CENTURYTEL INC
Form 10-Q
November 14, 2003

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended September 30, 2003

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

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.

[X] Yes [ ] No

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

[X] Yes [ ] No

As of October 31, 2003, there were 144,205,973 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 September 30,		end
	2003	2002	200
	(Dollars, except per share a and shares in thousands		
OPERATING REVENUES			
Telephone	$ 521,439	460,935	1,547,7
Other	82,313	63,562	226,6
Total operating revenues	603,752	524,497	1,774,4
OPERATING EXPENSES			
Cost of sales and operating expenses (exclusive of depreciation and amortization)	296,114	257,924	858,8
Corporate overhead costs allocable to			

discontinued operations (See Note 4)		-	1,343	
Depreciation and amortization		116,857	107,514	351,6
Total operating expenses		412,971	366,781	1,210,4
OPERATING INCOME		190,781	157,716	563,9
OTHER INCOME (EXPENSE)				
Interest expense		(54,360)	(60,021)	(165,9
Income from unconsolidated cellular entity		1,736	1,492	4,8
Nonrecurring gains and losses		-	-	
Other income and expense		(1,076)	(573)	(1,0
Total other income (expense)		(53,700)	(59,102)	(162,0
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAX EXPENSE		137,081	98,614	401,8
Income tax expense		46,102	34,025	139,6
INCOME FROM CONTINUING OPERATIONS		90,979	64,589	262,2
DISCONTINUED OPERATIONS (See Note 4)				
Income from discontinued operations, net of $248,043 and $284,461 tax		-	543,160	
NET INCOME	$	90,979	607,749	262,2
BASIC EARNINGS PER SHARE				
From continuing operations	$	.63	.46	1.
From discontinued operations	$	-	3.83	
Basic earnings per share	$	.63	4.29	1.
DILUTED EARNINGS PER SHARE				
From continuing operations	$	.63	.45	1.
From discontinued operations	$	-	3.80	
Diluted earnings per share	$	.63	4.26	1.
DIVIDENDS PER COMMON SHARE	$	.055	.0525	.1
AVERAGE BASIC SHARES OUTSTANDING		143,897	141,692	143,3
AVERAGE DILUTED SHARES OUTSTANDING		145,171	142,770	144,4

See accompanying notes to consolidated financial statements.

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

		Three months ended September 30,		end
		2003	2002	200
			(Dollars in thousands	
NET INCOME	$	90,979	607,749	262,2

OTHER COMPREHENSIVE INCOME, NET OF TAX:			
Minimum pension liability adjustment:			
Minimum pension liability adjustment, net of $226 and $(2,236) tax	(420)	-	4,1
Derivative instruments:			
Net losses on derivatives hedging the variability of cash flows, net of ($355), ($36), and ($355) tax	-	(658)	(
Reclassification adjustment for loss included in net income, net of ($487) tax	-	-	9
COMPREHENSIVE INCOME	$ 90,559	607,091	267,2

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

	September 30, 2003
	(Dollars i
ASSETS	
CURRENT ASSETS	
Cash and cash equivalents	$ 157,944
Accounts receivable, less allowance of $23,526 and $33,962	246,344
Materials and supplies, at average cost	9,301
Other	9,412
Total current assets	423,001
NET PROPERTY, PLANT AND EQUIPMENT	3,455,210
INVESTMENTS AND OTHER ASSETS	
Goodwill	3,429,479
Other	504,131
Total investments and other assets	3,933,610
TOTAL ASSETS	$ 7,811,821
LIABILITIES AND EQUITY	
CURRENT LIABILITIES	
Current maturities of long-term debt	$ 115,167
Accounts payable	119,234
Accrued expenses and other liabilities	
Salaries and benefits	82,581
Income taxes	49,965
Other taxes	47,042
Interest	50,868
Other	25,475
Advance billings and customer deposits	44,685

Total current liabilities	535,017
LONG-TERM DEBT	3,119,378
DEFERRED CREDITS AND OTHER LIABILITIES	795,853
STOCKHOLDERS' EQUITY	
Common stock, $1.00 par value, authorized 350,000,000 shares, issued and outstanding 144,176,886 and 142,955,839 shares	144,177
Paid-in capital	566,133
Accumulated other comprehensive loss, net of tax	(31,713)
Retained earnings	2,675,751
Unearned ESOP shares	(750)
Preferred stock - non-redeemable	7,975
Total stockholders' equity	3,361,573
TOTAL LIABILITIES AND EQUITY	$ 7,811,821

See accompanying notes to consolidated financial statements.

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

	ende
	2003
	(Dolla
OPERATING ACTIVITIES FROM CONTINUING OPERATIONS	
Net income	$ 262,265
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations:	
Income from discontinued operations, net of tax	-
Depreciation and amortization	351,660
Income from unconsolidated cellular entity	(4,895)
Deferred income taxes	68,022
Nonrecurring gains and losses	-
Changes in current assets and current liabilities:	
Accounts receivable	27,823
Accounts payable	53,932
Accrued income and other taxes	27,927
Other current assets and other current liabilities, net	18,865
Increase in other noncurrent assets	(18,280)
Increase in other noncurrent liabilities	7,047
Other, net	34,056
Net cash provided by operating activities from continuing operations	828,422
INVESTING ACTIVITIES FROM CONTINUING OPERATIONS	
Payments for property, plant and equipment	(256,459)
Acquisitions, net of cash acquired	(37,945)
Proceeds from sale of assets	-
Distributions from unconsolidated cellular entity	1,104
Other, net	(5,184)

Net cash used in investing activities from continuing operations	(298,484)
FINANCING ACTIVITIES FROM CONTINUING OPERATIONS	
Proceeds from issuance of debt	-
Payments of debt	(406,231)
Proceeds from settlement of interest rate hedge contract	22,315
Proceeds from issuance of common stock	28,911
Cash dividends	(23,986)
Payment of debt issuance costs	-
Payment of equity unit issuance costs	-
Other, net	3,336
Net cash provided by (used in) financing activities from continuing operations	(375,655)
Net cash provided by discontinued operations (See Note 4)	-
Net increase in cash and cash equivalents	154,283
Cash and cash equivalents at beginning of period	3,661
Cash and cash equivalents at end of period	$ 157,944
Supplemental cash flow information:	
Income taxes paid	$ 68,108
Interest paid (net of capitalized interest of $49 and $1,176)	$ 174,037

See accompanying notes to consolidated financial statements.

