

# 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, 2004

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

Indicate by check mark whether the registrant is an accelerated filer  
(as defined in Rule 12b-2 of the Exchange Act)

☒ Yes ☐ No

As of July 31, 2004, there were 135,024,645 shares of common stock outstanding.

### CenturyTel, Inc.

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## PART I. FINANCIAL INFORMATION

### Item 1. Financial Statements

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

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
(Dollars, except per share amounts, and shares in thousands)				
OPERATING REVENUES	\$ 603,555	586,729	1,197,259	1,164,743
OPERATING EXPENSES				
Cost of services and products (exclusive of depreciation and amortization)	190,226	183,960	371,775	361,820
Selling, general and administrative	92,667	89,723	194,273	178,339
Depreciation and amortization	130,751	124,665	257,743	251,430
Total operating expenses	413,644	398,348	823,791	791,589
OPERATING INCOME	189,911	188,381	373,468	373,154
OTHER INCOME (EXPENSE)				
Interest expense	(53,089)	(55,957)	(105,632)	(111,549)
Income from unconsolidated cellular entity	2,126	1,590	4,185	3,159
Other income (expense)	(3,811)	974	(1,507)	42
Total other income (expense)	(54,774)	(53,393)	(102,954)	(108,348)
INCOME BEFORE INCOME TAX EXPENSE	135,137	134,988	270,514	264,806
Income tax expense	51,853	47,621	103,951	93,520
NET INCOME	\$ 83,284	87,367	166,563	171,286

=====					
BASIC EARNINGS PER SHARE	\$	.60	.61	1.19	1.20
=====					
DILUTED EARNINGS PER SHARE	\$	.60	.60	1.18	1.19
=====					
DIVIDENDS PER COMMON SHARE	\$	.0575	.055	.115	.11
=====					
AVERAGE BASIC SHARES OUTSTANDING		138,066	143,329	140,325	143,109
=====					
AVERAGE DILUTED SHARES OUTSTANDING		138,889	144,475	141,118	144,136
=====					

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,	
	2004	2003	2004	2003
(Dollars in thousands)				
NET INCOME	\$ 83,284	87,367	166,563	171,286
OTHER COMPREHENSIVE INCOME,				
NET OF TAX:				
Minimum pension liability adjustment, net of (\$523), (\$7,946), \$1,216 and (\$2,472) tax	971	14,758	(2,258)	4,572
Unrealized gain on investments, net of \$692 and \$943 tax	1,285	-	1,751	-
Derivative instruments:				
Net gain (loss) on derivatives hedging the variability of cash flows, net of (\$137) and \$36 tax	-	255	-	(67)
Less: reclassification adjustment for losses included in net income, net of (\$314) and (\$487) tax	-	583	-	905
COMPREHENSIVE INCOME	\$ 85,540	102,963	166,056	176,696

See accompanying notes to consolidated financial statements.

**CenturyTel, Inc.**  
**CONSOLIDATED BALANCE SHEETS**  
(UNAUDITED)

	June 30, 2004	December 31, 2003
(Dollars in thousands)		
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 96,386	203,181
Accounts receivable, less allowance of \$22,823 and \$23,679	219,694	236,187
Materials and supplies, at average cost	6,739	9,229
Other	14,061	14,342
Total current assets	336,880	462,939
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	7,254,584	7,184,155
Accumulated depreciation	(3,906,613)	(3,728,674)
Net property, plant and equipment	3,347,971	3,455,481
INVESTMENTS AND OTHER ASSETS		
Goodwill	3,426,766	3,425,001
Other	572,721	552,431
Total investments and other assets	3,999,487	3,977,432
TOTAL ASSETS	\$ 7,684,338	7,895,852
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 121,456	72,453
Accounts payable	137,886	113,274
Accrued expenses and other liabilities		
Salaries and benefits	55,520	55,497
Income taxes	27,259	43,082
Other taxes	45,634	35,532
Interest	63,888	64,247
Other	37,228	42,686
Advance billings and customer deposits	45,026	44,612
Total current liabilities	533,897	471,383
LONG-TERM DEBT	2,883,784	3,109,302
DEFERRED CREDITS AND OTHER LIABILITIES	913,513	836,651
STOCKHOLDERS' EQUITY		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 134,993,424 and 144,364,168 shares	134,993	144,364
Paid-in capital	310,247	576,515
Accumulated other comprehensive loss, net of tax	(507)	-
Retained earnings	2,900,436	2,750,162
Unearned ESOP shares	-	(500)
Preferred stock - non-redeemable	7,975	7,975
Total stockholders' equity	3,353,144	3,478,516
TOTAL LIABILITIES AND EQUITY	\$ 7,684,338	7,895,852

See accompanying notes to consolidated financial statements.

**CenturyTel, Inc.**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

## (UNAUDITED)

	Six months ended June 30,	
	2004	2003
(Dollars in thousands)		
OPERATING ACTIVITIES		
Net income	\$ 166,563	171,286
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	257,743	251,430
Income from unconsolidated cellular entity	(4,185)	(3,159)
Deferred income taxes	57,038	43,841
Changes in current assets and current liabilities:		
Accounts receivable	15,988	36,053
Accounts payable	24,612	38,338
Accrued income and other taxes	(5,722)	27,144
Other current assets and other current liabilities, net	(2,608)	14,292
Retirement benefits	17,863	11,876
Increase in other noncurrent assets	(17,909)	(11,501)
Increase (decrease) in other noncurrent liabilities	(3,544)	693
Other, net	(2,481)	(1,220)
Net cash provided by operating activities	503,358	579,073
INVESTING ACTIVITIES		
Payments for property, plant and equipment	(156,014)	(154,258)
Acquisitions, net of cash acquired	(2,000)	(35,584)
Distribution from unconsolidated cellular entity	4,233	1,104
Other, net	(3,301)	(1,536)
Net cash used in investing activities	(157,082)	(190,274)
FINANCING ACTIVITIES		
Payments of debt	(162,724)	(397,916)
Proceeds from settlement of interest rate hedge contract	-	22,315
Proceeds from issuance of common stock	7,158	20,929
Repurchase of common stock	(283,880)	-
Cash dividends	(16,289)	(15,962)
Other, net	2,664	2,496
Net cash used in financing activities	(453,071)	(368,138)
Net increase (decrease) in cash and cash equivalents	(106,795)	20,661
Cash and cash equivalents at beginning of period	203,181	3,661
Cash and cash equivalents at end of period	\$ 96,386	24,322
Supplemental cash flow information:		
Income taxes paid	\$ 71,067	42,322
Interest paid (net of capitalized interest of \$235 and \$37)	\$ 105,756	106,741

See accompanying notes to consolidated financial statements.

