustments. Subject to various closing conditions, this transaction is expected to close in the third quarter of 2002. As a result of such agreement, the Company's wireless operations for the three months ended March 31, 2002 have been reflected as discontinued operations in the Company's consolidated financial statements. The results of operations for the three months ended March 31, 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.

	Three months ended March 31,	
	2002	2001
	(Dollars in thousands)	
Operating revenues	\$ 102,421	104,406
Operating expenses, exclusive of corporate overhead costs	\$ 67,405	74,507
Income from unconsolidated cellular entities	\$ 11,514	5,321
Minority interest expense	\$ (2,871)	(2,637)
Other income and (expense)	\$ (79)	444
Income tax expense	\$ (15,670)	(13,156)
Income from discontinued operations, net of tax	\$ 27,910	19,871

Wireless operating revenues decreased \$2.0 million (1.9%) primarily due to a \$1.4 million decrease in roaming revenues due to a reduction in roaming rates (which was partially offset by an increase in roaming minutes of use) and a \$1.1 million decrease in equipment sales due to a decrease in the number of phones sold.

Operating expenses, exclusive of corporate overhead costs, decreased \$7.1 million primarily due to (i) a decrease in depreciation and amortization expense of \$3.7 million primarily due to the ceasing of goodwill amortization in accordance with SFAS 142 (effective January 1, 2002) and the ceasing of depreciation on property, plant and equipment due to the announced sale of the wireless business (effective March 19, 2002); (ii) a \$1.5 million decrease in cost of sales due to a decrease in units sold; and (iii) a \$1.7 million decrease in operating expenses primarily due to decreased interconnection expenses and toll costs.

The non-recognition of depreciation and amortization on the Company's wireless property, plant and equipment and goodwill during the second quarter of 2002 will reduce operating expenses for discontinued operations for such quarter by \$15.6 million, as compared to such expenses for the second quarter of 2001.

Income from unconsolidated cellular entities increased \$6.2 million primarily due to increased earnings of certain cellular entities in which the Company owns a minority interest.

Accounting Pronouncements

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and SFAS 142. SFAS 141 requires all business combinations consummated after June 30, 2001 to be accounted for under the purchase method of accounting; the pooling of interests method is no longer permitted. Under SFAS 142, effective January 1, 2002, 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. Based on analysis performed to date, the Company believes its goodwill is not impaired under the transitional impairment tests of SFAS 142.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets" ("SFAS 144"). SFAS 144 addresses financial accounting and reporting for the impairment or disposal of long-lived assets 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. The provisions of SFAS 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001. The Company's wireless operations have been reflected as discontinued operations in the first quarter of 2002 in accordance with the provisions of SFAS 144. The adoption of the impairment portion of SFAS 144 is not expected to have a material effect on the results of operations of the Company.

LIQUIDITY AND CAPITAL RESOURCES

Excluding cash used for acquisitions, the Company relies on cash provided by operations to fund its operating and capital expenditures. 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.

Net cash provided by operating activities from continuing operations was \$218.0 million during the first three months of 2002 compared to \$138.6 million during the first three months of 2001. 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 these periods. For additional information relating to the continuing operations of the Company, see Results of Operations.

Net cash used in investing activities from continuing operations was \$119.8 million and \$150.2 million for the three months ended March 31, 2002 and 2001, respectively. Payments for property, plant and equipment were \$28.7 million less in the first quarter of 2002 than in the comparable period during 2001. Capital expenditures from continuing operations for the three months ended March 31, 2002 were \$67.5 million for telephone operations and \$6.0 million for other operations. During the first quarter of 2002, the Company acquired the assets of certain CLEC operations for \$43.8 million cash. During the first quarter of 2001, the Company acquired an additional 18.6% interest for \$47.1 million cash in Spectra Communication Group, LLC, the entity organized in 2000 to acquire and operate the former Verizon properties in Missouri.

Net cash used in financing activities from continuing operations was \$97.2 million during the first three months of 2002 compared to \$22.7 million during the first three months of 2001. Net payments of debt were \$75.4 million more during the first quarter of 2002 compared to the first quarter of 2001 primarily due to increased cash flow from operating activities and lower capital expenditures.

Budgeted capital expenditures from continuing operations for 2002 total \$315 million for telephone operations and \$45 million for other operations.

On October 22, 2001, the Company entered into definitive agreements to purchase from affiliates of Verizon assets comprising all of Verizon's local telephone operations in Missouri and Alabama. In exchange, the Company has agreed to pay approximately \$2.159 billion in cash, subject to certain adjustments which are not expected to be material. Under each definitive agreement, the Company has agreed to pay Verizon

10% of the transaction consideration if the purchase is not consummated under certain specified conditions, including the Company's inability to finance the transaction. The acquisitions are subject to the receipt of various regulatory approvals and other closing conditions.