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

	ende
	2003
	(Dolla
COMMON STOCK	
Balance at beginning of period	$ 142,956
Issuance of common stock through dividend reinvestment, incentive and benefit plans	1,221
Balance at end of period	144,177
PAID-IN CAPITAL	
Balance at beginning of period	537,804
Equity unit issuance costs and contract adjustment payments	-
Issuance of common stock through dividend reinvestment, incentive and benefit plans	27,690
Amortization of unearned compensation and other	639

Balance at end of period	566,133
ACCUMULATED OTHER COMPREHENSIVE LOSS, NET OF TAX	
Balance at beginning of period	(36,703)
Change in other comprehensive loss, net of tax	4,990
Balance at end of period	(31,713)
RETAINED EARNINGS	
Balance at beginning of period	2,437,472
Net income	262,265
Cash dividends declared	
Common stock - $.165 and $.1575 per share, respectively	(23,687)
Preferred stock	(299)
Balance at end of period	2,675,751
UNEARNED ESOP SHARES	
Balance at beginning of period	(1,500)
Release of ESOP shares	750
Balance at end of period	(750)
PREFERRED STOCK - NON-REDEEMABLE	
Balance at beginning and end of period	7,975
TOTAL STOCKHOLDERS' EQUITY	$ 3,361,573

See accompanying notes to consolidated financial statements.

CenturyTel, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
SEPTEMBER 30, 2003
(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 which are made are adequate to make the information presented not misleading. The consolidated financial statements and footnotes included in this Form 10-Q should be read in conjunction with the consolidated financial statements and notes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 2002. Certain 2002 amounts have been reclassified to be consistent with the Company's 2003 presentation.

The unaudited financial information for the three months and nine months ended September 30, 2003 and 2002 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 nine-month periods have been included therein. The results of operations for the first nine months of the year are not necessarily indicative of the results of operations which might be expected for the entire year.

As a result of the Company's August 1, 2002 sale of substantially all of its wireless operations (see Note 4), such operations have been reflected as discontinued operations for the three months and nine months ended September 30, 2002. In its December 31, 2002 consolidated balance sheet, the Company reflected as "assets held for sale" a minority interest in a cellular partnership that it had previously agreed to sell to ALLTEL Corporation upon the satisfaction of various closing conditions. In light of the failure of the parties to agree upon whether the closing conditions were met, the Company determined during the first quarter of 2003 to retain such investment; therefore, for reporting purposes, this investment (and its related earnings) has been reclassified from discontinued operations to continuing operations on the accompanying financial statements as of and for the three months and nine months ended September 30, 2003. Prior periods have been restated to reflect this investment (and its related earnings) as part of continuing operations.

(2) Net Property, Plant and Equipment

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

	Sept. 30, 2003	Dec. 31, 2002
	(Dollars in thousands)	
Telephone, at original cost	$ 6,536,888	6,347,900
Accumulated depreciation	(3,427,401)	(3,136,107)
	3,109,487	3,211,793
Other, at cost	566,045	521,292
Accumulated depreciation	(220,322)	(201,440)
	345,723	319,852
	$ 3,455,210	3,531,645

(3) Acquisitions

On July 1, 2002, the Company completed the acquisition of approximately 300,000 telephone access lines in the state of Alabama from Verizon Communications, Inc. ("Verizon") for approximately $1.022 billion cash. On August 31, 2002, the Company completed the acquisition of approximately 350,000 telephone access lines in the state of Missouri from Verizon for approximately $1.179 billion cash. The assets purchased included (i) telephone access lines and related property and equipment comprising Verizon's local exchange operations in predominantly rural markets throughout Alabama and Missouri, (ii) Verizon's assets used to provide digital subscriber line ("DSL") and other high speed data services within the purchased exchanges and (iii) approximately 2,800 route miles of fiber optic cable within the purchased exchanges. The acquired assets did not include Verizon's cellular, personal communications services ("PCS"), long distance, dial-up Internet, or directory publishing operations, or rights under various Verizon contracts, including those relating to customer premise equipment. The Company did not assume any liabilities of Verizon other than (i) those associated with contracts, facilities and certain other assets transferred in connection with the purchase and (ii) certain employee-related

liabilities, including liabilities for postretirement health benefits.

The following pro forma information represents the consolidated results of continuing operations of the Company for the nine months ended September 30, 2002 as if the Verizon acquisitions had been consummated as of January 1, 2002.

	Nine months ended September 30, 2002
	(Dollars in thousands) (unaudited)
Operating revenues from continuing operations	$ 1,699,540
Income from continuing operations	$ 172,947
Basic earnings per share from continuing operations	$ 1.22
Diluted earnings per share from continuing operations	$ 1.21

The pro forma information is based on various assumptions and estimates. The pro forma information makes no pro forma adjustments to reflect any assumed consummation of the Company's sale of its wireless operations described in Note 4 (or any use of the sale proceeds therefrom) at a date earlier than the actual closing date of August 1, 2002. The pro forma information is not necessarily indicative of the operating results that would have occurred if the Verizon acquisitions had been consummated as of January 1, 2002, nor is it necessarily indicative of future operating results. The pro forma information does not give effect to any potential revenue enhancements or cost synergies or other operating efficiencies that could result from the acquisitions. The actual results of operations of the Verizon properties are included in the consolidated financial statements only from the respective dates of acquisition.

In June 2003, the Company purchased the assets of a fiber transport company for $39.4 million cash (of which $35.6 million was paid at acquisition and the remaining $3.8 million was paid as a deposit in 2002). This acquisition is not expected to have a material effect on the Company's results of operations. The Company agreed in July 2003 to purchase additional fiber transport assets for $20 million, subject to various purchase price adjustments, and hopes to complete this acquisition by the end of the fourth quarter of 2003.

(4) Discontinued Operations

On August 1, 2002, the Company sold substantially all of its wireless operations principally to an affiliate of ALLTEL Corporation for an aggregate of approximately $1.59 billion in cash. As a result, such operations for the three months and nine months ended September 30, 2002 have been reflected as discontinued operations in the Company's consolidated financial statements. Proceeds from the sale of the wireless operations were used to partially fund the Company's acquisitions of telephone properties in Alabama and Missouri during the third quarter of 2002.

The following table represents certain summary income statement information related to the Company's wireless operations reflected as discontinued operations for 2002.

	Three months ended September 30, 2002	Nine months ended September 30, 2002
	(Dollars in thousands)	
Operating revenues	$ 38,012	246,705

Operating income (loss) (1)	$ (15,167)	71,258
Income from unconsolidated cellular entities	3,934	25,770
Minority interest expense	(1,659)	(8,569)
Gain on sale of discontinued operations	803,905	803,905
Other income	190	188
Pre-tax income from discontinued operations	791,203	892,552
Income tax expense	(248,043)	(284,461)
Income from discontinued operations, net of tax	$ 543,160	608,091

(1) Excludes corporate overhead costs of $1.3 million and $11.3 million for the three months and nine months ended September 30, 2002, respectively, allocated to the wireless operations. Includes a $30.5 million pre-tax charge associated with a write-off of all amounts expended to develop the wireless portion of the Company's billing system currently in development.