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

	Six months ended June 30,	
	2004	2003
	(Dollars in thousands)	
COMMON STOCK		
Balance at beginning of period	\$ 144,364	142,956
Issuance of common stock through dividend reinvestment, incentive and benefit plans	492	862
Repurchase of common stock	(9,863)	-
Balance at end of period	134,993	143,818
PAID-IN CAPITAL		
Balance at beginning of period	576,515	537,804
Issuance of common stock through dividend reinvestment, incentive and benefit plans	6,666	20,067
Repurchase of common stock	(274,017)	-
Amortization of unearned compensation and other	1,083	357
Balance at end of period	310,247	558,228
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX		
Balance at beginning of period	-	(36,703)
Change in other comprehensive loss, net of tax	(507)	5,410
Balance at end of period	(507)	(31,293)
RETAINED EARNINGS		
Balance at beginning of period	2,750,162	2,437,472
Net income	166,563	171,286
Cash dividends declared		
Common stock - \$.115 and \$.11 per share, respectively	(16,090)	(15,763)
Preferred stock	(199)	(199)
Balance at end of period	2,900,436	2,592,796
UNEARNED ESOP SHARES		
Balance at beginning of period	(500)	(1,500)
Release of ESOP shares	500	500
Balance at end of period	-	(1,000)
PREFERRED STOCK - NON-REDEEMABLE		
Balance at beginning and end of period	7,975	7,975
TOTAL STOCKHOLDERS' EQUITY	\$ 3,353,144	3,270,524

See accompanying notes to consolidated financial statements.

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

JUNE 30, 2004  
(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. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to rules and regulations of the Securities and Exchange Commission; however, in the opinion of management, the disclosures 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, 2003. Certain 2003 amounts have been reclassified to be consistent with the Company's 2004 presentation. See Note 6 for additional information.

The unaudited financial information for the three months and six months ended June 30, 2004 and 2003 has not been audited by independent certified public accountants; however, in the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the results of operations for the three-month 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) Goodwill and Other Intangible Assets

The following information relates to the Company's goodwill and other intangible assets as of June 30, 2004 and December 31, 2003:

	June 30, 2004	Dec. 31, 2003
(Dollars in thousands)		
Goodwill	\$ 3,426,766	3,425,001
Intangible asset subject to amortization - customer base		
Gross carrying amount	\$ 22,700	22,700
Accumulated amortization	\$ (2,998)	(2,242)
Net carrying amount	\$ 19,702	20,458
	=====	=====
Intangible asset not subject to amortization - franchise costs	\$ 35,300	35,300

Total amortization expense related to the customer base asset for the first six months of 2004 was \$756,000 and is expected to be \$1.5 million annually for each of the next five years.

## (3) Postretirement Benefits

The Company sponsors health care plans that provide postretirement benefits to all qualified retired employees.

Net periodic postretirement benefit cost for the three months and six months ended June 30, 2004 and 2003 included the following components:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
(Dollars in thousands)				
Service cost	\$ 1,654	1,659	3,308	3,318
Interest cost	4,572	4,893	9,144	9,786
Expected return on plan assets	(616)	(636)	(1,232)	(1,272)
Amortization of unrecognized actuarial loss	1,123	465	2,246	930
Amortization of unrecognized prior service cost	(938)	(657)	(1,876)	(1,314)
Net periodic postretirement benefit cost	\$ 5,795	5,724	11,590	11,448



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The Company contributed \$8.0 million to its postretirement plan in the first six months of 2004 and expects to contribute approximately \$14 million for the full year.

#### (4) Retirement Plans

CenturyTel and certain subsidiaries sponsor defined benefit pension plans for substantially all employees. CenturyTel also sponsors an Outside Directors' Retirement Plan (a frozen plan that accrues no additional benefits) and a Supplemental Executive Retirement Plan to provide directors and officers, respectively, with supplemental retirement, death and disability benefits.

Net periodic pension expense for the three months and six months ended June 30, 2004 and 2003 included the following components:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Dollars in thousands)			
Service cost	\$ 3,703	4,133	8,170	5,625
Interest cost	5,856	7,601	13,195	10,346
Expected return on plan assets	(7,076)	(7,102)	(14,152)	(9,666)
Settlements	-	-	1,093	-
Recognized net losses	1,472	2,322	3,966	3,160
Net amortization and deferral	61	128	420	174
Net periodic pension expense	\$ 4,016	7,082	12,692	9,639

Currently, the Company's contributions to its retirement plans for 2004 are expected to be less than \$2 million.

#### (5) Stock-based Compensation

The Company accounts for employee stock compensation plans using the intrinsic value method in accordance with Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees," as allowed by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" ("SFAS 123"). Options have been granted at a price either equal to or exceeding the then-current market price. Accordingly, the Company has not recognized compensation cost in connection with issuing stock options.

