

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

**FORM 8-K**

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

Date of Report (Date of earliest event reported):

October 27, 2008

**CenturyTel, Inc.**

(Exact name of registrant as specified in its charter)

Louisiana  
(State or other jurisdiction of  
incorporation or organization)

1-7784  
(Commission File Number)

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

100 CenturyTel Drive, Monroe, Louisiana 71203

(Address of principal executive offices) (Zip Code)

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

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

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



Item 2.02. Results of Operations and Financial Condition.

The following information, except for any forward-looking statements (including our forecasts for the upcoming quarter and full year 2008) and except for our references to non-GAAP financial measures (as defined in Regulation G promulgated by the Securities and Exchange Commission), shall be deemed incorporated by reference into any registration statement heretofore and hereafter filed by us under the Securities Act of 1933, as amended, except to the extent that such incorporated information is superceded by information as of a subsequent date that is included in or incorporated by reference into any such registration statement. None of the following information shall be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that section.

On October 27, 2008 we issued a press release announcing our third quarter 2008 consolidated operating results. More complete information on our operating results will be included in our Quarterly Report on Form 10-Q for the period ended September 30, 2008, which we expect to file shortly with the Securities and Exchange Commission. The complete press release is included as Exhibit 99.1.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press release dated October 27, 2008 reporting third quarter 2008 operating results.

SIGNATURES

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

CENTURYTEL, INC.

Dated: October 27, 2008

/s/ Neil A. Sweasy

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Neil A. Sweasy

Vice President and Controller

**FOR IMMEDIATE RELEASE:**

October 27, 2008

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

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

- **Operating revenues, excluding nonrecurring items, were \$650.1 million compared to \$708.3 million for third quarter 2007. (Third quarter 2007 revenues included the recognition of \$42.2 million of prior period revenue settlements.) Reported under GAAP, third quarter 2008 operating revenues were \$650.1 million.**
- **Net income, excluding nonrecurring items, was \$82.8 million compared to \$108.1 million in third quarter 2007. Reported under GAAP, third quarter 2008 net income was \$84.7 million.**
- **Diluted earnings per share, excluding nonrecurring items, was \$.82 compared to \$.97 in third quarter 2007. Reported under GAAP, third quarter 2008 diluted earnings per share was \$.84.**
- **Free cash flow (as defined in the attached financial schedules), excluding nonrecurring items, was \$140.5 million in third quarter 2008 compared to \$167.3 million in third quarter 2007.**
- **Under the \$750 million share repurchase program, 3.7 million shares were repurchased and retired for \$137.5 million during the quarter.**

**Third Quarter Highlights**

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

**Quarter Ended  
9/30/08**

**Quarter Ended  
9/30/07**

**% Change**

Operating Revenues	\$ 650,073	\$ 708,306	(8.2)%
Operating Cash Flow (1)	\$ 309,079	\$ 363,005	(14.9)%
Net Income	\$ 82,760	\$ 108,137	(23.5)%
Diluted Earnings Per Share	\$ .82	\$ .97	(15.5)%
Average Diluted Shares Outstanding	100,988	112,229	(10.0)%
Capital Expenditures	\$ 70,606	\$ 77,445	(8.8)%

Access Lines	2,041,000 (2)	2,171,000	(6.0)%
High-Speed Internet Customers	628,000	530,000	18.5%

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

(2) Reflects the disconnect of approximately 1,400 Madison River internal company lines.

**“CenturyTel continued to experience solid demand for broadband services as we added nearly 20,600 high-speed Internet customers during the third quarter,” Glen F. Post, III, chairman and chief executive officer, said. “High-speed Internet revenues increased 21% over the same period a year ago, primarily due to our 18.5% growth in high-speed Internet customers since third quarter 2007.”**

**Operating revenues**, excluding nonrecurring items, for third quarter 2008 were \$650.1 million compared to \$708.3 million in third quarter 2007. This \$58.2 million decrease was primarily due to \$42.2 million of prior period revenue settlements recognized in third quarter 2007 upon the expiration of a regulatory monitoring period. The remaining \$16.0 million decline primarily reflects the impact of access line losses and lower access revenues which more than offset revenue growth related to an increase in high-speed Internet subscribers.