As of March 31, 2002, the Company had an aggregate of \$486.3 million of debt outstanding under a credit facility and a note that expires or becomes due in August 2002 and has an additional \$400 million in remarketable bonds that must be mandatorily redeemed by the Company in October 2002 if the remarketing dealer for these bonds does not purchase and remarket the bonds in accordance with a remarketing agreement. The Company currently believes that the remarketing dealer will exercise its option and that this debt will remain outstanding.

On March 19, 2002, the Company entered into a definitive agreement to sell the stock of its wireless operations to Alltel for \$1.65 billion in cash, subject to certain adjustments which are not anticipated to be material. The Company's after-tax proceeds from the sale are anticipated to be approximately \$1.3 billion.

Although the Company's financing plans are not yet complete and will depend on market conditions and other factors, the Company currently plans to finance the pending Verizon acquisitions (along with the payment of debt due August 2002) with (i) proceeds from the sale of its wireless operations; (ii) net proceeds estimated to be \$483.4 million from the Company's sale of Equity Units in May 2002 and (iii) net proceeds from a possible sale of debt securities later this year. If the Company requires cash before these sources of long-term financing are available, the Company intends to borrow cash on a short-term basis. Conversely, if the Company receives cash from these sources before it needs such cash, the Company intends to repay short-term debt.

The Company currently intends to obtain \$1.35 billion of short- and long-term syndicated credit facilities during the second quarter of 2002. Thus far, the Company has received preliminary commitments for a \$600 million short-term bridge facility, and for portions of \$750 million of short and long-term credit facilities. These preliminary commitments are subject to the lenders entering into satisfactory credit agreements and various other conditions. If the Company does not obtain these facilities or is unable to timely consummate the divestiture of its wireless operations, it would be required to seek alternative or additional financing. The Company cannot assure that this financing will be available on favorable terms.

The following table contains certain information concerning the Company's material contractual obligations as of March 31, 2002.

Total contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(Dollars in thousands)					
Long-term debt, including current maturities	\$2,998,362	916,966	240,667	259,484	1,581,245
Verizon purchase price obligation	\$2,159,000	2,159,000	-	-	-

As of March 31, 2002, the Company had \$500.1 million of undrawn committed bank lines of credit (the majority of which, as described above, expire in July and August 2002) and CenturyTel's subsidiaries had available for use \$123.0 million of commitments for long-term financing from the Rural Utilities Service and the Rural Telephone Bank. The Company has a commercial paper program that authorizes it to have outstanding up to \$1.5 billion in commercial paper at any one time. At March 31, 2002, the Company had \$5.0 million outstanding under such program.

Following the issuance of the Equity Units in May 2002, Moody's Investors Service affirmed its rating of CenturyTel's long-term debt of Baa2 (with a stable outlook) and Standard & Poor's improved its rating of CenturyTel's long-term debt to BBB+ (with a stable outlook) from BBB+ (with a negative outlook).

OTHER MATTERS

Accounting for the Effects of Regulation

The Company currently accounts for its regulated telephone operations in accordance with the provisions of Statement of Financial Accounting Standards No. 71 ("SFAS 71"), "Accounting for the Effects of Certain Types of Regulation." While the ongoing applicability of SFAS 71 to the Company's telephone operations is being monitored due to the changing regulatory, competitive and legislative environments, the Company believes that SFAS 71 still applies. However, it is possible that changes in regulation or legislation or anticipated changes in competition or in the demand for regulated services or products could result in the Company's telephone operations not being subject to SFAS 71 in the near future. In that event, implementation of Statement of Financial Accounting Standards No. 101 ("SFAS 101"), "Regulated Enterprises - Accounting for the Discontinuance of Application of FASB Statement No. 71," would require the write-off of previously established regulatory assets and liabilities, along with an adjustment of certain accumulated depreciation accounts to reflect the difference between recorded depreciation and the amount of depreciation that would have been recorded had the Company's telephone operations not been subject to rate regulation. Such discontinuance of the application of SFAS 71 may result in a material, noncash charge against earnings which would be reported as an extraordinary item.

Other

The Company is in the process of developing an integrated billing and customer care system. The costs to develop such system have been capitalized in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use," and aggregated \$144.6 million at March 31, 2002. Such costs are expected to aggregate approximately \$200 million upon completion (which is expected to occur in early 2003) and are expected to be amortized over a twenty-year period. A portion of these billing system costs that relate to the wireless business (currently estimated to be between \$30 and \$50 million) will be written off as part of discontinued operations if the pending sale of the Company's wireless operations is consummated.

On May 13, 2002, the United States Supreme Court upheld the Federal Communications Commission's authority to set prices at which incumbent local exchange carriers must sell their network elements to competitors, ruling that such rate-setting methods are consistent with the Telecommunications Act of 1996. While competition from resellers through use of the Company's network is still limited in most of its markets, the Company will continue to witness increasing competition from a variety of facilities-based service providers, including wireless and cable companies.