If compensation cost for CenturyTel's options had been determined consistent with SFAS 123, the Company's net income and earnings per share on a pro forma basis for the three months and six months ended June 30, 2004 and 2003 would have been as follows:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Dollars in thousands, except per share amounts)			
Net income, as reported	\$ 83,284	87,367	166,563	171,286
Less: Total stock-based employee compensation expense determined under fair value based method, net of tax	\$ (1,337)	(3,346)	(5,627)	(6,880)
Pro forma net income	\$ 81,947	84,021	160,936	164,406
Basic earnings per share				
As reported	\$ .60	.61	1.19	1.20
Pro forma	\$ .59	.59	1.15	1.15
Diluted earnings per share				
As reported	\$ .60	.60	1.18	1.19
Pro forma	\$ .59	.58	1.14	1.14

#### (6) Business Segments

The Company is an integrated communications company engaged primarily in providing an array of communications services to its customers, including local exchange, long distance, Internet access and data services. The Company strives to maintain its customer relationships by, among other things, bundling its service offerings to provide its customers with a complete offering of integrated communications services. Effective in the first quarter of 2004, as a result of the Company's increased focus on integrated bundle offerings and the varied discount

structures associated with such offerings, the Company determined that its results of operations would be more appropriately reported as a single reportable segment under the provisions of Statement of Financial Accounting Standards No. 131, "Disclosures about Segments of an Enterprise and Related Information." Therefore, the results of operations for 2004 reflect the presentation of a single reportable segment.

The Company's operating revenues for its products and services include the following components:

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
	(Dollars in thousands)			
Local service	\$ 180,142	178,360	358,200	355,373
Network access	245,515	248,220	486,472	494,550
Long distance	45,727	43,201	90,316	85,761
Data	68,169	60,672	133,797	118,808
Fiber transport and CLEC	18,321	9,036	35,753	14,931
Other	45,681	47,240	92,721	95,320
Total operating revenues	\$ 603,555	586,729	1,197,259	1,164,743

Local service revenues are derived from the provision of local exchange telephone services in the Company's service areas.

Network access revenues primarily relate to (i) services provided by the Company to long distance carriers, wireless carriers and other carriers and customers in connection with the use of the Company's facilities to originate and terminate their interstate and intrastate voice and data transmissions and

(ii) the receipt of universal support funds which allows the Company to recover a portion of its costs under federal and state cost recovery mechanisms.

Long distance revenues relate to the provision of retail long distance services to its customers.

Data revenues include revenues primarily related to the provision of Internet access services (both dial-up and digital subscriber line ("DSL") services) and the provision of data transmission services over special circuits and private lines.

Fiber transport and CLEC revenues include revenues from the Company's fiber transport, competitive local exchange carrier ("CLEC") and security monitoring businesses.

Other revenues include revenues related to (i) leasing, selling, installing and maintaining customer premise telecommunications equipment and wiring, (ii) providing billing and collection services for long distance carriers and (iii) participating in the publication of local directories.

Results of operations for 2003 have been conformed to the Company's 2004 presentation of a single reportable segment. In connection with this change, the Company has, among other things, (i) eliminated certain 2003 revenues arising out of previously-reported intersegment transactions (which reduced operating expenses by a like amount and therefore had no impact on operating income), (ii) reclassified certain 2003 revenues to conform to the new revenue components and (iii) reclassified depreciation expense related to certain service subsidiaries of the Company from operating expenses of its regulated operations to depreciation expense.

#### (7) Commitments and Contingencies

AT&T filed a petition with the Federal Communications Commission ("FCC") in December 2003 challenging certain provisions of the Telecommunications Act of 1996 that allow local exchange carriers ("LECs") to file access tariffs on a streamlined basis and, if certain criteria are met, deems those tariffs lawful. Certain of the Company's telephone subsidiaries file interstate tariffs directly with the FCC using this streamlined filing approach. As a result of recent court rulings, tariffs that have been "deemed lawful" in effect nullify an interexchange carrier's ability to seek refunds should the earnings from the tariffs ultimately result in earnings above the authorized rate of return prescribed by the FCC. The Company has not recognized any revenues in excess of the authorized rate of return pending resolution of the "deemed lawful" tariff issue. As of June 30, 2004, the amount of the Company's earnings in excess of the authorized rate of return for the combined 2001 and 2002 monitoring period

(for which the ability to request refunds lapses on September 30, 2005)

aggregated approximately \$40 million. The combined 2003 and 2004 monitoring period continues until the end of 2004 and the ability to request refunds for this monitoring period lapses on September 30, 2007. The Company will continue to monitor the status of its situation concerning the "deemed lawful" tariff issue. Although it is possible the Company could benefit favorably upon resolution of this issue, there is no assurance that a favorable outcome will occur.

The Company is involved in certain legal proceedings discussed in Part I, Item 3, of the Company's Annual Report on Form 10-K for the year ended December 31, 2003. From time to time, the Company is involved in other proceedings incidental to its business, including administrative hearings of state public utility commissions relating primarily to rate making and competition, actions relating to employee claims, grievance

hearings before labor regulatory agencies, and miscellaneous third party tort actions.

**Item 2.**  
**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, 2003. The results of operations for the three months and six months ended June 30, 2004 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 an integrated communications company engaged primarily in providing local exchange, long distance, Internet access and data services to customers in 22 states. The Company derives its revenues from providing (i) local exchange telephone services, (ii) network access services, (iii) long distance services, (iv) data services, which includes both dial-up and DSL Internet services, as well as special access and private line services, (v) fiber transport, competitive local exchange and security monitoring services and (vi) other related services. For additional information on the Company's revenue sources, see footnote 6 to the Company's financial statements included in Item 1 of Part I of this quarterly report.

In addition to historical information, this management's discussion and analysis includes certain forward-looking statements that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond the control of the Company. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the timing, success and overall effects of competition from a wide variety of competitive providers; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the Company's ability to effectively manage its 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; 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; the Company's ability to collect its receivables from financially troubled communications companies; other risks referenced from time to time in this report or other of the Company's filings with the Securities and Exchange Commission; 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 business are described in greater detail in Item 1 to the Company's Form 10-K for the year ended December 31, 2003. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this report. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

**RESULTS OF OPERATIONS**

Three months Ended June 30, 2004 Compared  
to Three months Ended June 30, 2003

Net income was \$83.3 million and \$87.4 million for the second quarter of 2004 and 2003, respectively. Diluted earnings per share was \$.60 for both the second quarter of 2004 and 2003.