The following table represents certain summary cash flow statement information related to the Company's wireless operations reflected as discontinued operations for 2002.

	Nine months ended September 30, 2002
	(Dollars in thousands)
Net cash provided by operating activities	$ 57,069
Net cash provided by investing activities	1,572,195
Net cash provided by discontinued operations	$ 1,629,264

(5) Goodwill and Other Intangible Assets

The following information relates to the Company's goodwill as of September 30, 2003 and December 31, 2002:

	Sept. 30, 2003	Dec. 31, 2002
	(Dollars in thousands)	
Carrying amount of goodwill		
Telephone segment	$ 3,384,130	3,382,113
Other operations	45,349	45,168
Total goodwill	$ 3,429,479	3,427,281

The Company completed the annual impairment test of goodwill as of September 30, 2003 and has determined its goodwill is not impaired. The Company also has certain intangible assets that are subject to amortization in accordance with Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS 142"). These intangible assets relate to certain customer base assets acquired in connection with the acquisitions of properties from Verizon in 2002. The gross carrying amount (and accumulated amortization) of these assets was $22.7 million ($1.9 million) as of September 30, 2003 and $22.7 million ($729,000) as of December 31, 2002. Total amortization expense for the first nine months of 2003 was $1.1 million and is expected to be $1.5 million annually for each of the next five years.

In connection with its acquisitions of properties from Verizon in 2002, the Company allocated $35.3 million of the purchase price as an intangible asset associated with franchise costs. Such asset has an indefinite life and is not subject to amortization currently.

(6) 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 to employees 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 recognized in accordance with SFAS 123, the Company's net income and earnings per share on a pro forma basis for the three months and nine months ended September 30, 2003 and 2002 would have been as follows:

	Three months ended September 30,		Nine mo ended Septe
	2003	2002	2003
	(Dollars in thousands, except per share amounts)		
Net income, as reported	$ 90,979	607,749	262,265
Less: Total stock-based employee compensation expense determined under fair value based method, net of tax	$ (3,030)	(3,717)	(9,910)
Pro forma net income	$ 87,949	604,032	252,355
Basic earnings per share			
As reported	$ .63	4.29	1.83
Pro forma	$ .61	4.26	1.76
Diluted earnings per share			
As reported	$ .63	4.26	1.82
Pro forma	$ .61	4.23	1.75

(7) Business Segments

The Company's only separately reportable business segment is its telephone operations. The operating income of this segment is reviewed by the Company's chief operating decision maker to assess performance and make business decisions. Due to the August 1, 2002 sale of the Company's wireless operations, such operations (which were previously reported as a separate segment) are classified as discontinued operations (see Note 4). Other operations include, but are not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier operations and fiber transport operations.

	Three months ended September 30,	en

		2003	2002	20
			(Dollars in thousands	
Operating revenues				
Telephone	$	521,439	460,935	1,547,
Other operations		82,313	63,562	226,
Total operating revenues	$	603,752	524,497	1,774,
Operating income				
Telephone	$	172,643	144,619	518,
Other operations		18,138	14,440	45,
Corporate overhead costs allocable to discontinued operations (See Note 4)		-	(1,343)	
Total operating income	$	190,781	157,716	563,

		Three months ended September 30,		end
		2003	2002	20
			(Dollars in thousands	
Operating income	$	190,781	157,716	563,
Interest expense		(54,360)	(60,021)	(165,
Income from unconsolidated cellular entity		1,736	1,492	4,
Nonrecurring gains and losses		-	-	
Other income and expense		(1,076)	(573)	(1,
Income from continuing operations before income tax expense	$	137,081	98,614	401,

		Sept. 30, 2003	Dec. 31, 2002
		(Dollars in thousands)	
Assets			
Telephone	$	6,812,503	6,962,713
Other operations		999,318	807,695
Total assets	$	7,811,821	7,770,408

(8) Accounting Pronouncements

On January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and be capitalized as part of the book value of the long-lived asset.

Although the Company generally has had no legal obligation to remove obsolete assets, depreciation rates of certain assets established by regulatory authorities for the Company's telephone operations subject to Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"), have historically included a component for removal costs in excess of the related estimated salvage value. Notwithstanding the adoption of SFAS 143, SFAS 71 requires the Company to continue to reflect this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets. For the Company's telephone operations acquired from Verizon in 2002 and its other operations (neither of which are subject to SFAS 71), the Company has not accrued a liability for anticipated removal costs in the past. For these reasons, the adoption of SFAS 143 did not have a material effect on the Company's financial statements.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"), which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have a material impact on the Company's financial condition or results of operations.

(9) Commitments and Contingencies

On December 26, 2001, AT&T Corp. and one of its subsidiaries filed a complaint in the U.S. District Court for the Western District of Washington (Case No. CV0121512) seeking money damages against CenturyTel of the Northwest, Inc. The plaintiffs claimed, among other things, that CenturyTel of the Northwest, Inc. had breached its obligations under a 1994 stock purchase agreement to indemnify the plaintiffs for various environmental costs and damages relating to properties sold to the plaintiffs under such 1994 agreement. During the third quarter of 2003, the Company reached a settlement agreement with the plaintiffs. Such settlement did not have a material effect on the Company's results of operations.

Certain other legal proceedings in which the Company is involved are discussed in Part I, Item 3, of the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and Part II, Item 1, of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003. From time to time, the Company is involved in other litigation incidental to its business, including administrative hearings of state public utility commissions relating primarily to rate making and competition related issues, actions relating to employee claims, occasional grievance hearings before labor regulatory agencies and miscellaneous third party tort actions.

(10) Derivative Instruments

In May 2003, the Company terminated its fair value interest rate hedge associated with $500 million aggregate principal amount of its Series H senior notes, due 2010. In connection with such termination, the Company received approximately $22.3 million in cash upon settlement, which represented the fair value of the hedge at the termination date. Such amount will be amortized as a reduction of interest expense through 2010, the maturity date of the Series H notes.