**Operating expenses**, excluding nonrecurring items, decreased 2.6% to \$469.3 million from \$481.9 million in third quarter 2007, primarily due to lower depreciation expense associated with fully depreciated assets and reduced personnel expenses. These decreases more than offset an increase associated with growth in high-speed Internet customers.

**Operating cash flow**, excluding nonrecurring items, decreased to \$309.1 million from \$363.0 million in third quarter 2007, primarily due to the lower prior period revenue settlements and other revenue declines discussed above. For third quarter 2008, CenturyTel achieved an operating cash flow margin of 47.5% versus 51.2% in third quarter 2007.

**“CenturyTel remains focused on providing high-quality, advanced communication services to our customers, including high bandwidth solutions that are critical to economic development and job growth,” Post said. “Our strong cash flows enable us to continue to invest in fiber networks, broadband services and emerging technologies that support the communities we serve and provide a foundation for future revenue growth.”**

**Net income**, excluding nonrecurring items, was \$82.8 million in third quarter 2008 compared to \$108.1 million in third quarter 2007. The decrease was primarily driven by the after-tax impact of the decline in prior period revenue settlements discussed above, the revenue impact of access line losses and lower access revenues, along with lower earnings from CenturyTel’s interest in an unconsolidated wireless partnership due to 2007 audit adjustments recorded by the general partner in third quarter 2008. Diluted earnings per share, excluding nonrecurring items, was \$.82 for third quarter 2008, a 15.5% decrease from the \$.97 reported in third quarter 2007. This decrease was primarily due to the lower net income as discussed above, partially offset by the 10.0% decline in average diluted shares outstanding as a result of share repurchases since third quarter 2007.

The Company suspended its share repurchase program on September 15, 2008 due to deterioration in the financial markets.

**For the first nine months of 2008**, operating revenues, excluding nonrecurring items, increased to \$1.956 billion from \$1.948 billion for the same period in 2007. Operating cash flow, excluding nonrecurring items, was \$946.5 million for the first nine months of 2008 compared to \$970.1 million a year ago. Net income, excluding nonrecurring items, was \$260.1 million in the first nine months of 2008 compared to \$264.4 million during the same period in 2007. Diluted earnings per share, excluding nonrecurring items, was \$2.50 during the first nine months of 2008 compared to \$2.34 in the first nine months of 2007.

**Under generally accepted accounting principles (GAAP)**, net income for third quarter 2008 was \$84.7 million compared to \$113.2 million for third quarter 2007 and diluted earnings per share for third quarter 2008 was \$.84 compared to \$1.01 for third quarter 2007. Third quarter 2008 net income and diluted earnings per share reflect a net after-tax benefit of \$2.0 million (\$.02 per share) from the sale of a non-core asset. Third quarter 2007 net income and diluted earnings per share reflect a net after-tax charge of \$1.4 million (\$.01 per share) related to a reduction in workforce and a net after-tax gain of \$6.4 million (\$.06 per share) from the sale of a non-core asset.

Net income under GAAP for the first nine months of 2008 was \$265.7 million compared to \$303.3 million for the first nine months of 2007 and diluted earnings per share for the first nine months of 2008 was \$2.55 compared to \$2.68 for the first nine months of 2007. See the accompanying financial schedules for detail of the Company’s nonrecurring items for the nine months ended September 30, 2008 and 2007.

**Outlook**. For fourth quarter 2008, CenturyTel expects total revenues of \$635 to \$645 million and diluted earnings per share of \$.78 to \$.83. The Company has also increased and narrowed the range of anticipated full year 2008 diluted earnings per share guidance from \$3.20 to \$3.30 to \$3.28 to \$3.33, which reflects actual year-to-date results and the fourth quarter outlook.

