

Best  
Seller!



BUILDING STRONG CONNECTIONS

# To Serve a Customer

THE STORY OF WHAT OUR CUSTOMERS WANT AND OUR STRATEGY FOR PROVIDING IT.



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BUILDING STRONG CONNECTIONS

# To Serve a Customer

THE STORY OF WHAT OUR CUSTOMERS WANT  
AND OUR STRATEGY FOR PROVIDING IT.

## About CenturyTel

CenturyTel, Inc. (NYSE: CTL) provides a full range of local, long distance, Internet and broadband services to consumers in 22 states. Included in the S&P 500 Index, CenturyTel is a leading provider of integrated communications services to rural areas and small to mid-size cities in the United States. Visit CenturyTel at [www.centurytel.com](http://www.centurytel.com).



## P R E F A C E

## Understanding, The Real Story

The communications industry continues to change at an incredible pace. New consumer services, new technologies, new competitors and new regulations all present major challenges to investing in our nation's communications infrastructure and delivering high-quality service to millions of individuals, families, small companies and large corporations.

At CenturyTel, we believe the best way to meet these challenges is by understanding what our customers need and developing insights into how those needs will evolve over time. With a clear understanding of what our customers want, we are developing and executing well-defined strategies to better serve our markets today, tomorrow and in the years to come.

In this report, you can read about our customers' needs – in their own words – as well as the investments we are making and strategies we are executing to meet those needs. We believe a disciplined focus on our customers will drive our growth and continued success.



## Dear Shareholders

Since my last letter to shareholders, CenturyTel has taken a number of important steps in our continuing drive to provide our customers the most advanced communications services available and to deliver value to our shareholders.

For our customers, we enhanced our Simple Choice™ product bundle with the introduction of a “one price” service offering and laid the foundation to include video and wireless services in our product bundles. We also made our broadband services more widely affordable by including DSL service in product bundles and by providing a lower entry price point for these services.

To further enable our ability to serve our customers’ needs, we have continued what we believe to be among the most aggressive broadband deployments in rural areas and smaller cities. We invested more than \$343 million in our network during 2004, ending the year with more than 70 percent of our access lines broadband enabled. In addition, we completed implementation of a new billing and customer care system that will enable our employees to more easily offer and provision our increasing array of services to our customers.

These efforts also paid significant dividends for our shareholders in 2004. We achieved strong operating results and generated excellent cash flows during the year, enabling CenturyTel to complete its \$400 million share repurchase program, representing 9.3 percent of shares outstanding at year end 2003. We also repaid nearly \$180 million in debt during 2004, ending the year with a strong balance sheet and solid investment grade credit ratings.

As we move into 2005, we remain focused on further strengthening our operating

model and delivering solid returns to our shareholders. In February 2005, we announced a new \$200 million stock repurchase program. We will continue to consider the best ways to use our free cash flow to help drive shareholder value.

### A Year of Solid Performance

We entered 2004 knowing that access line declines, lower intrastate toll revenues and reduced universal service funding would challenge our ability to grow revenue. Nevertheless, through our focus on satisfying our customers’ growing demand for enhanced calling features, long distance, DSL and other services, we generated revenues that more than offset those declines. This success enabled us to deliver solid performance in a number of financial and operational areas during 2004:

- We generated more than \$955 million in net cash from operations;
- We returned more than \$430 million, or 45 percent of net cash from operations, to shareholders through share repurchases and cash dividends;
- We repaid nearly \$180 million in debt, including the prepayment of \$100 million of 8.25% senior notes;
- We experienced solid growth in our long distance and broadband connections during the year, adding more than 136,000 long distance lines and 59,000 DSL subscribers;
- We increased residential bundle penetration to 15.4 percent of residential access lines; and
- We expanded our LightCore regional fiber network to more than 8,700 lit route miles and grew fiber transport revenues \$30 million, of which \$10 million was attributable to organic growth.

We are pleased to have achieved these results, and we are committed to further enhancing our network and product bundles to support future revenue growth.