	Three months ended June 30,	
	2004	2003
	(Dollars, except per share amounts, and shares in thousands)	
Operating income	\$ 189,911	188,381
Interest expense	(53,089)	(55,957)
Income from unconsolidated cellular entity	2,126	1,590
Other income (expense)	(3,811)	974
Income tax expense	(51,853)	(47,621)
Net income	\$ 83,284	87,367
Basic earnings per share	\$ .60	.61
Diluted earnings per share	\$ .60	.60
Average basic shares outstanding	138,066	143,329
Average diluted shares outstanding	138,889	144,475

Operating income increased \$1.5 million (0.8%) due to a \$16.8 million (2.9%) increase in operating revenues which was partially offset by a \$15.3 million (3.8%) increase in operating expenses.

As previously disclosed, the Company anticipates its net income for 2004 will be lower than 2003 as a result of (i) lower intrastate toll usage, (ii) lower Universal Service Fund revenues, (iii) declines in access lines, (iv) incremental amortization and operating expenses related to the development of its new billing and customer care system, and (v) an increase in its effective income tax rate. See below for additional information.

## Operating Revenues

Three months ended June 30,		
	2004	2003
(Dollars in thousands)		
Local service	\$ 180,142	178,360
Network access	245,515	248,220
Long distance	45,727	43,201
Data	68,169	60,672
Fiber transport and CLEC	18,321	9,036
Other	45,681	47,240
	\$ 603,555	586,729

The \$1.8 million (1.0%) increase in local service revenues is primarily due a \$3.1 million increase due to the provision of custom calling features to more customers, which was partially offset by a \$2.1 million decrease due to a decline in the number of access lines.

Access lines declined 15,900 (0.70%) during the second quarter of 2004 compared to a decline of 3,800 (0.16%) in the second quarter of 2003. The Company believes the decline in the number of access lines during 2004 and 2003 is primarily due to the displacement of traditional wireline telephone services by other competitive services, including the Company's DSL product offering. Based on current conditions, the Company expects access lines to decline approximately 2% in 2004.

Network access revenues decreased \$2.7 million (1.1%) in the second quarter of 2004 primarily due to a \$3.8 million decrease in intrastate revenues due to a reduction in intrastate minutes (partially due to the displacement of minutes by wireless and electronic mail services). The Company believes that intrastate minutes will continue to decline in 2004, although the magnitude of such decrease is uncertain. In addition, network access revenues declined \$2.1 million due to a decrease in revenues from the federal Universal Service Fund primarily due to an increase in the nationwide average cost per loop factor used by the FCC to allocate funds among all recipients. Such decreases were partially offset by a \$3.1 million increase in revenues attributable to the recognition of prior year interstate access revenues.

Certain of the Company's interstate network access revenues are based on tariffed access charges filed directly with the FCC; the remainder of such revenues is derived from revenue sharing arrangements with other LECs administered by the National Exchange Carrier Association. In the second quarter of 2004, the Company revised certain estimates for recognizing interstate network access revenues. Previously, the Company initially recognized interstate revenues at a rate of return lower than the authorized rate of return prescribed by the FCC to allow for potential decreases in demand or other factor changes which could decrease the achieved rate of return over the respective monitoring periods. As the monitoring periods progressed, the Company recorded additional revenues ratably up to the authorized rate of return. In the second quarter of 2004, the Company began generally recognizing such interstate network access revenues at the authorized rate of return, unless the actual achieved rate of return was lower than authorized. As a result, in the second quarter of 2004 the Company recognized approximately \$8.5 million of incremental nonrecurring revenues. In addition, in the second quarter of 2004 the Company recognized a \$4.6 million nonrecurring reduction in network access revenues due to an adjustment of prior years universal service revenues.

The \$2.5 million (5.8%) increase in long distance revenues was due to growth in the Company's retail long distance operations. A \$4.9 million revenue increase due to an increase in the number of long distance lines served and increased minutes of use was partially offset by a \$2.4 million decrease caused by lower average rates charged by the Company. The number of long distance lines operated by the Company as of June 30, 2004 and 2003 was 1,013,400 and 882,800, respectively. Effective in the first quarter of 2004, the Company changed its methodology of reporting long distance units from a customer-based count to a line-based count. Prior periods have been restated to conform to the 2004 presentation.

Data revenues increased \$7.5 million (12.4%) due primarily to a \$4.5 million increase in Internet revenues due to growth in the number of customers, principally due to the expansion of the Company's DSL product offering, and a \$2.7 million increase in special access revenues due to an increase in the number of special circuits.

Fiber transport and CLEC revenues increased \$9.3 million (102.8%), substantially all of which is attributable to the Company's acquisitions of

fiber transport assets (which are operated under the name LightCore) in June and December 2003.

Other revenues decreased \$1.6 million (3.3%) during the second quarter of 2004 primarily due to a \$1.3 million decrease in directory revenues due to the expiration of the Company's rights to share in the revenues of yellow-page books published in certain markets acquired from Verizon Communications, Inc. in 2002.

### Operating Expenses

	Three months ended June 30,	
	2004	2003
(Dollars in thousands)		
Cost of services and products (exclusive of depreciation and amortization)	\$ 190,226	183,960
Selling, general and administrative	92,667	89,723
Depreciation and amortization	130,751	124,665
	\$ 413,644	398,348

Cost of services and products increased \$6.3 million (3.4%) primarily due to (i) a \$5.0 million increase in expenses associated with operating the Company's fiber transport assets acquired in June and December 2003; (ii) a \$3.3 million increase in plant operations expenses; and (iii) a \$2.2 million increase in expenses associated with Company's Internet operations due to an increase in the number of customers. Such increases were partially offset by a \$3.4 million decrease in access expenses and a \$2.3 million decrease in the cost of providing retail long distance service primarily due to a decrease in the average cost per minute of use.

Selling, general and administrative expenses increased \$2.9 million (3.3%) primarily due to (i) a \$3.1 million increase in marketing expenses; (ii) a \$1.2 million increase in expenses associated with the Company's LightCore operations; and (iii) a \$1.2 million increase in expenses attributable to the Company's Sarbanes-Oxley compliance effort. Such increases were partially offset by a \$3.3 million decrease in bad debt expense.