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

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

**Other**. Earlier this morning, CenturyTel and EMBARQ Corporation announced they had reached a definitive agreement under which CenturyTel will acquire EMBARQ in a tax-free, stock-for-stock transaction creating one of the leading communications companies in the United States. Information about the proposed merger between CenturyTel and EMBARQ can be found in a separate news release issued today.

**Investor Call**. CenturyTel and EMBARQ will co-host a conference call with the financial community today, October 27, 2008, at 10:00 am Eastern Time / 9:00 am Central Time to discuss the transaction announced this morning as well as CenturyTel’s and EMBARQ’s third quarter financial results. The conference call will be streamed live over CenturyTel’s Web site at [www.centurytel.com](http://www.centurytel.com) and over EMBARQ’s Web site at [www.embarq.com](http://www.embarq.com). Interested parties can also access the call by dialing (866) 610-1072 (international: (973) 935-2840), and referencing code 70807213, ten minutes prior to the start of the call.

A digital recording of the call will be available as promptly as practicable and ending November 10, 2008 at 11:59 pm Eastern Time / 10:59 pm Central Time. The replay can be accessed by dialing (800) 642-1687 (international: (706) 645-9291) and referencing code 70807213. A replay of the call will also be available on the investor relations sections of both companies’ web sites.

*In addition to historical information, this release includes certain forward-looking statements, estimates and projections that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond the control of the Company. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the Company’s ability to effectively adjust to changes in the communications industry; the Company’s ability to effectively manage its expansion opportunities, including successfully integrating*

newly-acquired properties into the Company's operations and retaining and hiring key personnel; possible changes in the demand for, or pricing of, the Company's products and services; the Company's continued access to credit markets on favorable terms; the Company's ability to successfully introduce new product or service offerings on a timely and cost-effective basis; the Company's ability to collect its receivables from financially troubled communications companies; the Company's ability to pay a \$2.80 per share common dividend annually, which may be affected by changes in its cash requirements, capital spending plans, cash flow or financial position; the Company's ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; the effect of adverse weather; other risks referenced from time to time in the Company's filings with the Securities and Exchange Commission (the "SEC"); and the effects of more general factors such as changes in interest rates, in tax rates, in accounting policies or practices, in operating, medical or administrative costs, in general market, labor or economic conditions, or in legislation, regulation or public policy. These and other uncertainties related to the Company's business and plans are described in greater detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2007, as updated and supplemented by the Company's subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for management to identify all such factors, nor can it predict the impact of each such factor on the business or the extent to which any one or more factors may cause actual results to differ from those reflected in any forward-looking statements. You are further cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this release. The information contained in this release is as of October 27, 2008. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

## **Additional Information**

CenturyTel and EMBARQ plan to file a joint proxy statement/prospectus with the SEC. **INVESTORS ARE URGED TO READ THE JOINT PROXY STATEMENT/PROSPECTUS WHEN IT BECOMES AVAILABLE BECAUSE IT WILL CONTAIN IMPORTANT INFORMATION.** You will be able to obtain the joint proxy statement/prospectus, as well as other filings containing information about CenturyTel and EMBARQ, free of charge, at the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). Copies of the joint proxy statement/prospectus and the filings with the SEC that will be incorporated by reference in the joint proxy statement/prospectus can also be obtained, free of charge, by directing a request to CenturyTel, 100 CenturyTel Drive, Monroe, Louisiana, 71203 Attention: Corporate Secretary, or to EMBARQ, 5454 W. 100<sup>th</sup> Street, Overland Park, Kansas, 66211, Attention: Shareholder Relations. The respective directors and executive officers of CenturyTel and EMBARQ and other persons may be deemed to be participants in the solicitation of proxies in respect of the proposed transaction. Information regarding CenturyTel's directors and executive officers is available in its proxy statement filed with the SEC by CenturyTel on March 27, 2008, and information regarding EMBARQ directors and executive officers is available in its proxy statement filed with the SEC by EMBARQ on March 17, 2008. Other information regarding the participants in the proxy solicitation and a description of their direct and indirect interests, by security holdings or otherwise, will be contained the joint proxy statement/prospectus and other relevant materials to be filed with the SEC when they become available. This communication shall not constitute an offer to sell or the solicitation of an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. No offer of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933, as amended.

