

CENTURYTEL INC

FORM 10-Q (Quarterly Report)

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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 June 30, 2001

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 July 31, 2001, there were 141,010,413 shares of common stock outstanding.

CENTURYTEL, INC.

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PART I. FINANCIAL INFORMATION

CENTURYTEL, INC. CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
(Dollars, except per share amounts, and shares expressed in thousands)				
OPERATING REVENUES				
Telephone	\$ 367,884	276,088	739,133	553,014
Wireless	109,686	111,142	214,092	211,546
Other	41,366	35,926	81,719	71,552
Total operating revenues	518,936	423,156	1,034,944	836,112
OPERATING EXPENSES				
Cost of sales and operating expenses	267,535	212,495	533,903	429,218
Depreciation and amortization	116,196	85,769	231,628	170,580
Total operating expenses	383,731	298,264	765,531	599,798
OPERATING INCOME	135,205	124,892	269,413	236,314
OTHER INCOME (EXPENSE)				
Interest expense	(57,358)	(35,267)	(119,061)	(71,309)
Income from unconsolidated cellular entities	10,705	9,475	16,026	8,016
Minority interest	(3,263)	(2,871)	(5,912)	(5,163)
Nonrecurring gains and losses	156,428	-	156,428	9,910
Other income and expense	4,578	2,384	7,501	6,613
Total other income (expense)	111,090	(26,279)	54,982	(51,933)
INCOME BEFORE INCOME TAX EXPENSE	246,295	98,613	324,395	184,381
Income tax expense	92,054	40,768	123,432	77,252
NET INCOME	\$ 154,241	57,845	200,963	107,129
BASIC EARNINGS PER SHARE	\$ 1.10	.41	1.43	.76
DILUTED EARNINGS PER SHARE	\$ 1.09	.41	1.41	.76
DIVIDENDS PER COMMON SHARE	\$.05	.0475	.10	.095
AVERAGE BASIC SHARES OUTSTANDING	140,720	139,995	140,656	139,874
AVERAGE DILUTED SHARES OUTSTANDING	142,059	141,732	142,271	141,729

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
(Dollars in thousands)				
Net income	\$ 154,241	57,845	200,963	107,129
Other comprehensive income, net of tax:				
Unrealized holding gains (losses) arising during period, net of \$7,109, \$1,072, \$5,560 and (\$2,693) tax	13,202	1,990	10,325	(5,003)
Comprehensive income	\$ 167,443	59,835	211,288	102,126

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
CONSOLIDATED BALANCE SHEETS
(UnAUDITED)

	June 30, 2001	December 31, 2000
(Dollars in thousands)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 39,323	19,039
Accounts receivable, less allowance of \$8,768 and \$12,857	351,421	307,165
Materials and supplies, at average cost	28,493	38,532
Other	10,657	11,768
Total current assets	429,894	376,504
NET PROPERTY, PLANT AND EQUIPMENT		
	2,965,053	2,959,293
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired, less accumulated amortization of \$252,215 and \$219,809	2,511,255	2,509,033
Other	605,703	548,460
Total investments and other assets	3,116,958	3,057,493
TOTAL ASSETS	\$ 6,511,905	6,393,290
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 154,962	149,962
Short-term debt	215,025	276,000
Accounts payable	101,804	127,287
Accrued expenses and other liabilities		
Salaries and benefits	39,113	33,859
Taxes	152,778	40,023
Interest	50,230	52,011
Other	21,707	23,349
Advance billings and customer deposits	40,029	40,879
Total current liabilities	775,648	743,370
LONG-TERM DEBT		
	2,961,748	3,050,292
DEFERRED CREDITS AND OTHER LIABILITIES		
	537,790	567,549
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 141,020,385 and 140,667,251 shares	141,020	140,667
Paid-in capital	516,707	509,840
Unrealized holding gain on investments, net of taxes	35,796	25,471
Retained earnings	1,538,221	1,351,626
Unearned ESOP shares	(3,000)	(3,500)
Preferred stock - non-redeemable	7,975	7,975
Total stockholders' equity	2,236,719	2,032,079
TOTAL LIABILITIES AND EQUITY	\$ 6,511,905	6,393,290

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(UNAUDITED)

	Six months ended June 30,	
	2001	2000
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 140,667	139,946
Conversion of convertible securities into common stock	254	254
Issuance of common stock through dividend reinvestment, incentive and benefit plans	99	340
Balance at end of period	141,020	140,540
PAID-IN CAPITAL		
Balance at beginning of period	509,840	493,432
Conversion of convertible securities into common stock	3,046	3,046
Issuance of common stock through dividend reinvestment, incentive and benefit plans	1,835	4,717
Amortization of unearned compensation and other	1,986	1,776
Balance at end of period	516,707	502,971
UNREALIZED HOLDING GAIN ON INVESTMENTS, NET OF TAXES		
Balance at beginning of period	25,471	64,362
Change in unrealized holding gain on investments	10,325	(5,003)
Balance at end of period	35,796	59,359
RETAINED EARNINGS		
Balance at beginning of period	1,351,626	1,146,967
Net income	200,963	107,129
Cash dividends declared		
Common stock-\$.10 and \$.095 per share, respectively	(14,169)	(13,191)
Preferred stock	(199)	(199)
Balance at end of period	1,538,221	1,240,706
UNEARNED ESOP SHARES		
Balance at beginning of period	(3,500)	(4,690)
Release of ESOP shares	500	690
Balance at end of period	(3,000)	(4,000)
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning and end of period	7,975	7,975
TOTAL STOCKHOLDERS' EQUITY	\$ 2,236,719	1,947,551

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)

	Six months ended June 30,	
	2001	2000
	(Dollars in thousands)	
OPERATING ACTIVITIES		
Net income	\$ 200,963	107,129
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	231,628	170,580
Deferred income taxes	(20,772)	5,471
Income from unconsolidated cellular entities	(16,026)	(8,016)
Minority interest	5,912	5,163
Nonrecurring gains and losses	(156,428)	(9,910)
Changes in current assets and current liabilities:		
Accounts receivable	42,246	(14,699)
Accounts payable	(25,483)	31,716
Accrued taxes	112,755	(11,927)
Other current assets and other current liabilities, net	10,690	(2,932)
Increase in other non-current assets	(41,815)	(32,485)
Change in other non-current liabilities	(8,311)	6,347
Other, net	9,896	11,396
Net cash provided by operating activities	345,255	257,833
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(243,318)	(139,407)
Purchase of minority investment in other entities	-	(33,153)
Proceeds from sales of assets	108,061	15,849
Distributions from unconsolidated cellular entities	14,513	12,413
Acquisitions, net of cash acquired	(47,131)	-
Purchase of life insurance investment	(219)	(3,303)
Other, net	(4,830)	(1,996)
Net cash used in investing activities	(172,924)	(149,597)
FINANCING ACTIVITIES		
Proceeds from issuance of debt	1,367	3,111
Payments of debt	(142,086)	(110,664)
Proceeds from issuance of common stock	1,934	5,057
Cash dividends	(14,368)	(13,390)
Other, net	1,106	695
Net cash used in financing activities	(152,047)	(115,191)
Net increase (decrease) in cash and cash equivalents	20,284	(6,955)
Cash and cash equivalents at beginning of period	19,039	56,640
Cash and cash equivalents at end of period	\$ 39,323	49,685
Supplemental cash flow information and noncash activities:		
Income taxes paid	\$ 13,726	85,624
Interest paid (net of capitalized interest of \$2,942 and \$1,698)	\$ 117,900	69,248
Note received from sale of assets (see Note 4)	\$ 86,502	-

See accompanying notes to consolidated financial statements.

CENTURYTEL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2001
(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, the Company believes 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, 2000. Certain 2000 amounts have been reclassified to be consistent with the Company's 2001 presentation.

