

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):

August 6, 2009

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 2009) 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filed by us under the Securities Act of 1933, as amended, except to the extent that such incorporated information is superceded by information as of a subsequent date that is included in or incorporated by reference into any such registration statement.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 August 6, 2009, we issued a press release announcing our second quarter 2009 consolidated operating results. More complete information on our operating results will be included in our Quarterly Report on Form 10-Q for the period ended June 30, 2009, which we expect to file shortly with the Securities and Exchange Commission. The complete press release is included as Exhibit 99.1.

We completed our acquisition of Embarq Corporation ("Embarq") on July 1, 2009. To assist the investment community in tracking Embarq's financial and operating trends, we are providing selected financial and subscriber information of Embarq for the second quarter of 2009. See Exhibit 99.2 for additional information.

Item 9.01. Financial Statements and Exhibits.

(d) Exhibits.

99.1 Press release dated August 6, 2009 reporting second quarter 2009 operating results.

99.2 Selected financial and operational data related to Embarq Corporation's second quarter 2009 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.

/s/ Neil A. Sweasy

Dated: August 6, 2009

Neil A. Sweasy
Vice President and Controller

NEWS RELEASE

FOR IMMEDIATE RELEASE:

August 6, 2009

FOR MORE INFORMATION CONTACT:

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CenturyLink Reports Second Quarter 2009 Earnings

MONROE, La. . . . CenturyLink (CenturyTel, Inc., NYSE: CTL) announces operating results for second quarter 2009. In connection with the July 1, 2009 merger with Embarq Corporation, CenturyTel began operating under the tradename CenturyLink. Unless otherwise noted herein, the second quarter results discussed in this news release relate solely to legacy CenturyTel, Inc.

- ◆ **Operating revenues, excluding nonrecurring items, decreased 3.4% to \$634.5 million compared to \$657.1 million in second quarter 2008. Reported under GAAP, operating revenues decreased 3.6%.**
- ◆ **Operating cash flow (as defined in the attached financial schedules), excluding nonrecurring items, was \$303.6 million compared to \$318.3 million in second quarter 2008.**
- ◆ **Net income, excluding nonrecurring items, was \$83.3 million compared to \$91.2 million in second quarter 2008. Reported under GAAP, net income declined to \$69.0 million from \$92.2 million in second quarter 2008, primarily due to \$22.5 million of EMBARQ integration costs incurred in second quarter 2009.**
- ◆ **Diluted earnings per share, excluding nonrecurring items, was \$.83 compared to \$.87 in second quarter 2008, while GAAP diluted earnings per share was \$.68 in second quarter 2009 compared to \$.88 in second quarter 2008.**
- ◆ **Free cash flow (as defined in the attached financial schedules), excluding nonrecurring items and \$13.5 million of acquisition related capital expenditures, was \$140.1 million compared to \$162.5 million in second quarter 2008.**

Second Quarter Highlights

(Excluding nonrecurring items reflected in the attached financial schedules)

(In thousands, except per share amounts and subscriber data)

	Quarter Ended 6/30/09	Quarter Ended 6/30/08	% Change
Operating Revenues	\$ 634,469	\$ 657,073	(3.4)%
Operating Cash Flow (1)	\$ 303,593	\$ 318,266	(4.6)%
Net Income (2)	\$ 83,299	\$ 91,162	(8.6)%
Diluted Earnings Per Share	\$.83	\$.87	(4.6)%
Average Diluted Shares Outstanding	99,450	103,999	(4.4)%
Capital Expenditures	\$ 85,305 (3)	\$ 59,659	43.0%
Access Lines	1,933,000	2,077,000	(6.9)%
High-Speed Internet Customers	681,000	607,000	12.2%

- (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) All references to net income contained in this release represent net income attributable to CenturyTel, Inc.
 - (3) Includes \$13.5 million of capital expenditures related to the EMBARQ integration.
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“Our employees did an excellent job of remaining focused on serving our customers while working to complete the EMBARQ acquisition and plan for a successful integration,” Glen F. Post, III, chief executive officer and president, said. “We will continue to focus on increasing our long-term cash flows by driving operating efficiencies and providing compelling product and service bundles to our customers .”