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

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

	Three months ended September 30, 2008			Three months ended September 30, 2007				
	As	Less non- recurring	As adjusted excluding non- recurring	As	Less non- recurring	As adjusted excluding non- recurring	Increase (decrease) as reported	Increase (decrease) excluding nonrecurring items
<i>In thousands, except per share amounts</i>	<u>reported</u>	<u>items</u>	<u>items</u>	<u>reported</u>	<u>items</u>	<u>items</u>	<u>reported</u>	<u>items</u>
OPERATING REVENUES								
Voice	\$218,253		218,253	229,862		229,862	(5.1%)	(5.1%)
Network access	205,385		205,385	248,490	527 (3)	247,963	(17.3%)	(17.2%)
Data	132,631		132,631	134,630		134,630	(1.5%)	(1.5%)
Fiber transport and CLEC	38,006		38,006	41,811		41,811	(9.1%)	(9.1%)
Other	55,798		55,798	54,040		54,040	3.3%	3.3%
	<u>650,073</u>	<u>-</u>	<u>650,073</u>	<u>708,833</u>	<u>527</u>	<u>708,306</u>	(8.3%)	(8.2%)
OPERATING EXPENSES								
Cost of services and products	242,243		242,243	246,430	1,967 (3)	244,463	(1.7%)	(0.9%)
Selling, general and administrative	98,751		98,751	101,612	774 (3)	100,838	(2.8%)	(2.1%)
Depreciation and amortization	<u>128,352</u>		<u>128,352</u>	<u>136,606</u>		<u>136,606</u>	(6.0%)	(6.0%)
	<u>469,346</u>	<u>-</u>	<u>469,346</u>	<u>484,648</u>	<u>2,741</u>	<u>481,907</u>	(3.2%)	(2.6%)
OPERATING INCOME	180,727	-	180,727	224,185	(2,214)	226,399	(19.4%)	(20.2%)
OTHER INCOME (EXPENSE)								
Interest expense	(49,483)		(49,483)	(55,176)		(55,176)	(10.3%)	(10.3%)
Other income (expense)	4,113	3,152 (1)	961	14,761	10,437 (4)	4,324	(72.1%)	(77.8%)
Income tax expense	<u>(50,624)</u>	<u>(1,179)(2)</u>	<u>(49,445)</u>	<u>(70,568)</u>	<u>(3,158)(5)</u>	<u>(67,410)</u>	(28.3%)	(26.7%)
NET INCOME	<u>\$ 84,733</u>	<u>1,973</u>	<u>82,760</u>	<u>113,202</u>	<u>5,065</u>	<u>108,137</u>	(25.1%)	(23.5%)
BASIC EARNINGS PER SHARE								
	\$ 0.84	0.02	0.82	1.04	0.05	0.99	(19.2%)	(17.2%)
DILUTED EARNINGS PER SHARE								
	\$ 0.84	0.02	0.82	1.01	0.05	0.97	(16.8%)	(15.5%)
AVERAGE SHARES OUTSTANDING								
Basic	100,402		100,402	108,996		108,996	(7.9%)	(7.9%)
Diluted	100,988		100,988	112,229		112,229	(10.0%)	(10.0%)
DIVIDENDS PER COMMON SHARE								
	\$ 1.3325		1.3325	0.0650		0.0650	1,950.0%	1,950.0%

**NONRECURRING ITEMS**

(1) - Gain on the sale of a non-core asset

(2) - Tax effect of item (1).

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

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

(5) - Tax effect of items (3) and (4).