The unaudited financial information for the three months and six months ended June 30, 2001 and 2000 has not been audited by independent public accountants; however, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the three-month and six-month periods have been included therein. The results of operations for the first six months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

(2) Net Property, Plant and Equipment

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

	June 30, 2001	December 31, 2000
----- (Dollars in thousands) -----		
Telephone, at original cost	\$ 5,149,185	4,999,808
Accumulated depreciation	(2,707,290)	(2,552,648)
	----- 2,441,895	----- 2,447,160

Wireless, at cost	533,451	522,684
Accumulated depreciation	(280,815)	(261,401)
	----- 252,636	----- 261,283

Other, at cost	425,702	392,024
Accumulated depreciation	(155,180)	(141,174)
	----- 270,522	----- 250,850

	\$ 2,965,053	2,959,293
	=====	

(3) Income from Unconsolidated Cellular Entities

The following summarizes the unaudited combined results of operations of the cellular entities in which the Company's investments (as of June 30, 2001 and 2000) were accounted for by the equity method.

	Six months ended June 30,	
	2001	2000
	(Dollars in thousands)	
Results of operations		
Revenues	\$ 818,355	747,131
Operating income	\$ 214,305	241,507
Net income	\$ 220,575	234,853

(4) Nonrecurring Gains and Losses

In the second quarter of 2001, the Company completed the sale of 30 PCS (Personal Communication Service) licenses to affiliates of Leap Wireless International, Inc. ("Leap") for an aggregate of \$195 million. The Company received approximately \$108 million of the purchase price in cash at closing with the remaining \$87 million in the form of a promissory note bearing interest at 10% per annum. The Company recorded a pre-tax gain aggregating \$185.1 million (\$117.7 million after-tax; \$.83 per diluted share) as a result of such transaction. In conjunction with the sale of the licenses to Leap, the Company also recorded a pre-tax charge of \$18.2 million (\$11.6 million after-tax; \$.08 per share) due to the write down in the value of certain non-operating assets. Additionally, the Company recorded its proportionate share of a gain from the sale of PCS licenses to Leap (\$2.2 million pre-tax; \$1.4 million after-tax; \$.01 per share), which is reflected in Income from Unconsolidated Cellular Entities, recorded by an entity in which the Company owns a minority interest.

In the second quarter of 2001, the Company also recorded a pre-tax charge of \$10.5 million (\$6.8 million after-tax; \$.05 per diluted share) due to the write down in the value of a non-operating investment in which the Company owns a minority interest.

In the first quarter of 2000, the Company recorded a pre-tax gain aggregating \$9.9 million (\$5.2 million after-tax; \$.04 per diluted share) due to the sale of its remaining Alaska cellular operations.

(5) Business Segments

The Company has two separately reportable business segments: telephone and wireless. The Company's reportable segments are strategic business units that offer different products and services. The operating income of these segments is reviewed by the chief operating decision maker to assess performance and make business decisions. 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 June 30,		Six months ended June 30,	
	2001	2000	2001	2000
(Dollars in thousands)				
Operating revenues				
Telephone	\$ 367,884	276,088	739,133	553,014
Wireless	109,686	111,142	214,092	211,546
Other operations	41,366	35,926	81,719	71,552
Total operating revenues	\$ 518,936	423,156	1,034,944	836,112
Operating income				
Telephone	\$ 99,382	82,849	203,363	167,346
Wireless	31,017	32,812	55,937	52,703
Other operations	4,806	9,231	10,113	16,265
Total operating income	\$ 135,205	124,892	269,413	236,314
Operating income	\$ 135,205	124,892	269,413	236,314
Interest expense	(57,358)	(35,267)	(119,061)	(71,309)
Income from unconsolidated cellular entities	10,705	9,475	16,026	8,016
Minority interest	(3,263)	(2,871)	(5,912)	(5,163)
Nonrecurring gains and losses	156,428	-	156,428	9,910
Other income and expense	4,578	2,384	7,501	6,613
Income before income tax expense	\$ 246,295	98,613	324,395	184,381

	June 30, 2001	December 31, 2000
(Dollars in thousands)		
Assets		
Telephone segment	\$ 4,759,417	4,741,284
Wireless segment	972,785	930,406
Other operations	779,703	721,600
Total assets	\$ 6,511,905	6,393,290

CENTURYTEL, INC.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") included herein should be read in conjunction with MD&A and the other information included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. The results of operations for the three months and six months ended June 30, 2001 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 July 31, 2000 and September 29, 2000, affiliates of the Company acquired over 490,000 telephone access lines and related local exchange assets in Arkansas, Missouri and Wisconsin from affiliates of Verizon Communications, Inc. ("Verizon") for an aggregate of approximately \$1.5 billion cash. The operations of those acquired properties are included in the Company's results of operations beginning on the respective dates of acquisition. In February 2000, the Company sold the assets of its remaining Alaska cellular operations serving approximately 10,600 cellular subscribers. The operations of this disposed property is included in the Company's results of operations up to the date of disposition.

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 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 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 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, 2000. 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 June 30, 2001 Compared to Three Months Ended June 30, 2000

Net income (and diluted earnings per share) was \$154.2 million (\$1.09) and \$57.8 million (\$.41) for the second quarter of 2001 and 2000, respectively. Net income (excluding nonrecurring gains and losses) for the second quarter of 2001 was \$53.5 million compared to \$57.8 million during the second quarter of 2000. Diluted earnings per share (excluding nonrecurring gains and losses) decreased to \$.38 during the three months ended June 30, 2001 from \$.41 during the three months ended June 30, 2000, a 7.3% decrease. The net pre-tax nonrecurring gain in the second quarter of 2001 of \$158.6 million (\$100.7 million after tax) relates to the sale of PCS licenses to Leap Wireless International, Inc. ("Leap"), which was partially offset by the write-down of certain non-operating assets. See "Nonrecurring Gains and Losses" and "Income from Unconsolidated Cellular Entities" for additional information.

	Three months ended June 30,	
	2001	2000
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 99,382	82,849
Wireless	31,017	32,812
Other	4,806	9,231
Interest expense	135,205	124,892
Income from unconsolidated cellular entities	(57,358)	(35,267)
Minority interest	10,705	9,475
Nonrecurring gains and losses	(3,263)	(2,871)
Other income and expense	156,428	-
Income tax expense	4,578	2,384
	(92,054)	(40,768)
Net income	\$ 154,241	57,845
Basic earnings per share	\$ 1.10	.41

Diluted earnings per share	\$ 1.09	.41
=====		
Average basic shares outstanding	140,720	139,995
=====		
Average diluted shares outstanding	142,059	141,732
=====		

Contributions to operating revenues and operating income by the Company's telephone, wireless, and other operations for the three months ended June 30, 2001 and 2000 were as follows:

	Three months ended June 30,	
	2001	2000

Operating revenues		
Telephone operations	70.9%	65.2
Wireless operations	21.1%	26.3
Other operations	8.0%	8.5
Operating income		
Telephone operations	73.5%	66.3
Wireless operations	22.9%	26.3
Other operations	3.6%	7.4

Telephone Operations

	Three months ended June 30,	
	2001	2000

	(Dollars in thousands)	
Operating revenues		
Local service	\$ 123,293	90,527
Network access	212,570	160,933
Other	32,021	24,628

	367,884	276,088

Operating expenses		
Plant operations	93,490	59,763
Customer operations	28,814	25,509
Corporate and other	47,271	40,336
Depreciation and amortization	98,927	67,631

	268,502	193,239

Operating income	\$ 99,382	82,849
=====		

The Company conducts its telephone operations in rural, suburban and small urban communities in 21 states. As of June 30, 2001, approximately 87% of the Company's 1.8 million access lines were in Wisconsin, Arkansas, Washington, Missouri, Louisiana, Colorado, Ohio and Oregon.

Telephone operating income increased \$16.5 million (20.0%) due to an increase in operating revenues of \$91.8 million (33.2%), which more than offset an increase in operating expenses of \$75.3 million (38.9%).

Of the \$91.8 million increase in operating revenues, \$85.4 million was attributable to the acquisitions of the Verizon properties. The remaining \$6.4 million increase in revenues was partially due to a \$2.1 million increase in local service revenues primarily due to an increase in the number of customer access lines in incumbent markets; a \$1.6 million increase in amounts received from the federal Universal Service Fund; and a \$2.1 million increase in revenues related to leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring. Annualized internal access line growth during the second quarter of 2001 and 2000 was 1.1% and 4.3%, respectively. The decline in internal access line growth during 2001 is substantially due to disconnecting service to customers for non-payment; the replacement of lines with high-speed data circuits; and the slowing growth in the Company's service areas due to general economic conditions.