Operating revenues, excluding nonrecurring items, decreased 3.4% to \$634.5 million in second quarter 2009 compared to \$657.1 million in second quarter 2008. Revenue increases of approximately \$17 million were driven primarily by growth in high-speed Internet customers and higher fiber transport revenues. These increases were more than offset by revenue declines of approximately \$39 million primarily attributable to lower access revenues, lower universal service fund receipts and access line losses.

Operating expenses, excluding nonrecurring items, decreased 2.2% to \$459.4 million from \$469.8 million in second quarter 2008, primarily due to lower access expense, marketing costs and depreciation expense that more than offset increased operating costs associated with growth in high-speed Internet customers.

“We continue to experience good demand from our business customers for high bandwidth transport and Ethernet services in spite of the challenging economy,” Post said. “Additionally, the demand for broadband services from our residential and small business customers remained solid as we added more than 16,000 high-speed Internet customers during the quarter and our consumer penetration reached 44%.”

Operating cash flow, excluding nonrecurring items, for second quarter 2009 decreased 4.6% to \$303.6 million from \$318.3 million in second quarter 2008. CenturyLink achieved an operating cash flow margin, excluding nonrecurring items, of 47.8% during the quarter versus 48.4% in second quarter 2008.

Net income, excluding nonrecurring items, was \$83.3 million, an 8.6% decrease from \$91.2 million in second quarter 2008. Diluted earnings per share, excluding nonrecurring items, declined 4.6% to \$.83 in second quarter 2009 compared to \$.87 in second quarter 2008, primarily due to lower operating income, which was partially offset by lower interest expense and the 4.4% reduction in diluted shares outstanding as a result of share repurchases in 2008.

For the first six months of 2009, operating revenues, excluding nonrecurring items, were \$1.270 billion compared to \$1.306 billion during the same period in 2008, a 2.7% decrease. Operating cash flow, excluding nonrecurring items, was \$609.1 million for the first six months of 2009, a 4.4% decrease from the \$637.4 million during the same period a year ago. Net income, excluding nonrecurring items, decreased 6.8% to \$165.2 million from \$177.3 million in 2009, while diluted earnings per share, excluding nonrecurring items, decreased 1.8% to \$1.64 from \$1.67 in 2008.

Under generally accepted accounting principles (GAAP), net income for second quarter 2009 was \$69.0 million compared to \$92.2 million for second quarter 2008. Diluted earnings per share was \$.68 in second quarter 2009 compared to \$.88 in second quarter 2008. Second quarter 2009 results include after-tax charges of \$16.3 million related to the EMBARQ integration and a legal settlement which were partially offset by a \$2.0 million after-tax favorable impact due to the resolution of transaction tax audit issues. Second quarter 2008 results include a net \$1.3 million after-tax charge related to the freeze of our supplemental executive pension plan and a net \$2.3 million benefit primarily related to the resolution of certain income tax audit issues.

For the first six months of 2009, under GAAP, the Company reported net income of \$136.2 million, or \$1.35 per diluted share, compared to net income of \$180.9 million, or \$1.70 per diluted share, for the six months ended June 30, 2008. See the accompanying financial schedules for detail of the Company’s nonrecurring items for the years 2009 and 2008.

“The completion of the EMBARQ transaction positions CenturyLink as a premier communications provider that is financially stronger, more competitive and a leading broadband provider in our markets across 33 states,” Post said. “This merger brings together complementary assets, increased geographic coverage and outstanding employees capable of delivering a broader range of products and services to our customers.”

Outlook. For third quarter 2009, CenturyLink expects total operating revenues of \$1.85 to \$1.89 billion and diluted earnings per share of \$.78 to \$.82. This increase in revenues compared to second quarter 2009 guidance is primarily due to the EMBARQ acquisition which closed July 1, 2009. For the full year 2009, the Company continues to expect diluted earnings per share to be in the range of \$3.20 to \$3.30. CenturyLink expects capital expenditures to be \$525 to \$575 million for the last six months of 2009, which includes capital expenditures for the EMBARQ properties, but excludes one-time capital expenditures associated with the EMBARQ integration. These outlook figures exclude the effects of all nonrecurring items including any future mergers, acquisitions, divestitures, or other similar business transactions. These outlook figures for third quarter also exclude nonrecurring items relating to the EMBARQ merger, including approximately \$135 million of transaction and integration costs, based on current plans and available information.