Depreciation and amortization increased \$6.1 million (4.9%) primarily due to a \$3.1 million adjustment related to depreciation of fixed assets related to the Company's new billing system; a \$1.6 million increase due to higher levels of plant in service (partially offset by reductions due to fully depreciated assets); and a \$1.1 million increase in depreciation due to the assets acquired in connection with the Company's LightCore operations.

### Interest Expense

Interest expense decreased \$2.9 million (5.1%) in the second quarter of 2004 compared to the second quarter of 2003 primarily due to a decrease in average debt outstanding.

### Other Income (Expense)

Other income (expense) was \$3.8 million of expense for the second quarter of 2004, compared to \$974,000 of income for the second quarter of 2003. The second quarter of 2004 included a \$3.6 million prepayment expense paid in connection with the redemption of \$100 million aggregate principal amount of the Company's Series B senior notes in May 2004.

### Income Tax Expense

The effective income tax rate from continuing operations was 38.4% and 35.3% for the three months ended June 30, 2004 and 2003, respectively. The increase in the effective income tax rate in 2004 is due to an increase in the Company's effective state income tax rate.

## RESULTS OF OPERATIONS

Six months Ended June 30, 2004 Compared  
to Six months Ended June 30, 2003

Net income was \$166.6 million and \$171.3 million for the first six months of 2004 and 2003, respectively. Diluted earnings per share for the six months ended June 30, 2004 was \$1.18 compared to \$1.19 during the first six months of 2003.

Six months  
ended June 30,

	2004	2003
	(Dollars, except per share amounts, and shares in thousands)	
Operating income	\$ 373,468	373,154
Interest expense	(105,632)	(111,549)
Income from unconsolidated cellular entity	4,185	3,159
Other income (expense)	(1,507)	42
Income tax expense	(103,951)	(93,520)
Net income	\$ 166,563	171,286
Basic earnings per share	\$ 1.19	1.20
Diluted earnings per share	\$ 1.18	1.19
Average basic shares outstanding	140,325	143,109
Average diluted shares outstanding	141,118	144,136

Operating income increased \$314,000 (0.1%) as a \$32.5 million (2.8%) increase in operating revenues was substantially offset by a \$32.2 million (4.1%) increase in operating expenses.

As previously disclosed, the Company anticipates its net income for 2004 will be lower than 2003 as a result of (i) lower intrastate toll usage, (ii) lower Universal Service Fund revenues, (iii) declines in access lines, (iv) incremental amortization and operating expenses related to the development of its new billing and customer care system, and (v) an increase in its effective income tax rate. See below for additional information.

#### Operating Revenues

	Six months ended June 30,	
	2004	2003
	(Dollars in thousands)	
Local service	\$ 358,200	355,373
Network access	486,472	494,550
Long distance	90,316	85,761
Data	133,797	118,808
Fiber transport and CLEC	35,753	14,931
Other	92,721	95,320
	\$ 1,197,259	1,164,743

The \$2.8 million (0.8%) increase in local service revenues is primarily due a \$6.3 million increase due to the provision of custom calling features to more customers which was partially offset by a \$3.3 million decrease due to a decline in the number of access lines.

Access lines declined 25,600 (1.1%) during the first six months of 2004 compared to a decline of 11,200 (0.5%) in the first six months of 2003. The Company believes the decline in the number of access lines during 2004 and 2003 is primarily due to the displacement of traditional wireline telephone services by other competitive services, including the Company's DSL product offering. Based on current conditions, the Company expects access lines to decline approximately 2% in 2004.

Network access revenues decreased \$8.1 million (1.6%) in the first six months of 2004 primarily due to a \$7.1 million decrease in intrastate revenues due to a reduction in intrastate minutes (partially due to the displacement of minutes by wireless and electronic mail services). The Company believes that intrastate minutes will continue to decline in 2004, although the magnitude of such decrease is uncertain. The decline in network access revenues was also impacted by a \$5.3 million decrease in revenues from the federal Universal Service Fund primarily due to an increase in the nationwide average cost per loop factor used by the FCC to allocate funds among all recipients. Such decreases were partially offset by a \$4.6 million increase in revenues attributable to the recognition of prior year interstate access revenues (see Three Months June 30, 2004 compared to Three Months June 30, 2003 - Operating Revenues for additional information).

The \$4.6 million (5.3%) increase in long distance revenues was due to growth in the Company's retail long distance operations. A \$10.0 million revenue increase due to an increase in the number of long distance lines served and increased minutes of use was partially offset by a \$5.4 million decrease caused by lower average rates charged by the Company. The number of long distance lines operated by the Company as of June 30, 2004 and 2003 was 1,013,400 and 882,800, respectively. Effective in the first quarter of 2004, the Company changed its methodology

of reporting long distance units from a customer-based count to a line-based count. Prior periods have been restated to conform to the 2004 presentation.

Data revenues increased \$15.0 million (12.6%) due primarily to a \$9.6 million increase in Internet revenues due to growth in the number of customers, principally due to the expansion of the Company's DSL product offering, and a \$4.6 million increase in special access revenues due to an increase in the number of special circuits.

Fiber transport and CLEC revenues increased \$20.8 million (139.5%), substantially all of which is attributable to the Company's acquisitions of fiber transport assets (which are operated under the name LightCore) in June and December 2003.

Other revenues decreased \$2.6 million (2.7%) during the first six months of 2004 primarily due to a \$4.3 million decrease in directory revenues due to the expiration of the Company's rights to share in the revenues of yellow-page books published in certain markets acquired from Verizon Communications, Inc. in 2002.

## Operating Expenses

	Six months ended June 30,	
	2004	2003
	(Dollars in thousands)	
Cost of services and products (exclusive of depreciation and amortization)	\$ 371,775	361,820
Selling, general and administrative	194,273	178,339
Depreciation and amortization	257,743	251,430
	\$ 823,791	791,589

Cost of services and products increased \$10.0 million (2.8%) primarily due to (i) a \$9.6 million increase in expenses associated with operating the Company's fiber transport assets acquired in June and December 2003; (ii) a \$5.4 million increase in plant operations expenses; (iii) a \$4.5 million increase in expenses associated with the Company's Internet operations due to an increase in the number of customers; (iv) a \$3.4 million increase in customer service and retention related expenses; and (v) a \$1.2 million increase in salaries and benefits. Such increases were substantially offset by an \$8.8 million decrease in access expenses (which included a one-time credit of \$3.1 million recorded in the first six months of 2004) and a \$6.8 million decrease in the cost of providing retail long distance service primarily due to a decrease in the average cost per minute of use and a decrease in circuit costs.