Plant operations expenses increased \$33.7 million (56.4%), primarily due to a \$33.4 million increase attributable to the acquisition of the

Verizon properties.

During the second quarter of 2001, customer operations expenses increased \$3.3 million (13.0%) of which \$8.1 million was attributable to the acquisitions of the Verizon properties. The remaining \$4.8 million decrease was primarily due to a \$1.4 million decrease in information technology expenses and a \$1.6 million decrease in salaries and benefits.

Corporate and other expenses increased \$6.9 million (17.2%) primarily due to an \$8.3 million increase in expenses associated with the Verizon acquisitions.

Depreciation and amortization increased \$31.3 million (46.3%), of which \$27.2 million was attributable to the Verizon properties acquired (of which \$6.0 million related to amortization of goodwill). The remaining \$4.1 million increase was primarily due to higher levels of plant in service.

Wireless Operations and Income From Unconsolidated Cellular Entities

	Three months ended June 30,	
	2001	2000
	(Dollars in thousands)	
Operating income - wireless operations	\$ 31,017	32,812
Minority interest	(3,064)	(2,842)
Income from unconsolidated cellular entities	10,705	9,475
	\$ 38,658	39,445

The Company's wireless operations (discussed below) reflect 100% of the results of operations of the wireless entities in which the Company has a majority ownership interest. The minority interest owners' share of the income of such entities is reflected in the Company's Consolidated Statements of Income as an expense in "Minority interest." The Company's share of earnings from the cellular entities in which it has less than a majority interest is accounted for using the equity method and is reflected in the Company's Consolidated Statements of Income as "Income from unconsolidated cellular entities." See Income from Unconsolidated Cellular Entities for additional information.

Wireless Operations

	Three months ended June 30,	
	2001	2000
	(Dollars in thousands)	
Operating revenues		
Service	\$ 84,725	84,128
Roaming	22,377	23,223
Equipment sales	2,584	3,791
	109,686	111,142
Operating expenses		
Cost of equipment sold	5,837	6,356
System operations	17,175	16,380
General, administrative and customer service	21,055	19,421
Sales and marketing	18,996	19,431
Depreciation and amortization	15,606	16,742
	78,669	78,330
Operating income	\$ 31,017	32,812

Wireless operating income decreased \$1.8 million (5.5%) to \$31.0 million in the second quarter of 2001 from \$32.8 million in the second quarter of 2000. Wireless operating revenues decreased \$1.5 million (1.3%) while operating expenses increased \$339,000 (.4%).

The \$597,000 increase in service revenues was primarily due to growth in the number of customers and increased minutes of use, both of which were partially offset by reduced rates. The \$846,000 decrease in roaming revenues was primarily due to a reduction in roaming rates (which was partially offset by an increase in roaming minutes of use), a downward trend that the Company anticipates will continue in the near future.

The following table illustrates the growth in the Company's wireless customer base in its majority-owned markets:

	Three months ended June 30,	
	2001	2000
Customers at beginning of period	768,815	727,507
Gross units added internally	72,041	78,667
Disconnects	60,898	56,774
Net units added internally	11,143	21,893
Customers at end of period	779,958	749,400

The average monthly revenue per customer declined to \$46 during the second quarter of 2001 from \$48 during the second quarter of 2000 primarily due to price reductions in service rates charged to the Company's customers, reductions in roaming rates charged to other cellular operators and the continued trend that a higher percentage of new customers tend to be lower usage customers. The average monthly revenue per customer may further decline (i) as market penetration increases and additional lower usage customers are activated; (ii) as the Company continues to receive pressure from other cellular operators to reduce roaming rates and (iii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, some of which may result in lower average revenue per customer.

System operations expenses increased \$795,000 (4.9%) primarily due to a \$859,000 increase in the net amounts paid to other carriers for cellular service provided to the Company's customers who roam in such other carriers' service areas primarily due to an increase in minutes of use.

General, administrative and customer service expenses increased \$1.6 million (8.4%) primarily due to a \$1.1 million increase in the provision for doubtful accounts and a \$500,000 increase in customer service and retention costs.

The Company's average monthly postpaid churn rate (the percentage of contract cellular customers that terminate service) was 2.2% for the second quarter of 2001 and 1.7% for the second quarter of 2000.

Sales and marketing expenses decreased \$435,000 (2.2%) primarily due to a decrease in commissions paid to agents for selling services to new customers.

Other Operations		Three months ended June 30,	
		2001	2000
		(Dollars in thousands)	
Operating revenues			
Long distance	\$	28,514	25,099
Internet		8,718	5,272
Other		4,134	5,555
		41,366	35,926
Operating expenses			
Cost of sales and operating expenses		34,897	25,299
Depreciation and amortization		1,663	1,396
		36,560	26,695
Operating income	\$	4,806	9,231

Other operations include the results of operations of the Company which are not included in the telephone or wireless segments, including, but not limited to, the Company's non-regulated long distance operations, Internet operations, call center operations (which ceased operations in the third quarter of 2000), competitive local exchange carrier ("CLEC") operations and security monitoring operations. The \$3.4 million increase in long distance revenues was primarily attributable to the growth in the number of customers and increased minutes of use, primarily due to penetration of the newly-acquired Verizon markets. The number of long distance customers as of June 30, 2001 and 2000 was 414,400 and 326,400, respectively. Internet revenues increased \$3.4 million due primarily to a \$2.1 million increase due to growth in the number of customers and an \$828,000 increase due to Internet operations acquired in mid-2000. Of the \$1.4 million decrease in other revenues, \$1.1 million was due to the planned phase-out of the Company's third party call center operations in the last half of 2000.

Cost of sales and operating expenses increased \$9.6 million in second quarter of 2001 compared to second quarter 2000 primarily due to (i) a \$6.8 million increase in expenses related to the provision of Internet access primarily due to the expansion of the Company's digital subscriber line ("DSL") product offering; (ii) a \$2.9 million increase in expenses of the Company's long distance operations due primarily to an increase in customers; and (iii) a \$2.4 million increase due to the expansion of the Company's CLEC business. Such increases were partially offset by a \$1.9 million reduction in expenses due to the planned phase out of the Company's third party call center operations in the last half of 2000.

The Company anticipates that future operating income for its other operations will continue to decline in relation to prior periods as it incurs increasingly larger expenses in connection with expanding its CLEC and fiber network businesses and its DSL product offering.

Interest Expense

Interest expense increased \$22.1 million (62.6%) in the second quarter of 2001 compared to the second quarter of 2000 primarily due to an increase in outstanding indebtedness related to the Verizon acquisitions.

Income from Unconsolidated Cellular Entities

Income from unconsolidated cellular entities, net of amortization of associated goodwill, increased \$1.2 million in the second quarter of 2001 primarily due to the Company's proportionate share (\$2.2 million) recorded in the second quarter of 2001 of the gain on sale of PCS licenses to Leap by a cellular entity in which the Company owns a minority interest. The remaining decrease was primarily due to decreased earnings of certain cellular entities in which the Company owns a minority interest.

Nonrecurring Gains and Losses

In the second quarter of 2001, the Company recorded a pre-tax gain of approximately \$185.1 million (\$117.7 million after-tax; \$.83 per diluted share) due to the sale of 30 PCS licenses to Leap. In conjunction with the sale of licenses to Leap, the Company also recorded a pre-tax charge of \$18.2 million (\$11.6 million after-tax; \$.08 per share) due to the write down in the value of certain non-operating assets.

Additionally, in the second quarter of 2001, the Company recorded a pre-tax charge of \$10.5 million (\$6.8 million after-tax; \$.05 per diluted share) due to the write down in the value of a non-operating investment in which the Company owns a minority interest.

See Note 4 of Notes to Consolidated Financial Statements for additional information.

Other Income and Expense

Other income and expense increased \$2.2 million in the second quarter of 2001 compared to the second quarter of 2000, due primarily to a \$1.8 million increase in interest income, substantially all of which relates to interest earned on a note received in connection with the sale of PCS licenses to Leap.

Income Tax Expense

Income tax expense increased \$51.3 million in the second quarter of 2001 compared to the second quarter of 2000 primarily due to the income tax expense recorded in the second quarter of 2001 associated with the sale of the PCS licenses to Leap. Exclusive of the effects of income tax expense on asset sales, the effective income tax rate was 39.0% and 41.3% in the three months ended June 30, 2001 and 2000, respectively.