The Company’s elective filing in September 2008 to operate a majority of its properties under price cap regulation at the interstate level was granted by the Federal Communications Commission and became effective July 1, 2009. As a result, on July 1, 2009, the Company discontinued accounting for certain regulated operating entities under Statement of Financial Accounting Standards No. 71 (“SFAS 71”). Upon the discontinuance of SFAS 71, we expect operating revenues and expenses to decrease approximately \$60 to \$70 million, during each of the next two quarters, primarily due to the elimination of inter-company transactions.

Additionally, as a result of the discontinuance of SFAS 71 and purchase accounting adjustments related to the EMBARQ merger, we expect, based on current estimates and information, quarterly results for each of the next two quarters to be negatively impacted by:

- ◆ Increased depreciation and amortization expense related to amortization of the portion of the purchase price allocated to EMBARQ’s customer base, which will be partially offset by lower depreciation associated with the discontinuance of SFAS 71, the net effect of which is approximately \$20 to \$24 million and
- ◆ Higher retiree benefit and pension related expense recognition of approximately \$12 to \$14 million.

These above amounts are subject to change upon finalization of the impact of discontinuing SFAS 71 and the purchase price allocation process. Additional information about the expected impact of the discontinuance of SFAS 71 and the EMBARQ acquisition on our business, future operating results and financial position will be contained in our Quarterly Report on Form 10-Q for the quarter ended June 30, 2009, which we expect to file with the Securities and Exchange Commission on August 7, 2009.

EMBARQ Results. The acquisition of Embarq Corporation was effective July 1, 2009. To assist the investment community in tracking EMBARQ’s financial and operating trends, the Company is providing, separate from CenturyTel’s reported results, selected second quarter 2009 EMBARQ consolidated financial and subscriber information.

For second quarter 2009, EMBARQ’s operating revenues were \$1.325 billion, a 7.9% decline from \$1.439 billion in second quarter 2008, and its operating cash flow was \$664 million, in line with the \$670 million in second quarter 2008. EMBARQ’s operating cash flow margin for second quarter 2009 was 50.1%, a 7.5% increase over the 46.6% operating cash flow margin in second quarter 2008. EMBARQ experienced more than a \$30 million decrease in total operating expenses in second quarter 2009 compared to first quarter 2009, primarily due to approximately \$15 million of favorable one-time items, along with lower bad debt and marketing expenses. Operating expenses in EMBARQ markets are expected to return to more normal run rate levels in the third quarter.

Operating income for second quarter 2009 was \$420 million, in line with the \$424 million for the same period in 2008. Operating income margin was 31.7% for second quarter 2009 versus 29.5% in the year earlier quarter. EMBARQ generated income from continuing operations of \$204 million in the second quarter, in line with the \$202 million for second quarter 2008.

EMBARQ added approximately 12,200 high-speed Internet subscribers during second quarter 2009 and served approximately 1.465 million high-speed Internet subscribers as of June 30, 2009. EMBARQ ended the quarter with approximately 5.389 million access lines in

service, experiencing access line losses of 163,000 lines during the second quarter.

EMBARQ invested approximately \$147 million in capital investments during second quarter 2009 and generated free cash flow (defined as income from continuing operations plus depreciation and amortization less capital expenditures) of more than \$300 million for the quarter.

These results are included in a supplemental schedule attached hereto and are also available on the Company's investor relations Web site at ir.centurytel.com.

Integration Update. CenturyLink now expects to realize approximately \$475 million in synergies versus the \$400 million originally anticipated. The Company continues to expect to complete conversion of EMBARQ's enterprise resource management systems and the initial billing conversion in fourth quarter 2009. The Company's current estimate of post-closing integration costs is approximately \$370 million.

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

Investor Call. As previously announced, CenturyLink's management will host a conference call at 10:30 a.m. Central Time today. Interested parties can access the call by dialing 866.259.6033. The call will be accessible for replay through August 12, 2009, by calling 888.266.2081 and entering the conference ID number 1377919. Investors can also listen to CenturyLink's earnings conference call and replay by accessing the Investor Relations portion of the Company's Web site at www.centurytel.com through August 26, 2009.