Selling, general and administrative expenses increased \$15.9 million (8.9%) primarily due to (i) a nonrecurring \$5.0 million reduction in bad debt expense recorded in the first quarter of 2003 due to the partial recovery of amounts previously written off related to the bankruptcy of MCI (formerly WorldCom); (ii) a \$5.7 million increase in salaries and benefits; (iii) a \$3.5 million increase in expenses associated with the Company's LightCore operations; and (iv) a \$4.8 million increase in marketing expenses. Such increases were partially offset by a \$6.7 million decrease in bad debt expense during the first six months of 2004 (exclusive of the MCI recovery mentioned above).

Depreciation and amortization increased \$6.3 million (2.5%) due to a \$3.1 million adjustment related to depreciation of fixed assets related to the Company's new billing system, a \$2.3 million increase due to higher levels of plant in service and a \$2.1 million increase in depreciation due to the assets acquired in connection with the Company's LightCore operations.

## Interest Expense

Interest expense decreased \$5.9 million (5.3%) in the first six months of 2004 compared to the first six months of 2003 due primarily to a decrease in average debt outstanding.

## Other Income (Expense)

Other income (expense) was \$1.5 million of expense for the first six months of 2004, compared to \$42,000 of income for the first six months of 2003. The first six months of 2004 included a \$3.6 million prepayment expense paid in connection with the redemption of \$100 million aggregate principal amount of the Company's Series B senior notes in May 2004. Such expense was partially offset by a \$1.2 million increase in interest income due to higher cash balances.

## Income Tax Expense

The effective income tax rate from continuing operations was 38.4% and 35.3% for the six months ended June 30, 2004 and 2003, respectively. The increase in the effective income tax rate in 2004 is due to an increase in the Company's effective state income tax rate.



## LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities was \$503.4 million during the first six months of 2004 compared to \$579.1 million during the first six months of 2003. 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 operations of the Company, see Results of Operations.

Net cash used in investing activities was \$157.1 million and \$190.3 million for the six months ended June 30, 2004 and 2003, respectively. Payments for property, plant and equipment were \$156.0 million in the first six months of 2004 compared to \$154.3 million during the first six months of 2003. Budgeted capital expenditures for 2004 total \$400 million. In June 2003, the Company acquired the assets of a fiber transport business for \$39.4 million cash (of which \$35.6 million was paid at acquisition and the remainder was previously paid as a deposit in 2002).

Net cash used in financing activities was \$453.1 million during the first six months of 2004 compared to \$368.1 million during the first six months of 2003. The Company repurchased 9.9 million shares of common stock for \$283.9 million in the first six months of 2004 in accordance with its \$400 million stock repurchase program approved in February 2004. See Part II, Item 2, of this quarterly report for additional information. Payments of debt were \$235.2 million less during the first six months of 2004 compared to the first six months of 2003. In May 2004, the Company prepaid its \$100 million, 8.25%, Series B senior notes, due 2024. The Company incurred a \$4.6 million pre-tax expense (a \$3.6 million prepayment premium and a \$1.0 million write-off of related deferred debt costs) in the second quarter of 2004 associated with this prepayment.

The following table contains certain information concerning the Company's material contractual obligations as of June 30, 2004.

Total contractual obligations	Payments due by period				
	Total	Less than 1 year	1-3 years	4-5 years	After 5 years
(Dollars in thousands)					
Long-term debt, including current maturities and capital lease obligations	\$ 3,005,240	121,456	924,153 (1)	305,424	1,654,207

(1) Includes \$165 million aggregate principal amount of the Company's convertible debentures, Series K, due 2032, which can be put to the Company at various dates beginning in 2006 and \$500 million aggregate principal amount of the Company's senior notes, Series J, due 2007, which the Company is committed to remarket in 2005.

As of June 30, 2004, the Company had \$533 million of undrawn committed bank lines of credit and the Company's telephone subsidiaries had available for use \$123 million of commitments for long-term financing from the Rural Utilities Service and the Rural Telephone Bank. The Company has a commercial paper program that authorizes it to have outstanding up to \$1.5 billion in commercial paper at any one time; however, borrowings are limited to the amount available under its credit facility.. At June 30, 2004, the Company had no commercial paper outstanding under such program. At June 30, 2004, the Company held over \$96 million of cash and cash equivalents.

## OTHER MATTERS

### Accounting for the Effects of Regulation

The Company currently accounts for its regulated telephone operations (except for the properties acquired from Verizon in 2002) in accordance with the provisions of Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"). While the ongoing applicability of SFAS 71 to the Company's regulated 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. SFAS 101 further provides that the carrying amounts of property, plant and equipment are to be adjusted only to the extent the assets are impaired and that impairment shall be judged in the same manner as for nonregulated enterprises.

When and if the Company's regulated operations no longer qualify for the application of SFAS 71, the Company does not expect to record an impairment charge related to the carrying value of the property, plant and equipment of its regulated telephone operations. Additionally, upon the discontinuance of SFAS 71, the Company would be required to revise the lives of its property, plant and equipment to reflect the estimated useful lives of the assets. The Company does not expect such revisions in asset lives, or the elimination of other regulatory assets and liabilities, to have a material unfavorable impact on the Company's results of operations. The Company is in the process of determining the existence of a regulatory liability associated with Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations", including whether or not such regulatory liability can be quantified with reasonable accuracy.