In May and July 2003, the Company entered into four separate fair value interest rate hedges associated with the full $500 million principal amount of its Series L senior notes, due 2012, that pay interest at a fixed rate of 7.875%. The July 2003 hedges were effective August 15, 2003. 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. As of September 30, 2003, the Company realized a weighted average interest rate of 4.7% related to these hedges. Interest expense was reduced by $4.0 million during the nine months ended September 30, 2003 as a result of these hedges. The aggregate fair value of such hedges at September 30, 2003 was $5.3 million and is reflected on the accompanying balance sheet as both a liability (included in "Deferred credits and other liabilities") and as a decrease to the Company's underlying long-term debt.

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, 2002. The results of operations for the three months and nine months ended September 30, 2003 are not necessarily indicative of the results of operations which might be expected for the entire year.

CenturyTel, Inc. and its subsidiaries (the "Company") is a regional integrated communications company engaged primarily in providing local exchange, long distance, Internet access and data services to customers in 22 states.

On July 1, 2002, the Company acquired the local exchange telephone operations of Verizon Communications, Inc. ("Verizon") in the state of Alabama for approximately $1.022 billion cash. On August 31, 2002, the Company acquired the local exchange telephone operations of Verizon in the state of Missouri for approximately $1.179 billion cash. The results of operations for the Verizon assets acquired are reflected in the Company's consolidated results of operations subsequent to each respective acquisition.

On August 1, 2002, the Company sold substantially all of its wireless operations to an affiliate of ALLTEL Corporation ("Alltel") and certain other purchasers in exchange for an aggregate of approximately $1.59 billion in cash. As a result, the Company's wireless operations for the three months and nine months ended September 30, 2002 have been reflected as discontinued operations on the Company's consolidated statements of income and cash flows. For further information, see the subsections entitled "Discontinued Operations" below.

In addition to historical information, management's discussion and analysis includes certain forward-looking statements regarding events and financial trends that may affect the Company's future operating results and financial position. Such forward-looking statements are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Such uncertainties include but are not limited to: the Company's ability to effectively manage its growth, including integrating newly-acquired businesses into the Company's operations, hiring adequate numbers of qualified staff and successfully upgrading its billing and other information systems; the risks inherent in rapid technological change; the effects of ongoing changes in the regulation of the communications industry; the effects of greater than anticipated competition in the Company's markets; possible changes in the demand for, or pricing of, the Company's products and services; the Company's ability to successfully introduce new product or service offerings on a timely and cost-effective basis; the Company's ability to collect its receivables from financially troubled communications companies; and the effects of more general factors such as changes in interest rates, in general market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the business are described in greater detail in Item 1 to the Company's Annual Report on Form 10-K for the year ended December 31, 2002. You are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. The Company undertakes no obligation to update any of its forward-looking statements for any reason.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2003 Compared to Three Months Ended September 30, 2002

Net income (and diluted earnings per share) was $91.0 million ($.63) and $607.7 million ($4.26) for the third quarter of 2003 and 2002, respectively. Income from continuing operations was $91.0 million for the third quarter of 2003 and $64.6 million for the third quarter of 2002. Diluted earnings per share from continuing operations was $.63 during the third quarter of 2003 compared to $.45 during the third quarter of 2002.

Discontinued operations for the third quarter of 2002 included an $803.9 million pre-tax gain ($3.86 per share) on the sale of assets, substantially all of which relates to the Company's sale of its wireless operations and a $30.5 million pre-tax charge ($.14 per share) attributable to a write-off of the wireless portion of the Company's billing system in development. See Discontinued Operations for additional information.

	Three months ended September 30,	
	2003	2002
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	$ 172,643	144,619
Other	18,138	14,440
Corporate overhead costs allocable to discontinued operations	-	(1,343)
	190,781	157,716
Interest expense	(54,360)	(60,021)
Income from unconsolidated cellular entity	1,736	1,492
Other income and expense	(1,076)	(573)
Income tax expense	(46,102)	(34,025)
Income from continuing operations	90,979	64,589
Discontinued operations, net of tax	-	543,160
Net income	$ 90,979	607,749
Basic earnings per share		
From continuing operations	$ .63	.46
From discontinued operations	$ -	3.83
Basic earnings per share	$ .63	4.29
Diluted earnings per share		
From continuing operations	$ .63	.45
From discontinued operations	$ -	3.80
Diluted earnings per share	$ .63	4.26
Average basic shares outstanding	143,897	141,692
Average diluted shares outstanding	145,171	142,770

Contributions to operating revenues and operating income by the Company's

telephone and other operations for the three months ended September 30, 2003 and 2002 were as follows:

	Three months ended September 30,	
	2003	2002
Operating revenues		
Telephone operations	86.4%	87.9
Other operations	13.6%	12.1
Operating income		
Telephone operations	90.5%	91.7
Other operations	9.5%	9.2
Corporate overhead costs allocable to discontinued operations	-%	(.9)

Telephone Operations

The Company conducts its telephone operations in rural, suburban and small urban communities in 22 states. As of September 30, 2003, approximately 91% of the Company's 2.4 million access lines were in Wisconsin, Missouri, Alabama, Arkansas, Washington, Michigan, Louisiana, Colorado, Ohio and Oregon. The operating revenues, expenses and income of the Company's telephone operations for the three months ended September 30, 2003 and 2002 are summarized below.

	Three months ended September 30,	
	2003	2002
	(Dollars in thousands)	
Operating revenues		
Local service	$ 188,951	169,098
Network access	287,191	249,047
Other	45,297	42,790
	521,439	460,935
Operating expenses		
Plant operations	130,098	117,997
Customer operations	41,101	41,161
Corporate and other	65,931	52,774
Depreciation and amortization	111,666	104,384
	348,796	316,316
Operating income	$ 172,643	144,619

Telephone operating income increased $28.0 million (19.4%) due to an increase in operating revenues of $60.5 million (13.1%) which was partially offset by an increase in operating expenses of $32.5 million (10.3%).

Of the $19.9 million increase in local service revenues, $16.8 million was due to the Missouri properties acquired from Verizon on August 31, 2002 (from which the Company received revenue contribution for all three months during the third quarter of 2003 as opposed to only one month during the third quarter of 2002). Of the remaining $3.1 million increase, $2.2 million was due to increased provision of custom calling features and $1.2 million was due to increased rates in certain jurisdictions.

Network access revenues increased $38.1 million in the third quarter of 2003, of which $25.3 million was due to the Missouri properties acquired from Verizon on August 31, 2002. The remaining $12.8 million increase is primarily due to a (i) $7.6 million pre-tax charge recorded in the third quarter of 2002 related to the Company's refund of access charges to interexchange carriers, (ii) a $3.4 million increase resulting from the revision of prior year revenue settlement agreements and (iii) a $2.5 million increase in the partial recovery of higher operating expenses through revenue sharing arrangements in which the Company participates with other telephone companies.