**CenturyTel, Inc.**  
**CONSOLIDATED STATEMENTS OF INCOME**  
**NINE MONTHS ENDED SEPTEMBER 30, 2008 AND 2007**  
**(UNAUDITED)**

	Nine months ended September 30, 2008			Nine months ended September 30, 2007				
	As	Less non- recurring	As adjusted excluding non- recurring	As	Less non- recurring	As adjusted excluding non- recurring	Increase (decrease) as reported	Increase (decrease) excluding nonrecurring
<i>In thousands, except per share amounts</i>	<u>reported</u>	<u>items</u>	<u>items</u>	<u>reported</u>	<u>items</u>	<u>items</u>	<u>reported</u>	<u>items</u>
<b>OPERATING REVENUES</b>								
Voice	\$ 658,634		658,634	664,435		664,435	(0.9%)	(0.9%)
Network access	621,987	1,012 (1)	620,975	726,091	49,514 (4)	676,577	(14.3%)	(8.2%)
Data	390,463	21 (1)	390,442	338,700		338,700	15.3%	15.3%
Fiber transport and CLEC	120,805		120,805	120,851	13 (4)	120,838	(0.0%)	(0.0%)
Other	164,904		164,904	149,602	1,869 (5)	147,733	10.2%	11.6%
	<u>1,956,793</u>	<u>1,033</u>	<u>1,955,760</u>	<u>1,999,679</u>	<u>51,396</u>	<u>1,948,283</u>	<u>(2.1%)</u>	<u>0.4%</u>
<b>OPERATING EXPENSES</b>								
Cost of services and products	719,681		719,681	686,349	(2,085)(6)	688,434	4.9%	4.5%
Selling, general and administrative	297,212	7,655 (1)	289,557	290,525	774 (6)	289,751	2.3%	(0.1%)
Depreciation and amortization	394,990		394,990	398,701		398,701	(0.9%)	(0.9%)
	<u>1,411,883</u>	<u>7,655</u>	<u>1,404,228</u>	<u>1,375,575</u>	<u>(1,311)</u>	<u>1,376,886</u>	<u>2.6%</u>	<u>2.0%</u>
<b>OPERATING INCOME</b>	<b>544,910</b>	<b>(6,622)</b>	<b>551,532</b>	<b>624,104</b>	<b>52,707</b>	<b>571,397</b>	<b>(12.7%)</b>	<b>(3.5%)</b>
<b>OTHER INCOME (EXPENSE)</b>								
Interest expense	(148,771)		(148,771)	(159,804)		(159,804)	(6.9%)	(6.9%)
Other income (expense)	25,437	12,713 (2)	12,724	28,131	10,437 (7)	17,694	(9.6%)	(28.1%)
Income tax expense	(155,916)	(524)(3)	(155,392)	(189,094)	(24,248)(8)	(164,846)	(17.5%)	(5.7%)
<b>NET INCOME</b>	<b>\$ 265,660</b>	<b>5,567</b>	<b>260,093</b>	<b>303,337</b>	<b>38,896</b>	<b>264,441</b>	<b>(12.4%)</b>	<b>(1.6%)</b>
<b>BASIC EARNINGS PER SHARE</b>	<b>\$ 2.57</b>	<b>0.05</b>	<b>2.51</b>	<b>2.77</b>	<b>0.36</b>	<b>2.41</b>	<b>(7.2%)</b>	<b>4.1%</b>
<b>DILUTED EARNINGS PER SHARE</b>	<b>\$ 2.55</b>	<b>0.05</b>	<b>2.50</b>	<b>2.68</b>	<b>0.34</b>	<b>2.34</b>	<b>(4.9%)</b>	<b>6.8%</b>

**AVERAGE SHARES OUTSTANDING**

Basic	103,396		103,396	109,478		109,478	(5.6%)	(5.6%)
Diluted	104,086		104,086	114,086		114,086	(8.8%)	(8.8%)

<b>DIVIDENDS PER COMMON SHARE</b>	<b>\$ 1.4675</b>		<b>1.4675</b>	<b>0.1950</b>		<b>0.1950</b>	<b>652.6%</b>	<b>652.6%</b>
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**NONRECURRING ITEMS**