#### **Our Primary Focus – Our Customers**

We believe the keys to our ability to deliver strong results are pretty straightforward: we listen to what our customers tell us about their service needs, and we build and maintain high-quality communications networks to deliver to our customers the fairly priced, advanced communications solutions they demand.

For example, listening to our customers revealed that they prefer the availability of various speeds and prices when selecting their broadband service. We responded by modifying our DSL service offerings to allow our customers additional flexibility in choosing a broadband speed and price that meet their specific needs. By leveraging our scalable broadband network and back office systems, we were able to meet this customer need and to capitalize on revenue opportunities, often before competitive alternatives were available.

Similarly, we understand that our customers appreciate the convenience and value of purchasing a bundle of communications services for one price. We focused on this demand during 2004, modifying our service bundles to include more services and greater value. This focus drove a 51 percent increase in our Simple Choice™ bundles during the year, helping to offset the loss of revenue from access line declines and decreased regulatory recoveries.

We have also been working to enhance the services that we will include in future bundled offerings. Over the last several months we have been field-testing a switched digital video service that delivers high-quality video services, broadband and traditional voice and long distance services over our existing network. The technology has proved promising

and we expect to commercially deploy the service to selected markets in 2005. Over the past year we have also entered into strategic relationships with EchoStar and Cingular that will allow us to include satellite video and wireless services as part of our bundled offerings.

#### **CenturyTel Is Positioned to Meet Competitive Challenges**

The telecommunications industry is grappling with a variety of important issues. The competitive landscape for local exchange companies is changing to include not only competitive local exchange carriers, but also wireless service providers, cable companies and Voice over Internet Protocol (VoIP) carriers that rely upon the network investment of others to deliver their services.

We are seeing increased competition for our customers, particularly in our more densely populated markets, and we expect competition to increase as most large cable companies have announced or begun implementing plans to provide telecommunications services. We believe our network and our employees are well positioned to aggressively contend with competitors who enter our markets.

We have established a frontline organization structure that places our decision-making employees as close to our customers as possible. Our employees are in our markets every day building relationships with the customers and communities we serve. We rely on input from these employees to assess service needs and competitive threats. We monitor those markets where we believe competitive threats are most likely to arise and modify our pricing and product sets to preemptively address competitive challenges.

We also believe that our high-quality, broadband networks offer us an advantage in responding to competitive threats. We typically have the most robust broadband networks in our markets, and we expect to

invest more than \$350 million in 2005 to further strengthen our broadband platform and Internet Protocol networking capabilities.

Addressing competition is also about identifying increasingly diverse revenue opportunities and having a more efficient operating model. Our LightCore subsidiary delivers on both counts as we utilize its 8,700 route mile fiber network to carry CenturyTel's internal voice and data traffic at lower costs and to generate revenues through the transmission of other carriers' traffic. We expect LightCore's revenue growth to continue, and we are considering other ways to utilize its network to further reduce our costs and support our video and other broadband initiatives.

In early 2005, we agreed to purchase metro fiber assets and customer accounts in 16 markets, from KMC Telecom Holdings, Inc. for \$65 million cash. These assets will provide CenturyTel with the opportunity to expand relationships with wholesale customers as well as serve enterprise customers in these markets.

Finally, CenturyTel is financially strong. Our customers tell us they prefer to do business with a stable, financially healthy company. CenturyTel has a strong balance sheet and continues to generate strong cash flows that provide us the financial flexibility to invest in new products and services, respond to competitive pressures and take advantage of growth opportunities.

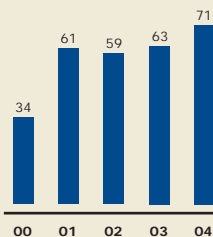
**CenturyTel Is a Strong Voice on Regulatory Issues**

Emerging competitive challenges are accompanied by regulatory uncertainty on issues including how carriers should compensate each other for the use of their networks, the funding and distribution of universal service funds (USF), the regulatory treatment of emerging technologies such as VoIP and switched digital video and the disparate regulatory treatment of different types of service providers.