Certain non-historical statements made in this release and future oral or written statements or press releases by us or our management are intended to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond our control. Actual results or performance by CenturyLink 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 impact actual results of CenturyLink 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 (including the Federal Communication Commission's proposed rules regarding inter-carrier compensation and the Universal Service Fund described in our recent SEC reports); our ability to effectively adjust to changes in the communications industry; changes in our allocation of the EMBARQ purchase price after the date hereof; our ability to successfully integrate EMBARQ into our operations, including the possibility that the anticipated benefits from the EMBARQ merger cannot be fully realized in a timely manner or at all, or that integrating EMBARQ's operations into ours will be more difficult, disruptive or costly than anticipated; our ability to effectively manage our expansion opportunities, including retaining and hiring key personnel; possible changes in the demand for, or pricing of, our products and services; our ability to successfully introduce new product or service offerings on a timely and cost-effective basis; our continued access to credit markets on favorable terms; our ability to collect our receivables from financially troubled communications companies; our ability to pay a \$2.80 per common share dividend annually, which may be affected by changes in our cash requirements, capital spending plans, cash flows or financial position; unanticipated increases in our capital expenditures; our ability to successfully negotiate collective bargaining agreements on reasonable terms without work stoppages; the effects of adverse weather; other risks referenced from time to time in our filings with 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 business and our plans are described in greater detail in Item 1A to our Form 10-K for the year ended December 31, 2008, as updated and supplemented by our subsequent SEC reports. You should be aware that new factors may emerge from time to time and it is not possible for us to identify all such factors nor can we 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 hereof. We undertake no obligation to update any of our forward-looking statements for any reason, whether as a result of new information, future events or otherwise.

CenturyLink is a leading provider of high-quality voice, broadband and video services over its advanced communications networks to consumers and businesses in 33 states. CenturyLink, headquartered in Monroe, La., is an S&P 500 Company and expects to be listed in the Fortune 500 list of America's largest corporations. For more information on CenturyLink, visit www.centurylink.com.

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CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
THREE MONTHS ENDED JUNE 30, 2009 AND 2008
(UNAUDITED)

	Three months ended June 30, 2009			Three months ended June 30, 2008				
			As			As		
			adjusted			adjusted		
	Less	excluding	Less	excluding	Less	excluding	Increase	(decrease)
	non-	non-	non-	non-	non-	non-	Increase	excluding
	recurring	recurring	recurring	recurring	recurring	recurring	(decrease)	nonrecurring
							as	
	As			As			reported	items
	reported	items	items	reported	items	items	reported	items
<i>In thousands, except per share amounts</i>								
OPERATING REVENUES								
Voice	\$ 207,603		207,603	219,901		219,901	(5.6%)	(5.6%)
Network access	190,366		190,366	207,904	1,012 (4)	206,892	(8.4%)	(8.0%)
Data	142,923		142,923	131,060	21 (4)	131,039	9.1%	9.1%
Fiber transport and CLEC	41,764		41,764	43,166		43,166	(3.2%)	(3.2%)
Other	51,813		51,813	56,075		56,075	(7.6%)	(7.6%)
	<u>634,469</u>	<u>-</u>	<u>634,469</u>	<u>658,106</u>	<u>1,033</u>	<u>657,073</u>	<u>(3.6%)</u>	<u>(3.4%)</u>
OPERATING EXPENSES								
Cost of services and products	235,732		235,732	239,626		239,626	(1.6%)	(1.6%)
Selling, general and administrative	120,742	25,598 (1)	95,144	106,836	7,655 (4)	99,181	13.0%	(4.1%)
Depreciation and amortization	128,552		128,552	130,954		130,954	(1.8%)	(1.8%)
	<u>485,026</u>	<u>25,598</u>	<u>459,428</u>	<u>477,416</u>	<u>7,655</u>	<u>469,761</u>	<u>1.6%</u>	<u>(2.2%)</u>
OPERATING INCOME	149,443	(25,598)	175,041	180,690	(6,622)	187,312	(17.3%)	(6.6%)
OTHER INCOME (EXPENSE)								
Interest expense	(44,937)	1,700 (2)	(46,637)	(49,166)		(49,166)	(8.6%)	(5.1%)
Other income (expense)	7,635	1,600 (2)	6,035	13,204	5,425 (5)	7,779	(42.2%)	(22.4%)
Income tax expense	<u>(42,813)</u>	<u>8,029 (3)</u>	<u>(50,842)</u>	<u>(52,264)</u>	<u>2,202 (6)</u>	<u>(54,466)</u>	<u>(18.1%)</u>	<u>(6.7%)</u>
NET INCOME	69,328	(14,269)	83,597	92,464	1,005	91,459	(25.0%)	(8.6%)
Less: Net income attributable to noncontrolling interests	<u>(298)</u>		<u>(298)</u>	<u>(297)</u>		<u>(297)</u>	0.3%	0.3%
NET INCOME ATTRIBUTABLE TO CENTURYTEL, INC.	<u>\$ 69,030</u>	<u>(14,269)</u>	<u>83,299</u>	<u>92,167</u>	<u>1,005</u>	<u>91,162</u>	<u>(25.1%)</u>	<u>(8.6%)</u>
BASIC EARNINGS PER SHARE								
	\$ 0.68	(0.14)	0.83	0.88	0.01	0.87	(22.7%)	(4.6%)
DILUTED EARNINGS PER SHARE								
	\$ 0.68	(0.14)	0.83	0.88	0.01	0.87	(22.7%)	(4.6%)