- (1) - Curtailment loss related to Supplemental Executive Retirement Plan, including revenue impact.
- (2) - Gain on the sales of non-core assets (\$7.3 million), gain upon liquidation of Supplemental Executive Retirement Plan trust assets (\$4.5 million), and interest income recorded upon the resolution of certain income tax audit issues (\$919,000).
- (3) - Includes \$2.3 million net income tax expense related to items (1) and (2) and \$1.8 million income tax benefit recorded upon resolution of certain income tax audit issues.
- (4) - Revenue recorded upon settlement of a dispute with a carrier (\$49.0 million) and revenue impact of severance and related costs due to workforce reductions (\$.5 million).
- (5) - Reimbursement of amounts upon a change in our satellite television arrangement.
- (6) - Severance and related costs due to workforce reductions (\$2.7 million), net of reimbursement of amounts upon a change in our satellite television arrangement (\$4.1 million).
- (7) - Gain on sale of non-core asset.
- (8) - Tax effects of items (4) through (7).



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

	September 30, 2008	December 31, 2007
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 258,957	34,402
Other current assets	249,826	257,997
Total current assets	508,783	292,399
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	8,793,320	8,666,106
Accumulated depreciation	(5,877,970)	(5,557,730)
Net property, plant and equipment	2,915,350	3,108,376
GOODWILL AND OTHER ASSETS		
Goodwill	4,010,027	4,010,916
Other	838,742	772,862
Total goodwill and other assets	4,848,769	4,783,778
TOTAL ASSETS		
	\$ 8,272,902	8,184,553
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 45,357	279,898
Other current liabilities	429,356	456,637
Total current liabilities	474,713	736,535
LONG-TERM DEBT	3,299,266	2,734,357
DEFERRED CREDITS AND OTHER LIABILITIES	1,302,683	1,304,456
STOCKHOLDERS' EQUITY	3,196,240	3,409,205
TOTAL LIABILITIES AND EQUITY	\$ 8,272,902	8,184,553

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

	Three months ended September 30, 2008			Three months ended September 30, 2007		
	As reported	Less non- recurring items	As adjusted excluding non- recurring items	As reported	Less non- recurring items	As adjusted excluding non- recurring items
<i>In thousands</i>						
<b>Operating cash flow and cash flow margin</b>						
Operating income	\$ 180,727	-	180,727	224,185	(2,214) (2)	226,399
Add: Depreciation and amortization	128,352	-	128,352	136,606	-	136,606
Operating cash flow	<u>\$ 309,079</u>	<u>-</u>	<u>309,079</u>	<u>360,791</u>	<u>(2,214)</u>	<u>363,005</u>
Revenues	<u>\$ 650,073</u>	<u>-</u>	<u>650,073</u>	<u>708,833</u>	<u>527 (2)</u>	<u>708,306</u>
Operating income margin (operating income divided by revenues)	<u>27.8%</u>		<u>27.8%</u>	<u>31.6%</u>		<u>32.0%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>47.5%</u>		<u>47.5%</u>	<u>50.9%</u>		<u>51.2%</u>
<b>Free cash flow (prior to debt service requirements and dividends)</b>						
Net income	\$ 84,733	1,973 (1)	82,760	113,202	5,065 (3)	108,137
Add: Depreciation and amortization	128,352	-	128,352	136,606	-	136,606
Less: Capital expenditures	(70,606)	-	(70,606)	(77,445)	-	(77,445)
Free cash flow	<u>\$ 142,479</u>	<u>1,973</u>	<u>140,506</u>	<u>172,363</u>	<u>5,065</u>	<u>167,298</u>
Free cash flow	\$ 142,479			172,363		
Gain on asset dispositions	(3,811)			(10,436)		
Deferred income taxes	10,532			13,106		
Changes in current assets and current liabilities	3,337			(42,321)		
Decrease in other noncurrent assets	3,854			4,400		
Increase (decrease) in other noncurrent liabilities	1,501			(2,542)		
Retirement benefits	3,144			6,745		
Excess tax benefits from share-based compensation	(713)			(122)		
Other, net	9,317			12,770		
Add: Capital expenditures	70,606			77,445		
Net cash provided by operating activities	<u>\$ 240,246</u>			<u>231,408</u>		

**NONRECURRING ITEMS**

- (1) - Gain on the sale of a non-core asset, net of tax.
- (2) - Severance and related costs due to workforce reduction, including revenue impact (presented on a pre-tax basis).
- (3) - After-tax effect of gain on sale of non-core asset and severance and related costs due to workforce reduction.