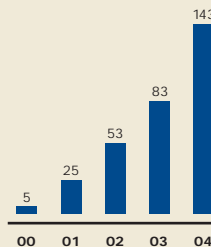
CenturyTel is a strong advocate of regulatory and legislative policies that enhance the continued availability of advanced communications services to non-urban areas. While there is a lot of discussion about USF, intercarrier compensation and VoIP, we believe a few simple principles should guide any regulatory or legislative policy.

We believe there must be a mechanism to ensure the continued availability of high-quality, advanced communications services to areas in which the cost of service is too high to be borne entirely by customers. The national communications network is made stronger and more valuable through the universal availability of communications services, and it is sound public policy to support the economic development of non-urban areas. We also believe companies who receive USF should live up to coverage and service standards that are consistent with the universal service principles. In short, we

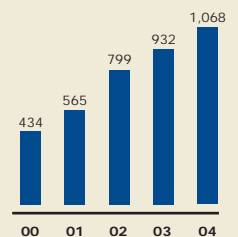
**Broadband Deployment**  
(% of total access lines)



**DSL Connections**  
(in thousands)



**Long Distance Lines**  
(in thousands)



advocate an approach that requires contributions from a broad range of service providers. We also believe recipients should have to meet service quality standards and serve all customers in a service territory.

We believe regulatory and legislative policies should encourage investment in network infrastructure. Specifically, we believe that carriers who make network investments should be fairly compensated when other carriers use that network to transmit their traffic. Any other policy will lead to the long-term deterioration of what is today the world's best communications infrastructure.

We believe that all service providers should be subject to the same service standards, have the same pricing flexibility and otherwise be similarly regulated, regardless of their mode of service delivery. It creates an unlevel playing field when light regulatory obligations are placed on one type of service provider while another provider of the same service is burdened with pricing restrictions, service standards, reporting obligations and other regulatory commitments. Common regulatory plans or policies for common types of service make sense and provide a sustainable regulatory model.

Our industry faces numerous other regulatory issues, but we believe most of them can be fairly resolved by following these straightforward, equitable principles. CenturyTel is actively engaged in these matters to advocate our principles and to ensure that regulators and legislators consider how their policy decisions affect customers outside major urban areas.

#### Serving Our Customers and Shareholders

At CenturyTel, we remain focused on serving our customers and continuing to improve the customer's overall experience. We know that this focus has been the key driver of CenturyTel's success through the years, and we believe continuing to provide quality service

and products to our customers is the key to increasing shareholder value in the future.

In the years ahead, we expect to continue driving revenue growth through value-added bundling of products and services and by offering additional services to our customers through the deployment of new technology over our high-quality advanced networks. We also anticipate increasing the reach of our quality fiber transport services to smaller cities and rural areas as well as to those larger cities that are important to our customers.

Additionally, we will look for and evaluate opportunities as they arise to expand into complementary business segments that provide additional services for our customers and drive value for our shareholders.

Finally, we will continue to consider strategic acquisitions using our proven, disciplined approach to further drive growth in the future.

I believe CenturyTel is well positioned to face the challenges before us and to take advantage of growth opportunities that are focused toward increasing shareholder value in the months and years ahead. We sincerely appreciate the continuing support of our customers, our employees and you, our shareholders, as we strive to grow our Company and remain a leading provider of integrated communications services to customers in rural areas and small to mid-size cities in the United States.



A handwritten signature in black ink that reads "Glen F. Post, III". The signature is written in a cursive style.

**Glen F. Post, III**  
Chairman and CEO

CHAPTER

1



*"A Story of Convenience"*

In Corinth, Texas, CenturyTel provides Robert Scott, his wife Lisa and their three children with local, long distance and Internet service as well as Voice Mail and Caller ID. By choosing a bundle with the communications services they need, CenturyTel customers can save money. And each month we send the Scotts only one bill.



OUR CUSTOMERS SAY:

## Make It Easy

Consumers today have the freedom to choose from an array of local, long distance, wireless, Internet and entertainment service companies. Yet dealing with multiple providers can be expensive, confusing and frustrating.