Six Months Ended June 30, 2001 Compared to Six Months Ended June 30, 2000

Net income (and diluted earnings per share) was \$201.0 million (\$1.41) and \$107.1 million (\$.76) for the first six months of 2001 and 2000, respectively. Net income (excluding nonrecurring gains and losses) for the first six months of 2001 was \$101.5 million compared to \$105.7 million during the first six months of 2000. Diluted earnings per share (excluding nonrecurring gains and losses) decreased to \$.71 during the six months ended June 30, 2001 from \$.75 during the six months ended June 30, 2000, a 5.3% decrease. Substantially all of the net nonrecurring pre-tax gain in the first six months of 2001 of \$156.6 million relates to the sale of PCS licenses to Leap, which was partially offset by the write down of certain non-operating assets. Substantially all of the nonrecurring items in the first six months of 2000 relate to the \$9.9 million pre-tax gain on sale of the Company's remaining Alaska cellular operations offset by the Company's proportionate share (\$5.3 million pre-tax; \$.03 per diluted share) of non-cash charges that were recorded by two cellular entities in which the Company owns a minority interest and is reflected in "Income from Unconsolidated Cellular Entities."

	Six months ended June 30,	
	2001	2000
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	\$ 203,363	167,346
Wireless	55,937	52,703
Other	10,113	16,265
	269,413	236,314
Interest expense	(119,061)	(71,309)
Income from unconsolidated cellular entities	16,026	8,016
Minority interest	(5,912)	(5,163)
Nonrecurring gains and losses	156,428	9,910
Other income and expense	7,501	6,613
Income tax expense	(123,432)	(77,252)
Net income	\$ 200,963	107,129
Basic earnings per share	\$ 1.43	.76
Diluted earnings per share	\$ 1.41	.76
Average basic shares outstanding	140,656	139,874
Average diluted shares outstanding	142,271	141,729

Contributions to operating revenues and operating income by the Company's telephone, wireless, and other operations for the six months ended June 30, 2001 and 2000 were as follows:

	Six months ended June 30,	
	2001	2000
Operating revenues		
Telephone operations	71.4%	66.1
Wireless operations	20.7%	25.3
Other operations	7.9%	8.6
Operating income		
Telephone operations	75.5%	70.8
Wireless operations	20.8%	22.3
Other operations	3.7%	6.9

Telephone Operations

	Six months ended June 30,	
	2001	2000
	(Dollars in thousands)	
Operating revenues		
Local service	\$ 244,454	178,592
Network access	426,437	323,186
Other	68,242	51,236
	739,133	553,014
Operating expenses		
Plant operations	187,375	122,539
Customer operations	58,071	48,270
Corporate and other	94,036	79,868
Depreciation and amortization	196,288	134,991
	535,770	385,668
Operating income	\$ 203,363	167,346

The Company conducts its telephone operations in rural, suburban and small urban communities in 21 states. As of June 30, 2001, 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 \$36.0 million (21.5%) due to an increase in operating revenues of \$186.1 million (33.7%) which more than offset an increase in operating expenses of \$150.1 million (38.9%).

Of the \$186.1 million increase in operating revenues, \$173.4 million was attributable to the acquisitions of the Verizon properties. The remaining \$12.7 million increase in revenues was partially due to a \$4.0 million increase in amounts received from the federal Universal Service Fund; a \$3.6 million increase in revenues relating to leasing, selling, installing, maintaining and repairing customer premise telecommunications equipment and wiring; a \$3.3 million increase in local service revenues primarily due to an increase in the number of customer access lines in incumbent markets; and a \$2.0 million increase due to the increased provision of custom calling features. Annualized internal access line growth during the first six months of 2001 and 2000 was .8% and 3.6%, respectively. The decline in internal access line growth during 2001 is substantially due to disconnecting service to customers for non-payment; the replacement of lines with high-speed data circuits; and the slowing growth in the Company's service areas due to general economic conditions.

Plant operations expenses increased \$64.8 million (52.9%), of which \$68.7 million was attributable to the acquisitions of the Verizon properties. The remaining \$3.9 million decrease was primarily due to a \$3.3 million decrease in network operations expenses.

During the first six months of 2001, customer operations expenses increased \$9.8 million (20.3%) of which \$16.0 million was due to an increase in expenses associated with the Verizon acquisitions. The remaining \$6.2 million decrease was due primarily to a \$2.5 million decrease in information technology expenses primarily due to decreases in contract labor; a \$1.5 million decrease in salaries and benefits; and a \$2.0 million decrease in marketing and customer service expenses.

Corporate and other expenses increased \$14.2 million (17.7%) primarily due to a \$15.8 million increase in expenses associated with Verizon

acquisitions.

Depreciation and amortization increased \$61.3 million (45.4%), of which \$54.0 million was attributable to the properties acquired from Verizon (of which \$11.9 million related to amortization of goodwill). The remaining \$7.3 million increase was primarily due to higher levels of plant in service.

Wireless Operations and Income From Unconsolidated Cellular Entities

	Six months ended June 30,	
	2001	2000
	(Dollars in thousands)	
Operating income - wireless operations	\$ 55,937	52,703
Minority interest	(5,701)	(5,126)
Income from unconsolidated cellular entities	16,026	8,016
	\$ 66,262	55,593

The Company's wireless operations (discussed below) reflect 100% of the results of operations of the wireless entities in which the Company has a majority ownership interest. The minority interest owners' share of the income of such entities is reflected in the Company's Consolidated Statements of Income as an expense in "Minority interest." See Minority Interest for additional information. The Company's share of earnings from the cellular entities in which it has less than a majority interest is accounted for using the equity method and is reflected in the Company's Consolidated Statements of Income as "Income from unconsolidated cellular entities." See Income from Unconsolidated Cellular Entities for additional information.

Wireless Operations

	Six months ended June 30,	
	2001	2000
	(Dollars in thousands)	
Operating revenues		
Service	\$ 165,191	160,389
Roaming	43,011	43,585
Equipment sales	5,890	7,572
	214,092	211,546
Operating expenses		
Cost of equipment sold	11,681	14,536
System operations	34,641	32,033
General, administrative and customer service	41,792	37,627
Sales and marketing	37,821	41,556
Depreciation and amortization	32,220	33,091
	158,155	158,843
Operating income	\$ 55,937	52,703

Wireless operating income increased \$3.2 million (6.1%) to \$55.9 million in the first six months of 2001 from \$52.7 million in the first six months of 2000. Wireless operating revenues increased \$2.5 million (1.2%), while operating expenses decreased \$688,000 (.4%).

The \$4.8 million increase in service revenues was primarily due to a growth in the number of customers and increased minutes of use per customer, both of which were partially offset by reduced rates. The \$574,000 decrease in roaming revenues was primarily due to a reduction in roaming rates (which was partially offset by an increase in roaming minutes of use), a downward trend that the Company anticipates will continue in the near future.

The following table illustrates the growth in the Company's wireless customer base in its majority-owned markets:

	Six months ended June 30,
--	------------------------------

	2001	2000
Customers at beginning of period	751,200	707,486
Gross units added internally	155,550	171,668
Disconnects	126,792	119,101
Net units added internally	28,758	52,567
Net effect of dispositions	-	(10,653)
Customers at end of period	779,958	749,400

The average monthly revenue per customer declined to \$45 during the first six months of 2001 from \$47 during the first six months of 2000 due to price reductions in service rates charged to the Company's customers, reductions in roaming rates charged to other cellular operators and the continued trend that a higher percentage of new subscribers tend to be lower usage customers. The average monthly revenue per customer is expected to further decline (i) as market penetration increases and additional lower usage customers are activated;

(ii) as the Company continues to receive pressure from other cellular operators to reduce roaming rates and (iii) as competitive pressures from current and future wireless communications providers intensify. The Company is responding to such competitive pressures by, among other things, modifying certain of its price plans and implementing certain other plans and promotions, some of which are likely to result in lower average revenue per customer.

Cost of equipment sold decreased \$2.9 million (19.6%) substantially due to a decrease in units sold.