OUTSTANDING

Basic	99,414	99,414	103,644	103,644	(4.1%)	(4.1%)
Diluted	99,450	99,450	103,999	103,999	(4.4%)	(4.4%)

DIVIDENDS PER COMMON

SHARE	\$ 0.7000	0.7000	0.0675	0.0675	937.0%	937.0%
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NONRECURRING ITEMS

(1) - Includes integration costs associated with the acquisition of EMBARQ (\$22.5 million) and costs associated with a legal settlement (\$3.1 million).

(2) - Favorable resolution of transaction tax audit issues related to our wireless operations sold in 2002.

(3) - Tax effect of items (1) and (2).

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

(5) - 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).

(6) - Includes \$448,000 net income tax benefit related to items (4) and (5) and \$1.8 million income tax benefit recorded upon resolution of certain income tax audit issues.

CenturyTel, Inc.
CONSOLIDATED STATEMENTS OF INCOME
SIX MONTHS ENDED JUNE 30, 2009 AND 2008
(UNAUDITED)

	Six months ended June 30, 2009			Six months ended June 30, 2008				
			As adjusted excluding non- recurring			As adjusted excluding non- recurring		Increase (decrease) excluding nonrecurring
	As reported	Less non- recurring items		As reported	Less non- recurring items		Increase (decrease) as reported	
<i>In thousands, except per share amounts</i>								
OPERATING REVENUES								
Voice	\$ 417,521		417,521	440,381		440,381	(5.2%)	(5.2%)
Network access	383,210	1,028 (1)	382,182	416,602	1,012 (6)	415,590	(8.0%)	(8.0%)
Data	282,860		282,860	257,832	21 (6)	257,811	9.7%	9.7%
Fiber transport and CLEC	83,262		83,262	82,799		82,799	0.6%	0.6%
Other	104,001		104,001	109,106		109,106	(4.7%)	(4.7%)
	<u>1,270,854</u>	<u>1,028</u>	<u>1,269,826</u>	<u>1,306,720</u>	<u>1,033</u>	<u>1,305,687</u>	<u>(2.7%)</u>	<u>(2.7%)</u>
OPERATING EXPENSES								
Cost of services and products	470,363		470,363	477,438		477,438	(1.5%)	(1.5%)
Selling, general and administrative	230,587	40,238 (2)	190,349	198,461	7,655 (6)	190,806	16.2%	(0.2%)
Depreciation and amortization	256,124		256,124	266,638		266,638	(3.9%)	(3.9%)
	<u>957,074</u>	<u>40,238</u>	<u>916,836</u>	<u>942,537</u>	<u>7,655</u>	<u>934,882</u>	<u>1.5%</u>	<u>(1.9%)</u>
OPERATING INCOME	313,780	(39,210)	352,990	364,183	(6,622)	370,805	(13.8%)	(4.8%)
OTHER INCOME (EXPENSE)								
Interest expense	(96,969)	1,700 (3)	(98,669)	(99,288)		(99,288)	(2.3%)	(0.6%)
Other income (expense)	5,817	(6,400)(4)	12,217	21,867	9,561 (7)	12,306	(73.4%)	(0.7%)
Income tax expense	<u>(85,920)</u>	<u>14,897 (5)</u>	<u>(100,817)</u>	<u>(105,292)</u>	<u>655 (8)</u>	<u>(105,947)</u>	<u>(18.4%)</u>	<u>(4.8%)</u>
NET INCOME	136,708	(29,013)	165,721	181,470	3,594	177,876	(24.7%)	(6.8%)
Less: Net income attributable to noncontrolling interests	<u>(524)</u>		<u>(524)</u>	<u>(543)</u>		<u>(543)</u>	<u>(3.5%)</u>	<u>(3.5%)</u>
NET INCOME ATTRIBUTABLE TO								
CENTURYTEL, INC.	<u>\$ 136,184</u>	<u>(29,013)</u>	<u>165,197</u>	<u>180,927</u>	<u>3,594</u>	<u>177,333</u>	(24.7%)	(6.8%)
BASIC EARNINGS PER SHARE								
DILUTED EARNINGS PER SHARE	\$ 1.35	(0.29)	1.64	1.71	0.03	1.67	(21.1%)	(1.8%)
	\$ 1.35	(0.29)	1.64	1.70	0.03	1.67	(20.6%)	(1.8%)
AVERAGE SHARES OUTSTANDING								
Basic	99,270		99,270	104,893		104,893	(5.4%)	(5.4%)