At CenturyTel, we make it easy with Simple Choice™ bundles. In these bundles, customers choose a plan with the services they want such as enhanced calling features, long distance, Voice Mail and Internet access. One plan, one price, one bill and one company to call for service.

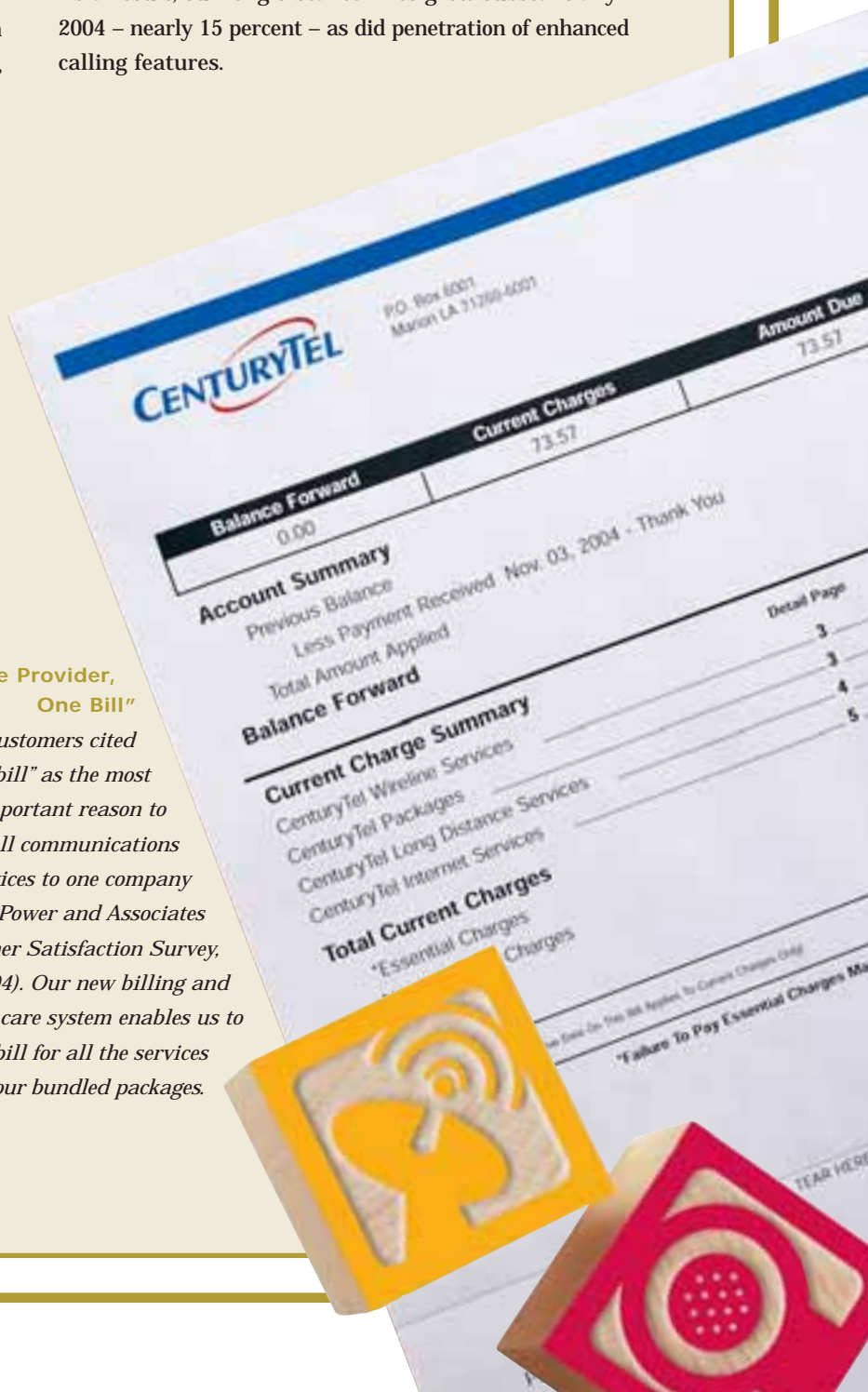
Bundling services offers the convenience our customers desire while providing revenue growth for CenturyTel. At year-end, more than 73 percent of our residential customers were using more than one of our services and more than 15 percent had chosen our premier bundle, Simple Choice™. As a result, our long distance lines grew substantially in 2004 – nearly 15 percent – as did penetration of enhanced calling features.