System operations expenses increased \$2.6 million (8.1%) in the first six months of 2001 primarily due to a \$2.5 million increase in the net amounts paid to other carriers for cellular service provided to the Company's customers who roam in such other carriers' service areas primarily due to an increase in minutes of use.

General, administrative and customer service expenses increased \$4.2 million (11.1%) primarily due to a \$2.0 million increase in the provision for doubtful accounts and a \$1.0 million increase in customer service and retention costs.

The Company's average monthly postpaid churn rate (the percentage of contract cellular customers that terminate service) was 2.3% for the first six months of 2001 and 1.9% for the first six months of 2000.

Sales and marketing expenses decreased \$3.7 million (9.0%) due primarily to a \$2.4 million decrease in advertising and sales promotions expenses associated with the introduction of new rate plans during the first six months of 2000 and a \$1.6 million decrease in sales commissions paid to agents due to a decrease in the number of units sold.

Other Operations		Six months ended June 30,	
		2001	2000
(Dollars in thousands)			
Operating revenues			
Long distance	\$	56,114	49,926
Internet		17,117	10,285
Other		8,488	11,341
		81,719	71,552
Operating expenses			
Cost of sales and operating expenses		68,486	52,789
Depreciation and amortization		3,120	2,498
		71,606	55,287
Operating income	\$	10,113	16,265
=====			

Other operations include the results of operations of the Company which are not included in the telephone or wireless segments, including, but not limited to, the Company's non-regulated long distance operations, Internet operations, call center operations (which ceased operations in the third quarter of 2000), competitive local exchange carrier ("CLEC") operations and security monitoring operations. The \$6.2 million increase in long distance revenues was attributable to the growth in the number of customers and increased minutes of use, primarily due to penetration of the newly-acquired Verizon markets. The number of long distance customers as of June 30, 2001 and June 30, 2000 was 414,400 and 326,400, respectively. Internet revenues increased \$6.8 million due primarily to a \$5.1 million increase due to growth in number of customers and a \$1.7 million increase due to Internet operations acquired in mid-2000. Of the \$2.9 million decrease in other revenues, \$3.1 was due to the planned phase-out of the Company's third party call center operations in the last half of 2000.

Cost of sales and operating expenses increased \$15.7 million in the first six months of 2001 compared to the first six months of 2000 primarily due to (i) a \$13.8 million increase in expenses related to the provision of Internet access primarily due to the expansion of the Company's digital subscriber line ("DSL") product offering; (ii) a \$3.4 million increase in expenses of the Company's long distance operations due primarily to an increase in customers; and (iii) a \$4.1 million increase due to the expansion of the Company's CLEC businesses. Such increases were partially offset by a \$5.2 million reduction in expenses due to the planned phase-out of the Company's third party call center operations in the last half of 2000.

The Company anticipates that future operating income for its other operations will decline in relation to prior periods as it incurs increasingly larger expenses in connection with expanding its CLEC and fiber network businesses and its DSL product offering.

Interest Expense

Interest expense increased \$47.8 million in the first six months of 2001 compared to the first six months of 2000 primarily due to an increase in outstanding indebtedness related to the Verizon acquisitions.

Income from Unconsolidated Cellular Entities

Income from unconsolidated cellular entities, net of the amortization of associated goodwill, increased \$8.0 million in the first six months of 2001 primarily due to the Company's proportionate share (\$2.2 million) recorded in the second quarter of 2001 of the gain on sale of PCS licenses to Leap by a cellular entity in which the Company owns a minority interest and the Company's proportionate share (\$5.3 million) of non-cash charges that were recorded in the first quarter of 2000 by two cellular entities in which the Company owns a minority interest. The remaining increase was primarily due to increased earnings of certain cellular entities in which the Company owns a minority interest.

Minority Interest

Minority interest increased \$749,000 in the first six months of 2001 compared to the first six months of 2000 due primarily to the increased profitability of the Company's majority-owned and operated cellular entities.

Nonrecurring Gains and Losses

In the second quarter of 2001, the Company recorded a pre-tax gain of approximately \$185.1 million (\$117.7 million after-tax; \$.83 per diluted share) due to the sale of 30 PCS licenses to Leap. In conjunction with the sale of licenses to Leap, the Company also recorded a pre-tax charge of \$18.2 million (\$11.6 million after-tax; \$.08 per share) due to the write down in the value of non-operating assets.

Additionally, in the second quarter of 2001, the Company recorded a pre-tax charge of \$10.5 million (\$6.8 million after-tax; \$.05 per diluted share) due to the write down in the value of a non-operating investment in which the Company owns a minority interest.

In the first six months of 2000, the Company recorded a pre-tax gain of approximately \$9.9 million (\$5.2 million after-tax; \$.04 per diluted share) due to the sale of its remaining Alaska cellular operations.

See Note 4 of Notes to Consolidated Financial Statements for additional information.

Income Tax Expense

Income tax expense increased \$46.2 million in the first six months of 2001 compared to the first six months of 2000 primarily due to the income tax expense recorded in the first six months of 2001 associated with the sale of the PCS licenses to Leap. Exclusive of the effects of income tax expense on asset sales, the effective income tax rate was 39.5% and 41.6% in the six months ended June 30, 2001 and 2000, respectively.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities was \$345.3 million during the first six months of 2001 compared to \$257.8 million during the first six months of 2000. 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 telephone operations, wireless operations, and other operations of the Company, see Results of Operations.

Net cash used in investing activities was \$172.9 million and \$149.6 million for the six months ended June 30, 2001 and 2000, respectively. Proceeds from the sales of assets were \$108.1 million in the first six months of 2001 compared to \$15.8 million in the first six months of 2000. During the first quarter of 2001, the Company acquired an additional 18.6% interest for \$47.1 million cash in Spectra Communications Group, LLC, the entity organized to acquire and operate the former Verizon properties in Missouri. During the first six months of 2000, the Company invested \$33.2 million in various other communication entities. Payments for property, plant and equipment were \$103.9 million more in the first six months of 2001 than in the comparable period during 2000 primarily due to capital expenditures in the newly-acquired Verizon markets. Capital expenditures for the six months ended June 30, 2001 were \$161.8 million for telephone operations, \$33.6 million for wireless operations and \$47.9 million for other operations.

Net cash used in financing activities was \$152.0 million during the first six months of 2001 compared to \$115.2 million during the first six months of 2000. Net payments of debt were \$33.2 million more during the first six months of 2001 compared to the first six months of 2000, primarily due to the increased availability of excess cash received from the sales of assets during 2001.

Budgeted capital expenditures for 2001 total \$400 million for telephone operations, \$70 million for wireless operations and \$80 million for other operations.

As of June 30, 2001, 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 and the Company had \$477.1 million of undrawn committed bank lines of credit. 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 June 30, 2001, the Company had \$215.0 million outstanding under such program.

In second quarter 2001, the Company completed the sale of 30 PCS (Personal Communications Service) operating licenses for an aggregate of \$195 million to Leap. The Company received approximately \$108 million of the purchase price in cash at closing. The remaining \$87 million is receivable in the form of a promissory note bearing interest at 10% per annum, of which \$48.0 million was received in early July 2001 with the balance due in installments through 2002 upon maturity of the note. Cash received from these sales was used to repay indebtedness.

In July 2001, the Company sold 950,000 shares of its investment in Illuminet Holdings, Inc. common stock for an aggregate of approximately \$28.1 million; such proceeds will be used to pay down indebtedness.

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 would result in a material, noncash charge against earnings which would be reported as an extraordinary item. While the effect of implementing SFAS 101 cannot be precisely estimated at this time, management believes that the noncash, after-tax, extraordinary charge would be between \$400 million and \$450 million.

Regulatory Issues

On April 19, 2001, the Wisconsin Public Service Commission ("WPSC") approved an interim rate increase of \$8.8 million annually for the local exchange properties that the Company acquired from Ameritech in December 1998. Final rates will be determined in a rate case the Company has filed with the WPSC. Pending the determination of final rates, which is expected in fourth quarter 2001, the Company is recording most but not all of these increases. Separately, the WPSC ordered the Company to refund \$14.7 million related to access charges collected from interexchange carriers on the former Ameritech properties from December 1998 through 2000. The Company is challenging the refund order in Wisconsin State Court. If the appeal is unsuccessful, the Company will have to record a one-time charge of \$.03 per share.