Diluted	99,297	99,297	105,337	105,337	(5.7%)	(5.7%)
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DIVIDENDS PER COMMON SHARE						
	\$ 1.4000	1.4000	0.135	0.135	937.0%	937.0%

NONRECURRING ITEMS

- (1) - Revenue impact of settlement loss related to Supplemental Executive Retirement Plan.
- (2) - Includes integration costs associated with the acquisition of EMBARQ (\$29.4 million), settlement loss related to Supplemental Executive Retirement Plan (\$7.7 million) and costs associated with a legal settlement (\$3.1 million).
- (3) - Favorable resolution of transaction tax audit issues related to our wireless operation sold in 2002.
- (4) - Includes costs associated with terminating our \$800 million bridge credit facility related to the EMBARQ acquisition (\$8.0 million) net of favorable resolution of transaction tax audit issues (\$1.6 million).
- (5) - Includes \$5.8 million income tax benefit caused by a reduction to our deferred tax asset valuation allowance and \$15.8 million income tax benefit related to items (1) through (4); net of \$6.7 million income tax expense due to the nondeductible portion of settlement payments related to the Supplemental Executive Retirement Plan.
- (6) - Curtailment loss related to Supplemental Executive Retirement Plan, including revenue impact.
- (7) - Gain on the sale of a nonoperating investment (\$4.1 million), gain upon liquidation of Supplemental Executive Retirement Plan trust assets (\$4.5 million), and interest income recorded upon the resolution of certain income tax audit issues (\$919,000).
- (8) - Includes \$1.1 million net income tax expense related to items (6) and (7) and \$1.8 million income tax benefit recorded upon resolution of certain income tax audit issues.

CenturyTel, Inc.
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2009 AND DECEMBER 31, 2008
(UNAUDITED)

	June 30, 2009	December 31, 2008
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 59,144	243,327
Other current assets	261,159	312,080
Total current assets	320,303	555,407
NET PROPERTY, PLANT AND EQUIPMENT		
Property, plant and equipment	8,974,039	8,868,451
Accumulated depreciation	(6,187,829)	(5,972,559)
Net property, plant and equipment	2,786,210	2,895,892
GOODWILL AND OTHER ASSETS		
Goodwill	4,015,674	4,015,674
Other	764,513	787,222
Total goodwill and other assets	4,780,187	4,802,896
TOTAL ASSETS		
	\$ 7,886,700	8,254,195
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 19,924	20,407
Other current liabilities	427,493	437,983
Total current liabilities	447,417	458,390
LONG-TERM DEBT		
	2,899,936	3,294,119
DEFERRED CREDITS AND OTHER LIABILITIES		
	1,353,025	1,333,878
STOCKHOLDERS' EQUITY		
	3,186,322	3,167,808
TOTAL LIABILITIES AND EQUITY		
	\$ 7,886,700	8,254,195

CenturyTel, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)