### "An Easy Call"

*Bundling services together delivers convenience and value to our customers. We expect to continue to expand our bundles of products and services to meet our customers' growing needs and drive incremental revenue growth for CenturyTel.*

### "One Provider, One Bill"

*Our customers cited "single bill" as the most important reason to switch all communications services to one company (J.D. Power and Associates Customer Satisfaction Survey, 2004). Our new billing and customer care system enables us to generate one bill for all the services in our bundled packages.*



CHAPTER

2



*"A Tale of Plenty"*

A full menu of CenturyTel business services – including DSL and a modular integrated communications system – enables Peninsula Gardens and its suppliers to offer one of the most comprehensive and competitively priced inventories of plants and garden supplies in Gig Harbor, Washington.



OUR CUSTOMERS SAY:

## ✦ We Want Good Value ✦

**I**n a competitive world customers appreciate value and convenience. So we continually look for opportunities to expand the Simple Choice™ bundle and provide customers the value of additional services and discounts, along with the convenience of single bills and one-stop shopping.

In 2004, we introduced tiered DSL service – broadband access with a range of speeds and prices to meet every need. By year end, nearly 143,000 of our customers had a DSL connection – up 71 percent from one year ago.

We also entered into relationships to provide satellite television and wireless services to our customers. And so our bundle grows – with enhanced communications services at good value delivered on one bill from one company.

### “Getting More for Less”

*Customers prefer the convenience and value of voice-data bundles like our Simple Choice™ plans. Eighty-seven percent of customers subscribing to bundled services were satisfied with their local phone provider versus an industry average of 79 percent, according to The Yankee Group’s 2004 Technologically Advanced Family Survey.*

### “Hundreds of Channels”

*In 2004, we entered into a strategic partnership with EchoStar Communications to provide CenturyTel/DISH Network satellite television services to our customers. Multi-channel digital TV is now part of our one-bill, one-point-of-contact bundled service in several markets, and we expect to expand availability during 2005.*