### Development of Billing System

The Company is in the process of developing an integrated billing and customer care system which will provide the Company with, in addition to the billing functionality currently being provided by its legacy system, custom built hardware and software technology for more effective customer care, billing and provisioning. The costs to develop such system have been accounted for in accordance with Statement of Position 98-1, "Accounting for the Costs of Computer Software Developed or Obtained for Internal Use" ("SOP 98-1"). The capitalized costs of the system aggregated \$187.3 million (before accumulated amortization) at June 30, 2004. The Company began amortizing its billing system costs in early 2003 (over a 20-year period) based on the total number of customers migrated to the new system.

The system has required substantially more time and money to develop than originally anticipated. The Company currently expects to complete conversion to the new system in 2004 at an aggregate capitalized cost in accordance with SOP 98-1 of approximately \$200-215 million (exclusive of previously-disclosed write-offs). In addition, the Company expects to incur additional costs in 2004 related to completion of the project, including (i) approximately \$15 million of customer service related and data conversion costs that will be expensed as incurred and (ii) \$10 million of capitalized hardware costs (which will be amortized over a three-year period). The estimates above do not include any amounts for maintenance or on-going support of either the old or new system, and are based on assumptions regarding various future events, several of which are beyond the Company's control. There is no assurance that the system will be completed in accordance with this schedule or budget, or that the system will function as anticipated. If the system does not function as anticipated, the Company may have to write off part or all of its development costs and further explore its other billing and customer care system alternatives.

### Pension and Medical Costs

During the past several years, the Company's employee benefit expenses, including defined benefit pension expenses and pre- and post-retirement medical expenses, have increased due to rising medical costs, the decline of equity markets in recent years and record low interest rates. As a result of continued increases in medical costs, the Company discontinued its practice of subsidizing post-retirement medical benefits for persons hired on or after January 1, 2003. In addition, the Company announced changes, effective January 1, 2004, that would decrease its subsidization of benefits provided under its postretirement medical plan. The amount of the Company's cost savings will be dependent upon several factors, including the age and years of service of the Company's retirees. Pension and medical costs are anticipated to increase between \$2-4 million in 2004 compared to 2003 levels.

### Item 3. CenturyTel, Inc.

## QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company is exposed to market risk from changes in interest rates on its long-term debt obligations. The Company has estimated its market risk using sensitivity analysis. Market risk is defined as the potential change in the fair value of a fixed-rate debt obligation due to a hypothetical adverse change in interest rates. Fair value on long-term debt obligations is determined based on a discounted cash flow analysis, using the rates and maturities of these obligations compared to terms and rates currently available in the long-term financing markets. The results of the sensitivity analysis used to estimate market risk are presented below, although the actual results may differ from these estimates.

At June 30, 2004, the fair value of the Company's long-term debt was estimated to be \$3.3 billion based on the overall weighted average rate of the Company's long-term debt of 6.4% and an overall weighted maturity of 10 years compared to terms and rates currently available in long-term financing markets. Market risk is estimated as the potential decrease in fair value of the Company's long-term debt resulting from a hypothetical increase of 64 basis points in interest rates (ten percent of the Company's overall weighted average borrowing rate). Such an increase in interest rates would result in approximately a \$137.7 million decrease in fair value of the Company's long-term debt at June 30, 2004. As of June 30, 2004, after giving effect to interest rate swaps currently in place, approximately 83% of the Company's long-term debt obligations were fixed rate.

The Company seeks to maintain a favorable mix of fixed and variable rate debt in an effort to limit interest costs and cash flow volatility resulting from changes in rates. From time to time, the Company uses derivative instruments to (i) lock-in or swap its exposure to changing or variable interest rates for fixed interest rates or (ii) to swap obligations to pay fixed interest rates for variable interest rates. The Company has established policies and procedures for risk assessment and the approval, reporting and monitoring of derivative instrument activities. The Company does not hold or issue derivative financial instruments for trading or speculative purposes. Management periodically reviews the Company's exposure to interest rate fluctuations and implements strategies to manage the exposure.

At June 30, 2004, the Company had outstanding four fair value interest rate hedges associated with the full \$500 million aggregate principal amount of its Series L senior notes, due 2012, that pay interest at a fixed rate of 7.875%. These hedges are "fixed to variable" interest rate swaps that effectively convert the Company's fixed rate interest payment obligations under these notes into obligations to pay variable rates that range from the six-month London InterBank Offered Rate ("LIBOR") plus 3.229% to the six-month LIBOR plus 3.67%, with settlement and rate reset dates occurring each six months through the expiration of the hedges in August 2012. At June 30, 2004, the Company realized an average rate under these hedges of 5.5%. Interest expense was reduced by \$6.3 million during the first six months of 2004 as a result of these hedges. The aggregate fair market value of these hedges was \$25.0 million at June 30, 2004 and is reflected both as a liability and as a decrease in the Company's underlying long-term debt on the June 30, 2004 balance sheet. With respect to each of these hedges, market risk is estimated as the potential change in the fair value of the hedge resulting from a hypothetical 10% increase in the forward rates used to determine the fair value. A hypothetical 10% increase in the forward rates would result in an \$18.0 million decrease in the fair value of these hedges at June 30, 2004, and would also increase the Company's interest expense.

Certain shortcomings are inherent in the method of analysis presented in the computation of fair value of financial instruments. Actual values may differ from those presented if market conditions vary from assumptions used in the fair value calculations. The analysis above incorporates only those risk exposures that existed as of June 30, 2004.

**Item 4.****CONTROLS AND PROCEDURES**

The Company maintains disclosure controls and procedures designed to provide reasonable assurances that information required to be disclosed by the Company in the reports it files under the Securities Exchange Act of 1934 is timely recorded, processed, summarized and reported as required. The Company's Chief Executive Officer, Glen F. Post, III, and the Company's Chief Financial Officer, R. Stewart Ewing, Jr., have evaluated the Company's disclosure controls and procedures as of June 30, 2004. Based on the evaluation, Messrs. Post and Ewing concluded that the Company's disclosure controls and procedures have been effective in providing reasonable assurance that they have been timely alerted of material information required to be filed in this quarterly report. The design of any system of controls is based in part upon certain assumptions about the likelihood of future events and contingencies, and there can be no assurance that any design will succeed in achieving its stated goals.