In May 2001, the Federal Communications Commission ("FCC") modified its existing universal service support mechanism for rural telephone companies. The FCC adopted an interim mechanism for a five-year period, effective July 1, 2001, based on embedded, or historical, costs that will provide predictable levels of support to rural local exchange carriers, including substantially all of the Company's local exchange carriers. Based on the Company's current operations, such ruling is expected to increase the Company's level of universal service support receipts by approximately \$12 million annually compared to current levels.

In June 2001, the Company filed with the WPSC an interim request to raise access rates for the former Verizon properties in Wisconsin in an amount that would increase the Company's revenues approximately \$8.0 million per year. The Company expects an order on such request by late August 2001.

In July 2001, the Company filed tariff revisions with the Arkansas Public Service Commission ("APSC") designed to effectively cap the usage on certain unlimited optional calling plans. The effect of the tariff revisions would serve to reduce the level of operating expenses currently incurred by the Company. A decision by the APSC regarding such tariff revisions is expected in late August 2001.

Accounting Pronouncements

Effective January 1, 2001, the Company adopted Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" ("SFAS 133"). SFAS 133 established accounting and reporting standards for derivative instruments and for hedging activities by requiring that entities recognize all derivatives as either assets or liabilities at fair value on the balance sheet. The Company had no derivative instruments outstanding at January 1, 2001 and thus no transition adjustment was recorded upon adoption of SFAS 133.

As of June 30, 2001, the Company had outstanding an interest rate swap relating to \$224.9 million of floating rate debt designed to eliminate the variability of cash flows in the payment of interest related to such debt. Since the terms of the swap match the terms of the floating rate debt, such swap is expected to have no ineffectiveness. In addition, the Company has from time to time entered into interest rate hedge contracts in anticipation of certain debt issuances to manage interest rate exposure. The Company does not utilize derivative financial instruments for trading or other speculative purposes.

In July 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 141, "Business Combinations" ("SFAS 141") and Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). SFAS 141 requires all business combinations to be accounted for under the purchase method of accounting; the pooling of interest method is prohibited. SFAS 141 is effective for business combinations consummated after June 30, 2001. SFAS 142 requires goodwill recorded in a business combination to be reviewed for impairment and would be written down only in periods in which the recorded amount of goodwill exceeds its fair value. Systematic amortization of goodwill will cease effective January 1, 2002. The Company's amortization of goodwill for the six months ended June 30, 2001 totaled approximately \$37.7 million. The Company is still in the process of determining the impact, if any, of the transitional goodwill impairment rules of SFAS 142.

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 June 30, 2001, the fair value of the Company's long-term debt was estimated to be \$3.1 billion based on the overall weighted average rate of the Company's long-term debt of 6.9% and an overall weighted maturity of 10 years compared to terms and rates currently available in long-term financing markets. For purposes hereof, market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 69 basis points in interest rates (which represents ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$105.6 million decrease in fair value of the Company's long-term debt. As of June 30, 2001, the Company owed \$739.9 million of debt on a floating-rate basis.

As of June 30, 2001, the Company had outstanding an interest rate swap relating to \$224.9 million of floating rate debt designed to eliminate the variability of cash flows in the payment of interest related to such debt. The swap 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 2. Changes in Securities and Use of Proceeds

At various times during the second quarter of 2001, CenturyTel sold at market prices approximately 902 shares of CenturyTel common stock to employees through its Union Group Incentive Plan and approximately 36 shares of CenturyTel common stock through its Security Systems, Inc. 401(k) Plan (the "Plans"). All such shares were privately placed under Section 4(2) of the Securities Act of 1933, as amended. Registration statements on Form S-8 were filed on July 12, 2001 to register future sales through the Plans.

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

At the Company's annual meeting of shareholders on May 10, 2001, the shareholders elected five Class I directors to serve until the 2004 annual meeting of shareholders and until their successors are duly elected and qualified and approved the proposals set forth in the Company's proxy statement dated March 26, 2001.

The following number of votes were cast for or were withheld from the following nominees:

Class I Nominees	For	Withheld
-----	-----	-----
William R. Boles, Jr.	192,078,422	6,823,676
W. Bruce Hanks	193,760,465	5,141,633
C. G. Melville, Jr.	193,699,777	5,202,321
Glen F. Post, III	194,382,988	4,519,110
Clarke M. Williams	193,839,608	5,062,490

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

Class II	Class III
-----	-----
Virginia Boulet	Calvin Czeschin
Ernest Butler, Jr.	F. Earl Hogan
James B. Gardner	Harvey P. Perry
R. L. Hargrove, Jr.	Jim D. Reppond
Johnny Hebert	

The following number of votes were cast in the manner indicated below with respect to the proposal to approve the Company's Executive Officer Short-term Incentive Program:

For	Against	Abstain	Broker No-Votes
-----	-----	-----	-----
181,290,257	16,816,747	795,094	-0-

The following number of votes were cast in the manner indicated below with respect to the proposal to approve the Company's 2001 Employee Stock Purchase Plan:

For	Against	Abstain	Broker No-Votes
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190,439,725	7,760,822	701,551	-0-

Item 6. Exhibits and Reports on Form 8-K

A. Exhibits

10.1 Registrant's Restated Supplemental Defined Contribution Plan, dated July 17, 2001.

11 Computations of Earnings Per Share.

B. Reports on Form 8-K

(i) The following item was reported in the Form 8-K filed May 11, 2001:

Item 5. Other events - News release announcing first quarter
results of operations.

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: August 10, 2001

/s/ Neil A. Sweasy

*Neil A. Sweasy
Vice President and Controller
(Principal Accounting Officer)*

**CENTURYTEL, INC.
SUPPLEMENTAL DEFINED CONTRIBUTION PLAN
2001 RESTATEMENT**

I. Purpose of the Plan

This Restated Supplemental Defined Contribution Plan (the "Plan") is intended to provide CenturyTel, Inc. (the "Company") and its subsidiaries a method for attracting and retaining key employees; to provide a method for recognizing the contributions of such personnel; and to promote executive and managerial flexibility, thereby advancing the interests of the Company and its stockholders. In addition, the Plan is intended to provide a more adequate level of retirement benefits in combination with the Company's general retirement program.

II. Definitions

As used in this Plan, the following terms shall have the meanings indicated, unless the context otherwise specifies or requires:

2.01 "ACCOUNT" shall mean the account established under this Plan in accordance with Section 4.01.

2.02 "ACCOUNT BALANCE", as of a given date, shall mean the fair market value of a Participant's Account, as determined by the Committee.

2.03 "BOARD OF DIRECTORS" shall mean not less than a quorum of the whole Board of Directors of CenturyTel, Inc.

2.04 "COMMITTEE" shall mean the Compensation Committee of the Board of Directors of the Company or a subcommittee of the Compensation Committee. The Committee shall consist of two or more members of the Board of Directors, each of whom shall (a) qualify as a "non-employee director" under Rule 16b-3 under the Securities Exchange Act of 1934, as currently in effect or any successor rule, and (b) qualify as an "outside director" under Section 162(m) of the Code and the regulations thereunder.

2.05 "COMMON STOCK" shall mean the common stock, \$1.00 par value per share, of the Company.

2.06 "COMPANY" shall mean CenturyTel, Inc., any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.07 "COMPENSATION" shall mean the sum of a Participant's Salary, determined under Section 2.20 and Incentive Compensation, determined under Section 2.11, for a particular year. The determination of a Participant's Compensation for purposes of this Plan shall be made by the Committee, in its sole discretion.

2.08 "DISABILITY" shall mean a condition which makes a Participant unable to perform each of the material duties of his regular occupation where he is likely to remain thus incapacitated continuously and permanently.

2.09 "EFFECTIVE DATE" of this Plan shall mean January 1, 1994. The effective date of this Restatement shall be January 1, 1999.

2.10 "EMPLOYER" shall mean CenturyTel, Inc., any Subsidiary thereof, and any affiliate designated by the Company as a participating employer under this Plan.