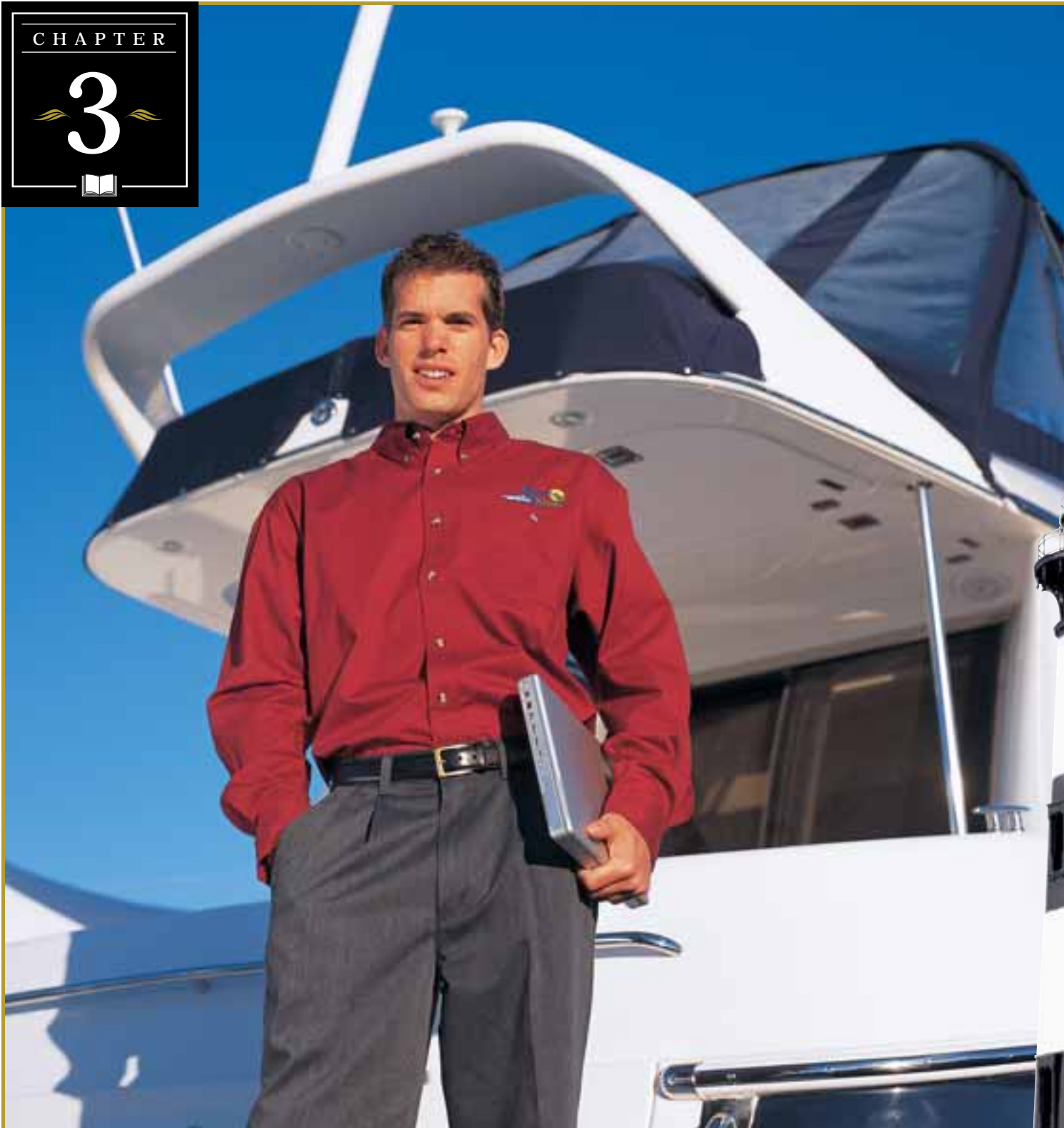
### “I’m Mobile”

*Through a reseller relationship, we provide CenturyTel-branded wireless voice and text messaging services to our customers in select markets as part of our integrated bundle. We expect to provide service to additional markets during 2005.*



CHAPTER

3



*"Well-scripted Play"*

Good communications enable Marine Quest of Lake Dallas, Texas, to offer a high-quality leisure experience to its customers. Using local, long distance, DSL and data services from CenturyTel, Marine Quest can better coordinate parts orders across five marinas.



OUR CUSTOMERS SAY:

## Give Us New Solutions That Work

**F**ive years ago, high-speed Internet access was available mainly for business applications. Now people use DSL connections at home to e-mail, check headlines, shop, pay bills and make reservations for their next vacation. DSL is a solution that works – it's innovation with a purpose.

At CenturyTel, we deliver innovations that our customers want – advanced solutions requiring significant bandwidth.

Today, more than 70 percent of our access lines have broadband capability.

As technologies mature and our customers' needs expand, we believe we are well-positioned to deliver solutions like Voice over Internet Protocol (VoIP) and switched digital video service over our existing phone lines.