## PART II. OTHER INFORMATION

### CenturyTel, Inc.

#### Item 1. Legal Proceedings

For information on the Company's legal proceedings, see footnote 7 to the Company's financial statements included in Item 1 of Part I of this quarterly report.

#### Item 2. Changes in Securities, Use of Proceeds and Issuer

##### Purchases of Equity Securities

On February 3, 2004, the Company announced that its board of directors approved a repurchase program that authorizes the Company to repurchase up to an aggregate of \$400 million of either its common stock or equity units prior to December 31, 2005. The following table reflects the Company's repurchases of its common stock during the second quarter of 2004, all of which were effected in open-market transactions in accordance with the above-described program.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
April 1 - April 30, 2004	644,000	\$ 27.38	644,000	\$ 243,233,143
May 1 - May 31, 2004	280,100	\$ 29.68	280,100	\$ 234,920,525
June 1 - June 30, 2004	3,996,600	\$ 29.66	3,996,600	\$ 116,366,731
	-----		-----	
Total	4,920,700	\$ 29.37	4,920,700	\$ 116,366,731
	=====		=====	

The Company did not repurchase any of its equity units during the second quarter of 2004.

As part of its repurchase program, in March 2004 the Company entered into a purchase plan with a broker in accordance with Rule 10b5-1 issued under the Securities Exchange Act of 1934. This plan authorizes the broker to effect repurchases under the repurchase program on the Company's behalf during the Company's self-imposed trading "blackout periods" prior to its quarterly earnings announcements, provided that the terms and conditions in the plan are met. Unless terminated earlier, the 10b5-1 plan will lapse December 31, 2004, subject to extension by the parties.

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

At the Company's annual meeting of shareholders on May 6, 2004, the shareholders elected four Class I directors to serve until the 2007 annual meeting of shareholders and until their successors are duly elected and qualified.

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

Class I Nominees	For	Withheld
-----	-----	-----
William R. Boles, Jr.	176,935,791	21,061,739
W. Bruce Hanks	182,192,051	15,805,479
C.G. Melville, Jr.	187,942,221	10,055,309
Glen F. Post, III	185,329,694	12,667,836

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

Class II	Class III
-----	-----
Virginia Boulet	Fred R. Nichols
Calvin Czeschin	Harvey P. Perry
James B. Gardner	Jim D. Reppond
R.L. Hargrove, Jr.	Joseph R. Zimmel
Johnny Hebert	

The following represents the votes cast by the shareholders to ratify the appointment of KPMG LLP as independent auditor for 2004:

For	186,303,159
Against	9,978,566
Abstain	1,715,805

**Item 6. Exhibits and Reports on Form 8-K**

A. Exhibits

11 Computations of Earnings Per Share.

31.1 Registrant's Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Registrant's Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32 Registrant's Chief Executive Officer and Chief Financial Officer certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

B. Reports on Form 8-K

The following item was reported in the Form 8-K filed April 29, 2004:

**Item 12. Results of Operations and Financial Condition - News**

release announcing first quarter 2004 operating results.

**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 9, 2004*

*/s/ Neil A. Sweasy*

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

**COMPUTATIONS OF EARNINGS PER SHARE**

(UNAUDITED)

	Three months ended June 30,		Six months ended June 30,	
	2004	2003	2004	2003
(Dollars, except per share amounts, and shares in thousands)				
Income (Numerator):				
Net income	\$ 83,284	87,367	166,563	171,286
Dividends applicable to preferred stock	(99)	(99)	(199)	(199)
Net income applicable to common stock	83,185	87,268	166,364	171,087
Dividends applicable to preferred stock	99	99	199	199
Net income as adjusted for purposes of computing diluted earnings per share	\$ 83,284	87,367	166,563	171,286
Shares (Denominator):				
Weighted average number of shares:				
Outstanding during period	138,066	143,423	140,345	143,222
Employee Stock Ownership Plan shares not committed to be released	-	(94)	(20)	(113)
Number of shares for computing basic earnings per share	138,066	143,329	140,325	143,109
Incremental common shares attributable to dilutive securities:				
Shares issuable under convertible securities	435	435	435	435
Shares issuable under stock option plan	388	711	358	592
Number of shares as adjusted for purposes of computing diluted earnings per share	138,889	144,475	141,118	144,136
Basic earnings per share	\$ .60	.61	1.19	1.20
Diluted earnings per share	\$ .60	.60	1.18	1.19

## CERTIFICATIONS

I, Glen F. Post, III, Chairman of the Board and Chief Executive Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenturyTel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee or registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

*Date: August 9, 2004*

*/s/ Glen F. Post, III*

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*Glen F. Post, III*  
*Chairman of the Board and*  
*Chief Executive Officer*



## CERTIFICATIONS

I, R. Stewart Ewing, Jr., Executive Vice President and Chief Financial Officer, certify that:

1. I have reviewed this quarterly report on Form 10-Q of CenturyTel, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods present in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15 (e)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - c) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee or registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2004

/s/ R. Stewart Ewing, Jr.

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

**CenturyTel, Inc.**

August 9, 2004

Securities and Exchange Commission  
450 Fifth Street, NW  
Washington, D.C. 20549

Re: CenturyTel, Inc.

Certification of Contents of Form 10-Q for the quarter ending June 30, 2004 pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Ladies and Gentlemen:

The undersigned, acting in their capacities as the Chief Executive Officer and the Chief Financial Officer of CenturyTel, Inc. (the "Company"), certify that the Form 10-Q for the quarter ended June 30, 2004 of the Company fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and that the information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company for the period covered by such report.

This certification is being furnished as an exhibit to the Form 10-Q solely to comply with the requirements of Section 906 of the Sarbanes-Oxley Act of 2002, Pub. L. No. 107-204, and should not be deemed to be filed with the Securities and Exchange Commission, either as a part of the Form 10-Q or otherwise.

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

*Very truly yours,*

*/s/ Glen F. Post, III*

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*Glen F. Post, III  
Chairman of the Board and  
Chief Executive Officer*

*/s/ R. Stewart Ewing, Jr.*

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