2.11 "INCENTIVE COMPENSATION" shall mean the amount awarded to a Participant under the Company's Key Employee Incentive Compensation Program or other executive incentive compensation arrangement maintained by the Company, including the amount of any stock award in its cash equivalent at the time of conversion of the award from cash to stock. A Participant's Incentive Compensation shall be determined on an annual basis and shall, for purposes of this Plan, be allocated to the year in which the award is paid.

2.12 "LEAVE OF ABSENCE" shall mean any extraordinary absence authorized by the Employer under the Employer's standard personnel practices.

2.13 "NORMAL RETIREMENT AGE" shall mean age sixty-five (65).

2.14 "NORMAL RETIREMENT DATE" shall mean the first day of the month coincident with or next following a Participant's sixty-fifth (65th) birthday. Normal Retirement Age shall mean age sixty-five (65).

2.15 "PARTICIPANT" shall mean any officer of the Employer who is granted participation in the Plan in accordance with the provisions of Article III.

2.16 "PHANTOM STOCK UNIT" shall mean a unit, the value of which is equal to the value of a share of Common Stock, but does not represent actual shares of Common Stock.

2.17 "PLAN" shall mean the CenturyTel, Inc. Supplemental Defined Contribution Plan, as amended and restated herein.

2.18 "PLAN CONTRIBUTIONS" shall mean the total dollar amount of contributions made, directly or indirectly, on behalf of a Participant under the Company's Stock Bonus Plan, PAYSOP and Trust and the Company's Employee Stock Ownership Plan and Trust.

2.19 "PLAN CONTRIBUTION PERCENTAGE" shall mean the estimated total of the percentage of compensation of employees of the Company contributed by the Company to its Stock Bonus Plan, PAYSOP and Trust and its Employee Stock Ownership Plan and Trust, as determined by dividing Plan Contributions for a particular year by estimated compensation taken into account under such plans for the year. The Committee, in its sole discretion, shall determine the Plan Contribution Percentage for each year, and such determination shall be binding and conclusive.

2.20 "SALARY" shall mean a Participant's actual pay for the calendar year, exclusive, however, of bonus payments, overtime payments, commissions, imputed income on life insurance, vehicle allowances, relocation expenses, severance payments, and any other extra compensation.

2.21 "SUBSIDIARY" shall mean any corporation in which the Company owns, directly or indirectly through subsidiaries, at least fifty percent (50%) of the combined voting power of all classes of stock.

III. Participation

3.01 Any officer who is either one of the key employees of the Company in a position to contribute materially to the continued growth and future financial success of the Company, or one who has made a significant contribution to the Company's operations, thereby meriting special recognition, shall be eligible to participate provided the following requirements are met:

- a. The officer is employed on a full-time basis by CenturyTel, Inc., any Subsidiary thereof or any affiliate designated by the Company as a participating employer under this Plan;
- b. The officer is compensated for full-time employment by a regular salary;
- c. The coverage of the officer is duly approved by the Committee.

It is intended that participation in this Plan shall be extended only to those officers who are members of a select group of management and highly compensated employees, as determined by the Committee.

IV. Accounts and Investments

4.01 An Account shall be established on behalf of each Participant who receives an allocation of Phantom Stock Units pursuant to Article V hereof. Each Participant's Account shall be credited with such allocation, and shall be debited with any expenses properly chargeable thereto. Any cash dividends paid on the Common Stock will be deemed to be paid on the Phantom Stock Units and will be deemed to be invested in additional Phantom Stock Units.

4.02 Each Participant shall be furnished with a statement of his Account, in such form as the Committee shall determine, within a reasonable period of time after the end of each year.

4.03 Notwithstanding anything to the contrary in this Plan, upon the occurrence of any of the events described in Section 6.01(d)(a "Change in Control"), each Phantom Stock Unit shall be automatically converted into cash in an amount equal to the fair market value of each such unit. For purposes of this Section, the fair market value of each Phantom Stock Unit shall be determined by whichever of the following items is applicable: (i) the fair market value of the cash, securities or other properties into which each share of Common Stock will be converted pursuant to any merger, consolidation, share exchange, asset sale or other reorganization that results in a Change in Control, determined as of the date of the definitive agreement providing for such transaction, (ii) the price per share of Common Stock offered to shareholders of CenturyTel in any tender offer or exchange offer that results in a Change in Control, determined on the date the offer is commenced, or (iii) in all other events, the fair market value per share of Common Stock as determined, as of the close of business on the day immediately preceding the occurrence of the Change in Control, by the Committee (which shall remain empowered to make all determinations contemplated by this Section notwithstanding any removal or attempted removal of some or all of the members thereof as directors or committee members). In the event that the consideration offered to shareholders of CenturyTel in any transaction described herein consists of anything other than cash, the Committee shall determine the fair market value of the portion of the consideration offered which is other than cash as of the date indicated above (but without giving effect to any decrease in the value of any securities that comprise some or all of the consideration payable in connection with such transaction).

V. Allocations to Accounts

5.01 For each calendar year in which this Plan is in effect, each Participant's Account shall be credited with that number of Phantom Stock Units equal in value to that number of shares of Common Stock that could be purchased with an amount determined according to the following formula:

- (a) Compensation, times
- (b) Plan Contribution Percentage, less
- (c) Plan Contributions.

For purposes of this Section 5.01 the Common Stock shall be valued at the closing price of the Common Stock on the New York Stock Exchange on the trading day immediately preceding the date specified in Section 5.02.

5.02 The amount determined under Section 5.01 shall be credited to a Participant's Account as of the later of the date on which the credit to the Participant's Account for the year under Section 5.01 is determined, or the date on which an amount representing such credit is contributed under the Plan, and shall be considered a part of the Participant's Account Balance as of such date.

VI. Vesting of Account

6.01 A Participant's Account shall be fully vested upon:

- (a) attainment of age 55.
- (b) death.
- (c) disability as defined in Section 2.07.
- (d) the occurrence of any of the following, each of which shall constitute a "Change of Control": (i) the acquisition by any person of beneficial ownership of 30% or more of the outstanding shares of the common stock, \$1.00 par value per share (the "Common Stock"), of CenturyTel, Inc. ("CenturyTel"), or 30% or more of the combined voting power of CenturyTel's then outstanding securities entitled to vote generally in the election of directors; provided, however, that for purposes of this sub-item (i), the following acquisitions shall not constitute a Change of Control: (a) any acquisition (other than a Business Combination (as defined below) which constitutes a Change of Control under sub-item (iii) hereof) of Common Stock directly from CenturyTel, (b) any acquisition of Common Stock by CenturyTel or its subsidiaries, (c) any acquisition of Common Stock by any employee benefit plan (or related trust) sponsored or maintained by CenturyTel or any corporation controlled by CenturyTel, or (d) any acquisition of Common Stock by any corporation pursuant to a Business Combination that does not constitute a Change of Control under sub-item (iii) hereof; or (ii) individuals who, as of January 1, 2000, constitute the Board of Directors of CenturyTel (the "Incumbent Board") cease for any reason to constitute at least a majority of the Board of Directors; provided, however, that any individual becoming a director subsequent to such date whose election, or nomination for election by CenturyTel's shareholders, was approved by a vote of at least two-thirds of the directors then comprising the Incumbent Board shall be considered a member of the Incumbent Board, unless such individual's initial assumption of office occurs as a result of an actual or threatened election contest with respect to the election or removal of directors or other actual or threatened solicitation of proxies or consents by or on behalf of a person other than the Incumbent Board; or (iii) consummation of a reorganization, share exchange, merger or consolidation (including any such transaction involving any direct or indirect subsidiary of CenturyTel), or sale or other disposition of all or substantially all of the assets of CenturyTel (a "Business Combination"); provided, however, that in no such case shall any such transaction constitute a Change of Control if immediately following such Business Combination: (a) the individuals and entities who were the beneficial owners of CenturyTel's outstanding Common Stock and CenturyTel's voting securities entitled to vote generally in the election of directors immediately prior to such Business Combination have direct or indirect beneficial ownership, respectively, of more than 50% of the then outstanding shares of common stock, and more than 50% of the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the surviving or successor corporation, or, if applicable, the ultimate parent company thereof (the "Post-Transaction Corporation"), and (b) except to the extent that such ownership existed prior to the Business Combination, no person (excluding the Post-Transaction Corporation and any employee benefit plan or related trust of either CenturyTel, the Post-Transaction Corporation or any subsidiary of either corporation) beneficially owns, directly or indirectly, 20% or more of the then outstanding shares of common stock of the corporation resulting from such Business Combination or 20% or more of the combined voting power of the then outstanding voting securities of such corporation, and (c) at least a majority of the members of the board of directors of the Post-Transaction Corporation were members of the Incumbent Board at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or (iv) approval by the shareholders of CenturyTel of a complete liquidation or dissolution of CenturyTel. For purposes of this Section 6.01(d), the term "person" shall mean a natural person or entity, and shall also mean the group or syndicate created when two or more persons act as a syndicate or other group (including, without limitation, a partnership or limited partnership) for the purpose of acquiring, holding, or disposing of a security, except that "person" shall not include an underwriter temporarily holding a security pursuant to an offering of the security.