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

<i>In thousands</i>	Nine months ended September 30, 2008			Nine months ended September 30, 2007		
	As reported	Less non-recurring items	As adjusted excluding non-recurring items	As reported	Less non-recurring items	As adjusted excluding non-recurring items
<b>Operating cash flow and cash flow margin</b>						
Operating income	\$ 544,910	(6,622) (1)	551,532	624,104	52,707 (3)	571,397
Add: Depreciation and amortization	394,990	-	394,990	398,701		398,701
Operating cash flow	<u>\$ 939,900</u>	<u>(6,622)</u>	<u>946,522</u>	<u>1,022,805</u>	<u>52,707</u>	<u>970,098</u>
Revenues	<u>\$1,956,793</u>	<u>1,033 (1)</u>	<u>1,955,760</u>	<u>1,999,679</u>	<u>51,396 (4)</u>	<u>1,948,283</u>
Operating income margin (operating income divided by revenues)	<u>27.8%</u>		<u>28.2%</u>	<u>31.2%</u>		<u>29.3%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>48.0%</u>		<u>48.4%</u>	<u>51.1%</u>		<u>49.8%</u>
<b>Free cash flow (prior to debt service requirements and dividends)</b>						
Net income	\$ 265,660	5,567 (2)	260,093	303,337	38,896 (5)	264,441
Add: Depreciation and amortization	394,990	-	394,990	398,701		398,701
Less: Capital expenditures	(185,004)	-	(185,004)	(184,301)		(184,301)
Free cash flow	<u>\$ 475,646</u>	<u>5,567</u>	<u>470,079</u>	<u>517,737</u>	<u>38,896</u>	<u>478,841</u>
Free cash flow	\$ 475,646			517,737		
Gain on asset dispositions and liquidation of marketable securities	(12,452)			(10,436)		
Deferred income taxes	23,957			43,111		
Changes in current assets and current liabilities	(53,689)			28,514		
Decrease in other noncurrent assets	6,108			8,053		
Decrease in other noncurrent liabilities	(3,978)			(14,209)		
Retirement benefits	21,346			21,392		
Excess tax benefits from share-based compensation	(787)			(6,434)		
Other, net	26,078			17,404		
Add: Capital expenditures	185,004			184,301		
Net cash provided by operating activities	<u>\$ 667,233</u>			<u>789,433</u>		

**NONRECURRING ITEMS**

- (1) - Curtailment loss related to Supplemental Executive Retirement Plan, including revenue impact.
- (2) - Includes (i) after-tax impact of gain upon liquidation of Supplemental Executive Retirement Plan trust assets (\$2.8 million), (ii) after-tax impact of gain on sales of non-core assets (\$4.6 million), and (iii) net benefit due to the resolution of certain income tax audit issues (\$2.3 million), all partially offset by the after-tax impact of Item (1) (\$4.1 million).
- (3) - Includes (i) \$49.0 million revenue recorded upon settlement of a dispute with a carrier; (ii) \$5.9 million reimbursement of amounts upon a change in our satellite television arrangement, net of (iii) impact of severance and related costs due to workforce reduction (\$2.2 million).
- (4) - Includes (i) \$49.0 million revenue recorded upon settlement of a dispute with a carrier; (ii) \$1.9 million reimbursement of amounts upon a change in our satellite television arrangement and (iii) revenue impact of severance and related costs due to workforce reduction (\$0.5 million).
- (5) - Includes after-tax gain on sale of non-core asset and the after-tax effect of Item (3).