	Three months ended June 30, 2009			Three months ended June 30, 2008		
	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>						
Operating cash flow and cash flow margin						
Operating income	\$ 149,443	(25,598) (1)	175,041	180,690	(6,622) (3)	187,312
Add: Depreciation and amortization	128,552		128,552	130,954		130,954
Operating cash flow	<u>\$ 277,995</u>	<u>(25,598)</u>	<u>303,593</u>	<u>311,644</u>	<u>(6,622)</u>	<u>318,266</u>
Revenues	<u>\$ 634,469</u>		<u>634,469</u>	<u>658,106</u>	<u>1,033</u> (3)	<u>657,073</u>
Operating income margin (operating income divided by revenues)	<u>23.6%</u>		<u>27.6%</u>	<u>27.5%</u>		<u>28.5%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>43.8%</u>		<u>47.8%</u>	<u>47.4%</u>		<u>48.4%</u>
Free cash flow (prior to debt service requirements and dividends)						
Net income	\$ 69,030	(14,269) (2)	83,299	92,167	1,005 (4)	91,162
Add: Depreciation and amortization	128,552		128,552	130,954		130,954
Less: Capital expenditures	<u>(85,305)</u>		<u>(85,305)</u> (5)	<u>(59,659)</u>		<u>(59,659)</u>
Free cash flow	<u>\$ 112,277</u>	<u>(14,269)</u>	<u>126,546</u>	<u>163,462</u>	<u>1,005</u>	<u>162,457</u>
Free cash flow	\$ 112,277			163,462		
Gain on liquidation of marketable securities	-			(4,505)		
Deferred income taxes	8,582			5,068		
Changes in current assets and current liabilities	30,591			(44,749)		
Decrease in other noncurrent assets	2,848			3,043		
Decrease in other noncurrent liabilities	(2,044)			(2,689)		
Retirement benefits	8,960			12,728		
Excess tax benefits from share-based compensation	(418)			(55)		
Other, net	5,937			4,815		
Add: Capital expenditures	<u>85,305</u>			<u>59,659</u>		
Net cash provided by operating activities	<u>\$ 252,038</u>			<u>196,777</u>		

NONRECURRING ITEMS

(1) - Includes integration costs associated with the acquisition of EMBARQ (\$22.5 million) and costs associated with a legal settlement (\$3.1 million).

(2) - Includes after-tax impact of integration costs associated with the acquisition of EMBARQ (\$14.4 million) and the after-tax impact of a legal settlement (\$1.9 million),
net of after-tax favorable impact due to the resolution of transaction tax audit issues related to our wireless operations sold in 2002 (\$2.0 million).

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

(4) - Includes after-tax impact of gain upon liquidation of Supplemental Executive Retirement Plan trust assets (\$2.8 million) and net benefit due to the resolution of
certain income tax audit issues (\$2.3 million), net of the after-tax impact of Item (3) (\$4.1 million).

(5) - Includes \$13.5 million of capital expenditures related to the integration of EMBARQ. Excluding these costs, free cash flow was \$140.1 million for the three months ended June 30, 2009.

CenturyTel, Inc.

RECONCILIATION OF NON-GAAP FINANCIAL MEASURES (UNAUDITED)

<i>In thousands</i>	Six months ended June 30, 2009			Six months ended June 30, 2008		
	As reported	Less non-recurring items	As adjusted excluding non-recurring items	As reported	Less non-recurring items	As adjusted excluding non-recurring items
Operating cash flow and cash flow margin						
Operating income	\$ 313,780	(39,210) (1)	352,990	364,183	(6,622) (4)	370,805
Add: Depreciation and amortization	256,124		256,124	266,638		266,638
Operating cash flow	<u>\$ 569,904</u>	<u>(39,210)</u>	<u>609,114</u>	<u>630,821</u>	<u>(6,622)</u>	<u>637,443</u>
Revenues	<u>\$ 1,270,854</u>	<u>1,028</u> (2)	<u>1,269,826</u>	<u>1,306,720</u>	<u>1,033</u> (4)	<u>1,305,687</u>
Operating income margin (operating income divided by revenues)	<u>24.7%</u>		<u>27.8%</u>	<u>27.9%</u>		<u>28.4%</u>
Operating cash flow margin (operating cash flow divided by revenues)	<u>44.8%</u>		<u>48.0%</u>	<u>48.3%</u>		<u>48.8%</u>
Free cash flow (prior to debt service requirements and dividends)						
Net income	\$ 136,184	(29,013) (3)	165,197	180,927	3,594 (5)	177,333
Add: Depreciation and amortization	256,124		256,124	266,638		266,638
Less: Capital expenditures	(130,801)		(130,801) (6)	(114,398)		(114,398)
Free cash flow	<u>\$ 261,507</u>	<u>(29,013)</u>	<u>290,520</u>	<u>333,167</u>	<u>3,594</u>	<u>329,573</u>
Free cash flow	\$ 261,507			333,167		
Gain on asset dispositions and liquidation of marketable securities	-			(8,641)		
Deferred income taxes	25,831			13,425		
Changes in current assets and current liabilities	63,622			(57,026)		
Decrease in other noncurrent assets	2,542			2,254		
Decrease in other noncurrent						