Other revenues increased $2.5 million during the third quarter of 2003 primarily due to $4.1 million of revenues from the Missouri properties acquired from Verizon on August 31, 2002. Such increase was partially offset by a $1.1 million decrease in directory revenues.

Access lines declined 8,700 (0.36%) during the three months ended September 30, 2003 compared to 4,600 (0.26%) during the three months ended September 30, 2002 (exclusive of acquisitions). The Company believes the decline in the number of access lines during 2003 is primarily due to disconnecting service for non-payment and 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 to incur a decline in access lines of 1 to 2% on an annualized basis for 2003.

Plant operations expenses increased $12.1 million (10.3%), of which $15.9 million was due to the Missouri properties acquired from Verizon on August 31, 2002. Such increase was partially offset by a $1.3 million decrease in engineering expenses and a $1.8 million decrease in repair and maintenance expenses.

Customer operations expenses remained stable in the third quarter of 2003 compared to the third quarter of 2002. A $4.3 million increase in customer operations expenses due to the Missouri properties acquired from Verizon on August 31, 2002 was offset by a $1.9 million decrease in customer service and information technology expenses and a $1.7 million decrease in salaries and benefits.

Corporate and other expenses increased $13.2 million (24.9%) in the third quarter of 2003 compared to the third quarter of 2002, primarily due to $7.1 million of expenses from the Missouri properties acquired from Verizon on August 31, 2002, a $3.1 million increase in information technology expenses largely attributable to the Company's billing project described below under "Other Matters" and a $3.4 million increase in the provision for uncollectible receivables. Such increases were partially offset by a $1.2 million decrease in operating taxes.

Depreciation and amortization increased $7.3 million (7.0%), of which $8.1 million was due to the Missouri properties acquired from Verizon on August 31, 2002.

Other Operations

Other operations include the results of continuing operations of the Company which are not included in the telephone segment including, but not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier ("CLEC") operations and fiber transport operations. In June 2003, the Company acquired the assets of a fiber optic transport business for $39.4 million cash (which the Company operates

under the name LightCore). The operating revenues, expenses and income of the Company's other operations for the three months ended September 30, 2003 and 2002 are summarized below.

	Three months ended September 30,	
	2003	2002
	(Dollars in thousands)	
Operating revenues		
Long distance	$ 45,207	39,592
Internet	20,469	14,996
Other	16,637	8,974
	82,313	63,562
Operating expenses		
Cost of sales and operating expenses	58,984	45,992
Depreciation and amortization	5,191	3,130
	64,175	49,122
Operating income	$ 18,138	14,440

The $5.6 million increase in long distance revenues was primarily attributable to the growth in the number of customers and increased minutes of use ($7.2 million), primarily due to penetration of the markets acquired from Verizon in 2002. Such increase was partially offset by a decrease in the average rate charged by the Company ($1.6 million). The number of long distance customers as of September 30, 2003 and 2002 was 745,200 and 584,900, respectively. Internet revenues increased $5.5 million due primarily to growth in the number of customers, principally due to the expansion of the Company's DSL product offering. Other revenues increased $7.7 million primarily due to $6.8 million of revenues associated with the Company's LightCore operations.

Cost of sales and operating expenses increased $13.0 million primarily due to (i) a $6.2 million increase in expenses associated with the Company's Internet operations due to an increase in the number of customers; (ii) a $4.3 million increase in expenses associated with the Company's LightCore operations and (iii) a $1.7 million increase in expenses associated with the Company's long distance operations (of which $2.2 million was due to increased minutes of use).

Depreciation and amortization increased $2.1 million (65.8%) primarily due to increased depreciation expense in the Company's CLEC and LightCore businesses.

Interest Expense

Interest expense decreased $5.7 million (9.4%) in the third quarter of 2003 compared to the third quarter of 2002 due to decreased average debt outstanding and interest savings achieved through hedging activities.

Income From Unconsolidated Cellular Entity

Income from unconsolidated cellular entity increased $244,000 in the third quarter of 2003 due to increased profitability of the cellular partnership in which the Company owns a 49% minority interest.

Income Tax Expense

The effective income tax rate from continuing operations was 33.6% and 34.5% for the three months ended September 30, 2003 and 2002, respectively. In the third quarter of 2003, the Company recorded a federal income tax benefit of $5.4 million due to the settlement of various issues in connection with the completion of an income tax audit. Such benefit was partially offset by a $5.2 million increase in state income tax expense ($3.4 million net of federal benefit) recorded in the third quarter of 2003 as a result of clarification of an income tax statute in one of the Company's operating states (which expense reflects the retroactive application of the tax to prior quarters).

Discontinued Operations

On August 1, 2002, the Company sold substantially all of its wireless operations in exchange for $1.59 billion in cash. As a result, such operations for the three months ended September 30, 2002 have been reflected as discontinued operations in the Company's consolidated financial statements. The following table summarizes certain information concerning the Company's wireless operations for 2002.

	Three months ended September 30, 2002
	Dollars in thousands)
Operating revenues	$ 38,012
Operating expenses, exclusive of corporate overhead costs	$ (53,179)
Income from unconsolidated cellular entities	$ 3,934
Minority interest expense	$ (1,659)
Gain on sale of discontinued operations	$ 803,905
Other income and (expense)	$ 190
Income tax expense	$ (248,043)
Income from discontinued operations, net of tax	$ 543,160

Included in operating expenses for the three months ended September 30, 2002 is a $30.5 million charge associated with the write-off of all costs expended to develop the wireless portion of the Company's billing system in development.

The Company recorded an $803.9 million pre-tax gain on the sale of substantially all of its wireless business in the third quarter of 2002.

RESULTS OF OPERATIONS

Nine Months Ended September 30, 2003 Compared to Nine Months Ended September 30, 2002

Net income (and diluted earnings per share) was $262.3 million ($1.82) and $757.3 million ($5.31) for the nine months ended September 30, 2003 and 2002, respectively. Income from continuing operations was $262.3 million for the first nine months of 2003 and $149.2 million for the first nine months of 2002. Diluted earnings per share from continuing operations was $1.82 during the nine months ended September 30, 2003 compared to $1.05 during the nine months ended September 30, 2002.

Discontinued operations for the nine months ended September 30, 2002 included an $803.9 million pre-tax gain ($3.86 per share) on the sale of assets,

substantially all of which relates to the Company's sale of its wireless operations and a $30.5 million pre-tax charge ($.14 per share) attributable to a write-off of the wireless portion of the Company's billing system in development. See Discontinued Operations for additional information.