6.02 If a Participant terminates service for reasons other than as listed in Section 6.01, his Account Balance shall be vested in accordance with the following schedule:

Years of Service	Vested %
-----	-----

less than 5	0%
5 or more	100%

VII. Years of Service

7.01 A Participant will receive credit for a year of service for each calendar year in which he completes at least one thousand (1000) hours of service. Years of service will include all years of service prior to becoming an officer of the Company, years of service following Normal Retirement Date, and years of service with any Subsidiary or any affiliate designated by the Company as a participating employer under this Plan. In addition, periods of Leave of Absence and periods during which severance pay is provided shall be counted for determining years of service.

VIII. Time of Payment and Beneficiaries

8.01 Except as provided in Section 8.02, a Participant's vested Account Balance is payable upon termination of employment.

8.02 Payment of the Account Balance of a deceased Participant shall commence within ninety (90) days of his death, and shall be made to his beneficiary designated on a form provided for such purpose by the Plan Administrator. If the Participant fails to designate a beneficiary, his Account Balance shall be payable to his surviving spouse or, if none, to his surviving child or children (or legal representative of any minor child or child who has been declared incompetent or incapable of handling his affairs) in equal shares. The Account Balance of a Participant who dies leaving no spouse or children shall be paid to his estate.

IX. Form of Benefit Payment

9.01 The normal form of payment of a Participant's Account Balance is a lump sum cash payment.

9.02 A Participant may, prior to termination of employment, elect to receive payment of his Account Balance in monthly, quarterly, or annual cash installments of approximately equal amounts, over a period not to exceed ten (10) years. If a Participant elects installment payments pursuant to this Section 9.02, the Participant's Account Balance shall be converted into cash as of the date of the Participant's termination of employment, at the fair market value of his Account on such date. The fair market value of each Phantom Stock Unit in the Participant's Account shall be based on the fair market value per share of Common Stock, determined as of the close of business on the date of termination of employment of the Participant. The Participant's Account, as so converted, shall thereafter be credited with simple interest at a rate equal to the 52-week United States Treasury Bill rate as of the date of termination of employment of the Participant. This rate shall be adjusted as of each subsequent January 1.

X. Additional Restrictions on Benefit Payments

10.01 In no event will there be a duplication of benefits payable under the Plan because of employment by more than one participating Employer.

XI. Administration and Interpretation

11.01 The Plan shall be administered by the Committee. No individual who is or has ever been a member of the Committee shall be eligible to be designated as a participant or receive payments under this Plan. The Committee shall have full power and authority to interpret and administer the Plan and, subject to the provisions herein set forth, to prescribe, amend and rescind rules and regulations and make all other determinations necessary or desirable for the administration of the Plan. The Board may from time to time appoint additional members of the Committee or remove members and appoint new members in substitution for those previously appointed and to fill vacancies however caused.

11.02 The decision of the Committee relating to any question concerning or involving the interpretation or administration of the Plan shall be final and conclusive, and nothing in the Plan shall be deemed to give any employee any right to participate in the Plan, except to such extent, if any, as the Committee may have determined or approved pursuant to the provisions of the Plan.

XII. Nature of the Plan

12.01 Benefits under the Plan shall generally be payable by the Company from its own funds, and such benefits shall not (i) impose any obligation upon the trust(s) of the other employee benefit programs of the Company; (ii) be paid from such trust(s); nor (iii) have any effect whatsoever upon the amount or payment of benefits under the other employee benefit programs of the Company. Participants have only an unsecured right to receive benefits under the Plan from the Company as general creditors of the Company. The Company may deposit amounts in a trust established by the Company for the purpose of funding the Company's obligations under the Plan. Participants and their beneficiaries, however, have no secured interest or special claim to the assets of such trust, and the assets of the trust shall be subject to the payment of claims of general creditors of the Company upon the insolvency or bankruptcy of the Company, as provided in the trust.

XIII. Employment Relationship

13.01 An employee shall be considered to be in the employment of the Company and its subsidiaries as long as he remains an employee of either the Company, any Subsidiary of the Company, or any corporation to which substantially all of the assets and business of the Company are transferred. Nothing in the adoption of this Plan nor the designation of any Participant shall confer on any employee the right to continued employment by the Company or a Subsidiary of the Company, or affect in any way the right of the Company or such Subsidiary to terminate his employment at any time. Any question as to whether and when there has been a termination of an employee's employment, and the cause, notice or other circumstances of such termination, shall be determined by the Board, and its determination shall be final.

XIV. Amendment and Termination of Plan

14.01 The Board of Directors of the Company in its sole discretion may terminate the Plan at any time and shall have the right to alter or amend the Plan or any part thereof from time to time, except that the Board of Directors shall not terminate the Plan or make any alteration or amendment thereto which would impair any rights or benefits of a Participant previously accrued.

XV. Binding Effect

15.01 This Plan shall be binding on the Company, each Subsidiary and any affiliate designated by the Company as a participating employer under this Plan, the successors and assigns thereof, and any entity to which substantially all of the assets or business of the Company, a Subsidiary, or a participating affiliate are transferred.

XVI. Reimbursement of Participants

16.01 The Company shall reimburse any Participant, or beneficiary thereof, for all expenses, including attorney's fees, actually and reasonably incurred by the Participant or beneficiary in any proceeding to enforce any of their rights under this Plan.

XVII. Construction

17.01 The masculine gender, where appearing in the Plan, shall be deemed to include the feminine gender, and the singular may indicate the plural, unless the context clearly indicates the contrary. The words "hereof", "herein", "hereunder" and other similar compounds of the word "here" shall, unless otherwise specifically stated, mean and refer to the entire Plan, not to any particular provision or Section. Article and Section headings are included for convenience of reference and are not intended to add to, or subtract from, the terms of the Plan.

IN WITNESS WHEREOF, CenturyTel, Inc. has executed this restated Plan in its corporate name and its corporate seal to be hereunto affixed this 17th day of July, 2001.

ATTEST:

CENTURYTEL, INC.

By: /s/R. Stewart Ewing, Jr.

R. Stewart Ewing, Jr.
Executive Vice President and
Chief Financial Officer

CENTURYTEL, INC.

COMPUTATIONS OF EARNINGS PER SHARE
(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2001	2000	2001	2000
(Dollars, except per share amounts, and shares in thousands)				
Income (Numerator):				
Net income	\$ 154,241	57,845	200,963	107,129
Dividends applicable to preferred stock	(99)	(99)	(199)	(199)
Net income applicable to common stock	154,142	57,746	200,764	106,930
Dividends applicable to preferred stock	99	99	199	199
Interest on convertible securities, net of taxes	-	33	-	66
Net income as adjusted for purposes of computing diluted earnings per share	\$ 154,241	57,878	200,963	107,195
Shares (Denominator):				
Weighted average number of shares:				
Outstanding during period	141,001	140,370	140,957	140,269
Employee Stock Ownership Plan shares not committed to be released	(281)	(375)	(301)	(395)
Number of shares for computing basic earnings per share	140,720	139,995	140,656	139,874
Incremental common shares attributable to dilutive securities:				
Conversion of convertible securities	435	707	435	707
Shares issuable under stock option plan	904	1,030	1,180	1,148
Number of shares as adjusted for purposes of computing diluted earnings per share	142,059	141,732	142,271	141,729
Basic earnings per share	\$ 1.10	.41	1.43	.76
Diluted earnings per share	\$ 1.09	.41	1.41	.76

End of Filing

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