liabilities	(4,823)	(5,479)
Retirement benefits	(14,537)	18,202
Excess tax benefits from share-based compensation	(753)	(74)
Other, net	18,015	16,761
Add: Capital expenditures	<u>130,801</u>	<u>114,398</u>
Net cash provided by operating activities	<u>\$ 482,205</u>	<u>426,987</u>

NONRECURRING ITEMS

(1) - Includes (i) integration costs associated with the acquisition of EMBARQ (\$29.4 million); (ii) settlement loss related to Supplemental Executive Retirement Plan, including revenue impact (\$6.7 million); and (iii) costs associated with a legal settlement (\$3.1 million).

(2) - Revenue impact of settlement loss related to Supplemental Executive Retirement Plan.

(3) - Includes (i) \$19.1 million after-tax impact of integration costs associated with the acquisition of EMBARQ; (ii) \$6.7 million income tax expense due to the nondeductible portion of settlement payments related to the Supplemental Executive Retirement Plan; (iii) \$5.0 million after-tax charge associated with terminating our \$800 million bridge credit facility related to the EMBARQ acquisition; (iv) \$4.1 million after-tax impact of settlement loss related to Supplemental Executive Retirement Plan, including revenue impact; and (v) after-tax impact of a legal settlement (\$1.9 million). These unfavorable items were partially offset by \$5.8 million income tax benefit caused by a reduction to our deferred tax asset valuation allowance and \$2.0 million after-tax favorable impact due to the resolution of transaction tax audit issues related to our wireless operations sold in 2002.

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

(5) - Includes (i) after-tax impact of gain upon liquidation of Supplemental Executive Retirement Plan trust assets (\$2.8 million); (ii) after-tax impact of gain on sale of nonoperating investment (\$2.6 million); and (iii) net benefit due to the resolution of certain income tax audit issues (\$2.3 million), all partially offset by the after-tax impact of Item (4) (\$4.1 million).

(6) - Includes \$19.9 million of capital expenditures related to the integration of EMBARQ. Excluding these costs, free cash flow was \$310.4 million for the six months ended June 30, 2009.

Embarq Corporation
SELECTED FINANCIAL AND SUBSCRIBER DATA
(UNAUDITED)

	Three months ended June 30, 2009	Three months ended June 30, 2008
	(Dollars in millions)	
OPERATING REVENUES	\$ 1,325	1,439
OPERATING EXPENSES		
Cost of services and products	358	414
Selling, general and administrative	303	355
Depreciation	244	246
	<u>905</u>	<u>1,015</u>
OPERATING INCOME	420	424
OTHER INCOME (EXPENSE)		
Interest expense	(90)	(101)
Other income (expense)	(1)	1
Income tax expense	<u>(125)</u>	<u>(122)</u>
INCOME FROM CONTINUING OPERATIONS	<u>\$ 204</u>	<u>202</u>
Operating cash flow (operating income plus depreciation)	\$ 664	670
Free cash flow (income from continuing operations plus depreciation minus capital expenditures)	\$ 301	267
Operating cash flow margin (operating cash flow divided by revenues)	50.1%	46.6%
Operating income margin (operating income divided by revenues)	31.7%	29.5%
CAPITAL EXPENDITURES	\$ 147	181
LONG-TERM DEBT (as of June 30, 2009)	\$ 5,056	
SUBSCRIBER DATA (as of June 30, 2009 and 2008)		
Access lines (in thousands)	5,389	6,022
High-speed Internet lines (in thousands)	1,465	1,364