	Nine months ended September 30,	
	2003	2002
	(Dollars, except per share amounts, and shares in thousands)	
Operating income		
Telephone	$ 518,600	366,296
Other	45,335	31,275
Corporate overhead costs allocable to discontinued operations	-	(11,275)
	563,935	386,296
Interest expense	(165,909)	(164,826)
Income from unconsolidated cellular entity	4,895	3,852
Nonrecurring gains and losses	-	3,709
Other income and expense	(1,034)	(356)
Income tax expense	(139,622)	(79,487)
Income from continuing operations	262,265	149,188
Discontinued operations, net of tax	-	608,091
Net income	$ 262,265	757,279
Basic earnings per share		
From continuing operations	$ 1.83	1.05
From discontinued operations	$ -	4.30
Basic earnings per share	$ 1.83	5.36
Diluted earnings per share		
From continuing operations	$ 1.82	1.05
From discontinued operations	$ -	4.26
Diluted earnings per share	$ 1.82	5.31
Average basic shares outstanding	143,370	141,324
Average diluted shares outstanding	144,481	142,710

Contributions to operating revenues and operating income by the Company's telephone and other operations for the nine months ended September 30, 2003 and 2002 were as follows:

	Nine months ended September 30,	
	2003	2002
Operating revenues		
Telephone operations	87.2%	87.6
Other operations	12.8%	12.4

Operating income		
Telephone operations	92.0%	94.8
Other operations	8.0%	8.1
Corporate overhead costs allocable to discontinued operations	-%	(2.9)

Telephone Operations

The Company conducts its telephone operations in rural, suburban and small urban communities in 22 states. As of September 30, 2003, approximately 91% of the Company's 2.4 million access lines were in Wisconsin, Missouri, Alabama, Arkansas, Washington, Michigan, Louisiana, Colorado, Ohio and Oregon. The operating revenues, expenses and income of the Company's telephone operations for the nine months ended September 30, 2003 and 2002 are summarized below.

	Nine months ended September 30,	
	2003	2002
	(Dollars in thousands)	
Operating revenues		
Local service	$ 565,599	418,332
Network access	845,999	686,325
Other	136,191	109,508
	1,547,789	1,214,165
Operating expenses		
Plant operations	378,587	305,230
Customer operations	124,068	103,484
Corporate and other	189,284	155,269
Depreciation and amortization	337,250	283,886
	1,029,189	847,869
Operating income	$ 518,600	366,296

Telephone operating income increased $152.3 million (41.6%) due to an increase in operating revenues of $333.6 million (27.5%) which was partially offset by an increase in operating expenses of $181.3 million (21.4%).

Of the $147.3 million increase in local service revenues, $132.2 million was due to the properties acquired from Verizon in the third quarter of 2002. Of the remaining $15.1 million increase, $6.5 million was due to increased provision of custom calling features and $4.7 million was due to increased rates in certain jurisdictions.

Network access revenues increased $159.7 million in the first nine months of 2003, of which $147.9 million was due to the properties acquired from Verizon in the third quarter of 2002. The remaining $11.8 million increase is primarily due to a (i) $7.6 million pre-tax charge recorded in the third quarter of 2002 related to the Company's refund of access charges to interexchange carriers; (ii) $6.1 million increase resulting from the revision of prior year revenue settlement agreements; (iii) $4.5 million increase in the partial recovery of higher operating expenses through revenue sharing arrangements in which the Company participates with other telephone companies; and (iv) $3.8 million

increase in revenues from the federal Universal Service Fund. Such increases were partially offset by a $8.4 million decrease in intrastate revenues due to (i) a reduction in intrastate minutes (partially due to the displacement of minutes by wireless and instant messaging services) and (ii) decreased access rates in certain jurisdictions.

Other revenues increased $26.7 million during the first nine months of 2003 substantially all of which is due to the properties acquired from Verizon in the third quarter of 2002.

Access lines declined 19,900 (0.8%) during the nine months ended September 30, 2003 compared to a decline of 7,100 (0.39%) during the nine months ended September 30, 2002 (exclusive of acquisitions). The Company believes the decline in the number of access lines during 2003 and 2002 is primarily due to soft general economic conditions in the Company's markets and 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 to incur a decline in access lines of 1 to 2% on an annualized basis for 2003.

Plant operations expenses increased $73.4 million (24.0%), of which $75.0 million was due to the properties acquired from Verizon in the third quarter of 2002; $3.6 million was due to increased access expenses; and $2.7 million was due to increased salaries and benefits. Such increases were partially offset by a $5.0 million decrease in information technology expenses and a $3.0 million decrease in repair and maintenance expenses.

During the nine months ended September 30, 2003 customer operations expenses increased $20.6 million (19.9%), of which $23.8 million was due to the properties acquired from Verizon in the third quarter of 2002. Such increase was partially offset by a $2.2 million decrease in salaries and benefits.

Corporate and other expenses increased $34.0 million (21.9%) primarily due to a $44.0 million increase associated with the properties acquired from Verizon in the third quarter of 2002 and a $5.8 million increase in information technology expenses largely attributable to the Company's billing project described below under "Other Matters". Such increases were partially offset by a $14.3 million decrease in the provision for uncollectible receivables. The first nine months of 2002 were adversely impacted by the establishment of a $15.0 million reserve for uncollectible receivables primarily related to the bankruptcy of MCI (formerly WorldCom, Inc.). The first nine months of 2003 was positively impacted by a $5.0 million reduction in the provision for uncollectible receivables due to the partial recovery of amounts previously written off related to the bankruptcy of MCI.

Depreciation and amortization increased $53.4 million (18.8%), of which $51.9 million was due to the properties acquired from Verizon in the third quarter of 2002. The remaining increase is primarily due to an increase in depreciation expense due to higher levels of plant in service.

Other Operations

Other operations include the results of continuing operations of the Company which are not included in the telephone segment including, but not limited to, the Company's non-regulated long distance operations, Internet operations, competitive local exchange carrier ("CLEC") operations and fiber transport operations. In June 2003, the Company acquired the assets of a fiber optic transport business for $39.4 million cash (which the Company operates under the name LightCore). The operating revenues, expenses and income of the Company's other operations for the nine months ended September 30, 2003 and 2002 are summarized below.