CenturyTel, Inc.
QUANTITATIVE AND QUALITATIVE
DISCLOSURES ABOUT MARKET RISK

Market Risk

The majority of the Company's long-term debt obligations are fixed rate. At March 31, 2002, the fair value of the Company's long-term debt was estimated to be \$3.0 billion based on the overall weighted average rate of the Company's long-term debt of 6.6% 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 66 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 \$93.8 million decrease in fair value of the Company's long-term debt. As of March 31, 2002, the Company owed \$305.0 million of debt on a floating-rate basis.

At the end of the first quarter of 2002, the Company had outstanding an interest rate swap relating to \$186.3 million of floating rate debt designed to eliminate the variability of cash flows in the payment of interest related to such debt. Under this swap, which expires in August 2002, the Company realizes a fixed effective rate of 4.845% and receives or makes settlement payments based upon the 3-month London InterBank Offered Rate, with settlement and rate reset dates at three month intervals through the expiration date.

PART II. OTHER INFORMATION

CenturyTel, Inc.

Item 1: Legal Proceedings

On December 26, 2001, AT&T Corp. and one of its subsidiaries filed a complaint in the U.S. District Court for the Western District of Washington (Case No. CV0121512) seeking money damages against CenturyTel of the Northwest, Inc. The plaintiffs claim, among other things, that CenturyTel of the Northwest, Inc. has breached its obligations under an October 1994 stock purchase agreement to indemnify the plaintiffs for various environmental costs and damages relating to properties sold to the plaintiffs under such 1994 agreement. The Company has investigated this claim and believes it has numerous defenses available. If the plaintiffs are successful in recovering any sums under this litigation, the Company believes it is entitled to indemnification under agreements with third parties.

On March 13, 2002, the Arkansas Court of Appeals vacated two orders issued by the Arkansas Public Utility Commission ("APUC") in connection with the Company's acquisition of its Arkansas LECs from Verizon in July 2000, and remanded the case back to the APUC for further hearings. The Court took these actions in response to challenges to the rates the Company has charged other LECs for intrastate switched access service. The Company filed an appeal with the Arkansas Supreme Court to move for a rehearing of the Court of Appeals decision. On May 9, 2002, the Arkansas Supreme Court denied a petition to review such case; therefore, the Court of Appeals' mandate vacating the two orders reverted back to the APUC for review. On May 13, 2002, the APUC granted approval for the intrastate access rates on an interim basis subject to pending rehearing and further appeal. Such issue is expected to be addressed by the APUC in the third quarter of 2002.

Item 6: Exhibits and Reports on Form 8-K

A. Exhibits

4.1 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).

11 Computations of Earnings Per Share.

B. Reports on Form 8-K

The following item was reported in the Form 8-K filed January 31, 2002:

Item 5. Other Events - Correction of wireless subscriber

count in news release announcing fourth quarter 2001 operating results.

The following item was reported in the Form 8-K filed February 1, 2002:

Item 5. Other Events - News release announcing fourth quarter

2001 operating results.

The following item was reported in the Form 8-K filed March 22, 2002:

Item 5. Other Events - Execution of definitive sales

agreement to sell the Company's wireless operations to ALLTEL Corporation.

SIGNATURE

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

undersigned thereunto duly authorized.

CenturyTel, Inc.

Date: May 15, 2002

/s/ Neil A. Sweasy

Neil A. Sweasy

Vice President and Controller

(Principal Accounting Officer)

CenturyTel, Inc.

COMPUTATIONS OF EARNINGS PER SHARE
(UNAUDITED)

	Three months ended March 31,	
	2002	2001
	(Dollars, except per share amounts, and shares in thousands)	
Income (Numerator):		
Income from continuing operations	\$ 42,857	26,851
Discontinued operations, net of tax	27,910	19,871
Net income	70,767	46,722
Dividends applicable to preferred stock	(100)	(100)
Net income applicable to common stock	70,667	46,622
Dividends applicable to preferred stock	100	100
Net income as adjusted for purposes of computing diluted earnings per share	\$ 70,767	46,722
Net income applicable to common stock, as adjusted for goodwill amortization	\$ 70,667	60,705
Net income as adjusted for purposes of computing diluted earnings per share, as adjusted for goodwill amortization	\$ 70,767	60,805
Shares (Denominator):		
Weighted average number of shares:		
Outstanding during period	141,277	140,892
Employee Stock Ownership Plan shares not committed to be released	(226)	(320)
Number of shares for computing basic earnings per share	141,051	140,572
Incremental common shares attributable to dilutive securities:		
Conversion of convertible securities	435	435
Shares issuable under stock option plan	1,168	1,475
Number of shares as adjusted for purposes of computing diluted earnings per share	142,654	142,482
Basic earnings per share		
From continuing operations	\$.30	.19
Discontinued operations	\$.20	.14
Basic earnings per share	\$.50	.33
Basic earnings per share, as adjusted for goodwill amortization	\$.50	.43
Diluted earnings per share		
From continuing operations	\$.30	.19
Discontinued operations	\$.20	.14
Diluted earnings per share	\$.50	.33
Diluted earnings per share, as adjusted for goodwill amortization	\$.50	.43