Nine months
ended September 30,

	2003	2002
	(Dollars in thousands)	
Operating revenues		
Long distance	$ 130,968	105,871
Internet	58,345	42,263
Other	37,328	23,818
	226,641	171,952
Operating expenses		
Cost of sales and operating expenses	166,896	130,818
Depreciation and amortization	14,410	9,859
	181,306	140,677
Operating income	$ 45,335	31,275

The $25.1 million increase in long distance revenues was primarily attributable to the growth in the number of customers and increased minutes of use ($28.7 million), primarily due to penetration of the markets acquired from Verizon in 2002. Such increases were partially offset by a decrease in the average rate charged by the Company ($3.6 million). The number of long distance customers as of September 30, 2003 and 2002 was 745,200 and 584,900, respectively. Internet revenues increased $16.1 million due primarily to growth in the number of customers, principally due to the expansion of the Company's DSL product offering. Other revenues increased $13.5 million primarily due to (i) $9.3 million of revenues associated with the Company's LightCore operations and (ii) a $3.1 million increase in revenues in the Company's CLEC business primarily due to an increased number of customers, including those acquired in connection with the purchase of certain CLEC operations on February 28, 2002.

Cost of sales and operating expenses increased $36.1 million primarily due to (i) a $14.0 million increase in expenses associated with the Company's long distance operations (of which $10.3 million was due to increased minutes of use and $1.9 million was due to an increase in marketing expenses); (ii) a $12.6 million increase in expenses associated with the Company's Internet operations due to an increase in the number of customers and (iii) a $5.8 million increase in expenses associated with the Company's LightCore operations.

Depreciation and amortization increased $4.6 million (46.2%) primarily due to increased depreciation expense in the Company's CLEC, Internet and fiber transport businesses (including LightCore).

Income From Unconsolidated Cellular Entity

Income from unconsolidated cellular entity increased $1.0 million in the first nine months of 2003 due to improved profitability of the cellular partnership in which the Company owns a 49% minority interest.

Nonrecurring Gains and Losses

In the second quarter of 2002, the Company recorded a pre-tax gain of $3.7 million from the sale of a Personal Communications Services license.

Income Tax Expense

The effective income tax rate from continuing operations was 34.7% and

34.8% for the nine months ended September 30, 2003 and 2002, respectively. For additional information, see - "Income Tax Expense" in the discussion above of the Company's third quarter results.

Discontinued Operations

On August 1, 2002, the Company sold substantially all of its wireless operations in exchange for $1.59 billion in cash. As a result, such operations for the nine months ended September 30, 2002 have been reflected as discontinued operations in the Company's consolidated financial statements. The following table summarizes certain information concerning the Company's wireless operations for 2002.

	Nine months ended September 30, 2002
	(Dollars in thousands)
Operating revenues	$ 246,705
Operating expenses, exclusive of corporate overhead costs	$ (175,447)
Income from unconsolidated cellular entities	$ 25,770
Minority interest expense	$ (8,569)
Gain on sale of discontinued operations	$ 803,905
Other income	$ 188
Income tax expense	$ (284,461)
Income from discontinued operations, net of tax	$ 608,091

Included in operating expenses for the nine months ended September 30, 2002 is a $30.5 million charge associated with the write-off of all costs expended to develop the wireless portion of the Company's billing system in development.

The Company recorded an $803.9 million pre-tax gain on the sale of substantially all of its wireless business in the third quarter of 2002.

ACCOUNTING PRONOUNCEMENTS

On January 1, 2003, the Company adopted Statement of Financial Accounting Standards No. 143, "Accounting for Asset Retirement Obligations" ("SFAS 143"), which addresses financial accounting and reporting for legal obligations associated with the retirement of tangible long-lived assets and requires that the fair value of a liability for an asset retirement obligation be recognized in the period in which it is incurred and be capitalized as part of the book value of the long-lived asset.

Although the Company generally has had no legal obligation to remove obsolete assets, depreciation rates of certain assets established by regulatory authorities for the Company's telephone operations subject to Statement of Financial Accounting Standards No. 71, "Accounting for the Effects of Certain Types of Regulation" ("SFAS 71"), have historically included a component for removal costs in excess of the related estimated salvage value. Notwithstanding the adoption of SFAS 143, SFAS 71 requires the Company to continue to reflect this accumulated liability for removal costs in excess of salvage value even though there is no legal obligation to remove the assets. For the Company's telephone operations acquired from Verizon in 2002 and its other operations (neither of which are subject to SFAS 71), the Company has not accrued a liability for anticipated removal costs in the past. For these reasons, the adoption of SFAS 143 did not have a material effect on the Company's financial statements.

In May 2003, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 150, "Accounting for Financial Instruments with Characteristics of both Liabilities and Equity" ("SFAS 150"), which provides standards for how an issuer classifies and measures certain financial instruments with characteristics of both liabilities and equity. SFAS 150 is effective for financial instruments entered into or modified after May 31, 2003 and for pre-existing instruments as of the beginning of the first interim period beginning after June 15, 2003. The adoption of SFAS 150 did not have a material impact on the Company's financial condition or results of operations.

LIQUIDITY AND CAPITAL RESOURCES

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

Net cash provided by operating activities from continuing operations was $828.4 million during the first nine months of 2003 compared to $635.0 million during the first nine months of 2002. The Company's accompanying consolidated statements of cash flows identify major differences between net income and net cash provided by operating activities for each of these periods. For additional information relating to the continuing operations of the Company, see Results of Operations.

Net cash used in investing activities from continuing operations was $298.5 million and $2.503 billion for the nine months ended September 30, 2003 and 2002, respectively. Payments for property, plant and equipment were $14.3 million less in the first nine months of 2003 than in the comparable period during 2002. Capital expenditures for the nine months ended September 30, 2003 were $216.5 million for telephone operations and $40.0 million for other operations. 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 remaining $3.8 million was paid as a deposit in 2002). During the third quarter of 2002, the Company acquired the assets of Verizon's Alabama and Missouri local exchange telephone operations for $2.201 billion cash. During the first quarter of 2002, the Company acquired the assets of certain CLEC operations for $43.8 million cash.

Net cash used in financing activities from continuing operations was $375.7 million during the first nine months of 2003. Net cash provided by financing activities was $529.0 million during the first nine months of 2002. In May 2002, the Company issued $500 million of Equity Units. In the third quarter of 2002, the Company issued $500 million of 7.875% senior notes, due 2012, and $165 million of 4.75% convertible debentures. Proceeds from the Equity Units, senior notes, convertible debentures, along with proceeds received from the sale of the Company's wireless operations and utilization of its credit facilities, were used to finance the $2.201 billion cash purchase of local exchange telephone assets in Alabama and Missouri from Verizon in the third quarter of 2002 and the redemption of $400 million principal amount in remarketable debt securities (plus an associated $71.1 million premium payment) in October 2002.

Budgeted capital expenditures for 2003 total $400 million. See Other Matters for additional expenditures related to the Company's billing system currently under development.

The following table contains certain information concerning the Company's material contractual obligations as of September 30, 2003.

	Payments due by period				
Total contractual obligations	Total	Less than 1 year	1-3 years	4-5 years	5

(Dollars in thousands)

Long-term debt, including current maturities and capital lease obligations	$ 3,234,545	115,167	431,276 (1)	874,477 (2)	1,

(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 August 2006.

(2) Includes $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 September 30, 2003, the Company had $533.0 million of undrawn committed bank lines of credit and the Company's telephone subsidiaries had available for use $123.0 million of commitments for long-term financing from the Rural Utilities Service and the Rural Telephone Bank. The Company did not renew its $267 million 364-day facility which expired in July 2003. The Company has a commercial paper program that authorizes it to have outstanding up to $1.5 billion in commercial paper at any one time. At September 30, 2003, the Company had no commercial paper outstanding under such program. At September 30, 2003, the Company held almost $158 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.

If and when the Company's regulated operations no longer qualify for the application of SFAS 71, the Company does not currently expect to record an impairment charge related to the carrying value of the property, plant and equipment of its regulated telephone operations. Additionally, upon 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 impact on the Company's results of operations.

Development of Billing System

The Company is in the process of developing an integrated billing and customer care system to replace its current system. The costs to develop this new 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 $158.1 million (before accumulated amortization) at September 30, 2003. The

Company began amortizing its billing system costs in early 2003 (over a 20-year period) based on the total number of customers that the Company has migrated to the new system.

The system remains in the development stage and has required substantially more time and money to develop than originally anticipated. The Company currently expects to complete all phases of the new system no later than mid-2005 at an aggregate capitalized cost in accordance with SOP 98-1 of approximately $200-215 million which will be amortized over 20 years. In addition, the Company expects to incur additional costs related to completion of the project, including (i) approximately $15 million of customer service related and data conversion costs (the majority of which are expected to be incurred in 2004) 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

The decline in equity markets in recent years, coupled with record low interest rates and rising medical costs, have increased the Company's employee benefits expenses, including defined benefit pension expenses and pre- and post-retirement medical expenses. Through the first nine months of 2003, such costs have increased approximately $17.2 million over the first nine months of 2002 and are expected to trend similarly for the remainder of the year. 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 recently 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 the employees' age and years of service at retirement. The Company also lowered its expected long-term return on plan assets for its pension and post-retirement plans to range between 8 and 8.25% for 2003 compared to 8 to 10% for 2002.

Minority Interest in Cellular Partnership

In its balance sheet as of December 31, 2002 the Company reflected its minority interest in a cellular partnership as "assets held for sale" in light of a July 2002 agreement to sell such interest for $68 million cash, subject to several closing conditions. In light of the failure of the parties to this agreement to agree upon whether the closing conditions had been met, the Company determined to retain this investment. See Note 1 to the Company's consolidated financial statements appearing elsewhere in this report.

Item 3.
CenturyTel, Inc.
QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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 of 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 September 30, 2003, the fair value of the Company's long-term debt was estimated to be $3.5 billion based on the overall weighted average rate of the Company's long-term debt of 6.3% and an overall weighted maturity of 11 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 63 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 $148.4 million decrease in the fair value of the Company's long-term debt. As of September 30, 2003, after giving effect to interest rate swaps currently in place, approximately 85% 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 September 30, 2003, 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 September 30, 2003, the Company realized a rate under these hedges of 4.7%. Interest expense was reduced by $4.0 million during the nine months ended September 30, 2003 as a result of these hedges. The aggregate fair market value of these hedges was $5.3 million at September 30, 2003 and is reflected both as a liability and as a decrease in the Company's underlying long-term debt on the September 30, 2003 balance sheet. With respect to 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 a $17.1 million decrease in the fair value of these hedges.

Effective May 8, 2003, the Company terminated a fair value interest rate hedge associated with $500 million aggregate principal amount of its Series H senior notes and received $22.3 million cash upon settlement, which represented the fair value of the hedge at the termination date. Such amount will be amortized as a reduction of interest expense through 2010, the maturity date of the Series H notes.

At September 30, 2003, the Company also had outstanding a cash flow hedge associated with $400 million of borrowings incurred in the fourth quarter of 2002 under its $800 million credit facilities. Such hedge expired in October 2003. During the second quarter of 2003, the Company retired all outstanding indebtedness associated with its $800 million credit facilities; therefore, such cash flow hedge was deemed ineffective during the second quarter of 2003 and resulted in a $722,000 unfavorable pre-tax charge to the Company's income for the nine months ended September 30, 2003.

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 September 30, 2003. 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. Since the date of Messrs. Post's and Ewing's most recent evaluation, there have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls. 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

On December 26, 2001, AT&T Corp. and one of its subsidiaries filed a complaint in the U.S. District Court for the Western District of Washington (Case No. CV0121512) seeking money damages against CenturyTel of the Northwest, Inc. The plaintiffs claimed, among other things, that CenturyTel of the Northwest, Inc. had breached its obligations under a 1994 stock purchase agreement to indemnify the plaintiffs for various environmental costs and damages relating to properties sold to the plaintiffs under such 1994 agreement. During the third quarter of 2003, the Company reached a settlement agreement with the plaintiffs. Such settlement did not have a material effect on the Company's results of operations.

Certain other legal proceedings in which the Company is involved are discussed in Part I, Item 3, of the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and Part II, Item 1, of the Company's Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2003. From time to time, the Company is involved in other litigation incidental to its business, including administrative hearings of state public utility commissions relating primarily to rate making and competition related issues, actions relating to employee claims, occasional grievance hearings before labor regulatory agencies and miscellaneous third party tort actions.

Item 6: Exhibits and Reports on Form 8-K

A. Exhibits

3.1 Registrant's Bylaws, as amended through August 26, 2003 (incorporated by reference to Exhibit 3.1 of Registrant's Current Report on Form 8-K dated August 26, 2003 and filed on September 2, 2003).

10.1 Form of Change of Control Agreement dated August 26, 2003 by and between Registrant and Stacey W. Goff (incorporated by reference to Exhibit 10.1(c) of Registrant's Quarterly Report on Form 10-Q for the period ended March 31, 2000).

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 July 31, 2003:

Item 12. Results of Operations and Financial Condition - News release announcing second quarter 2003 operating results.

The following items were reported in the Form 8-K filed September 2, 2003:

Items 5 & 7. Other Events and Regulation FD Disclosure and Exhibits - News release announcing the promotion of two of the Registrant's Officers and Registrant's Bylaws, as amended through August 26, 2003.

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: November 14, 2003

/s/ Neil A. Sweasy

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