### "Purposeful Innovation"

*After local and long distance, the most popular services our customers would like to bundle are Internet, wireless and video, according to a CenturyTel consumer survey conducted by The Yankee Group in 2003. In 2004, we launched tiered DSL, wireless and satellite television service.*

### "Charting Our Course"

*Our Internet Protocol (IP) roadmap aligns our investment plan for the development of new IP-based solutions with projected market needs. We only implement new technologies across our system when they represent quality solutions for our customers.*

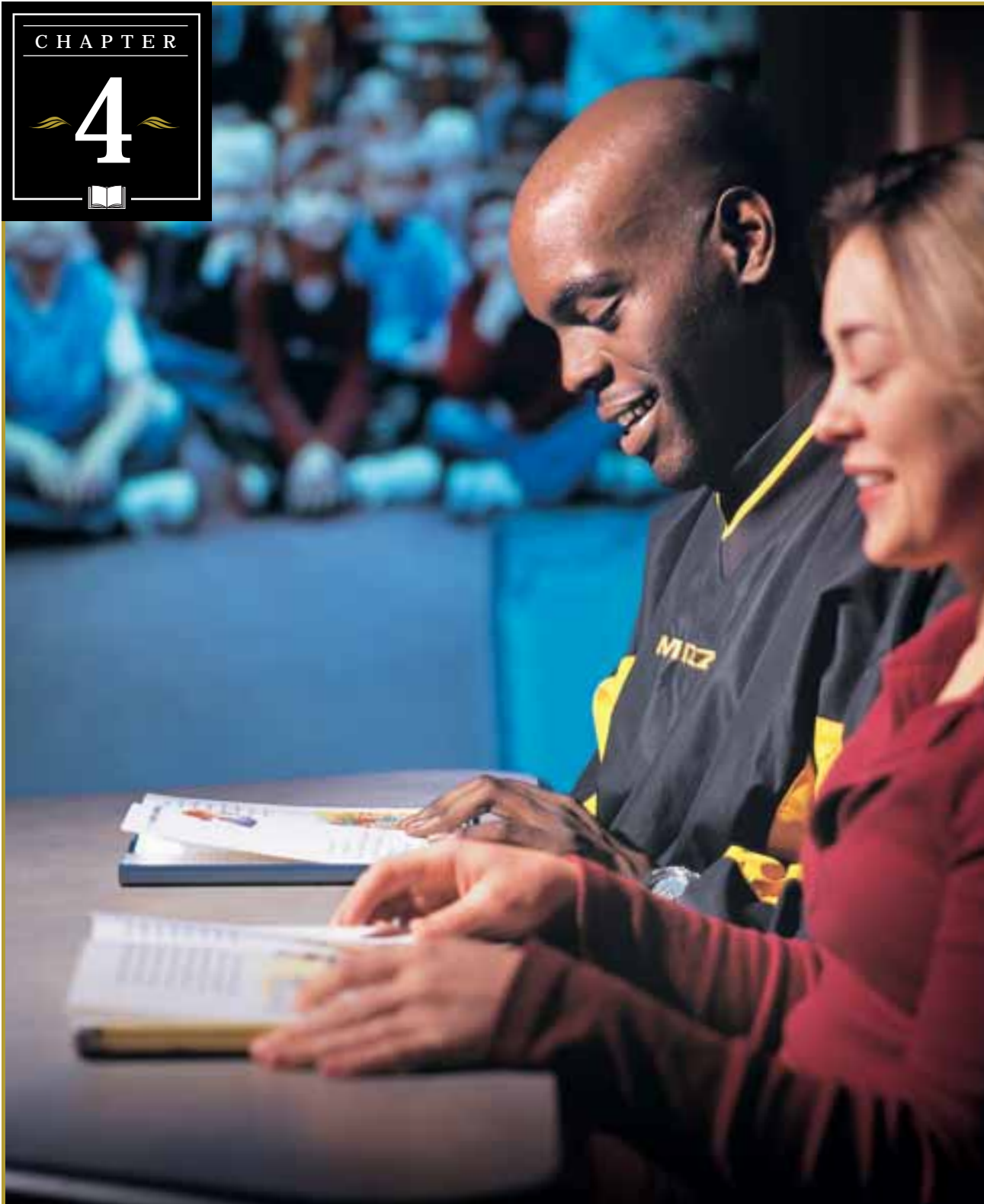
### "Networking"

*IP-based solutions enable business customers to create their own virtual private networks for voice and data services at a lower cost than on a traditional phone network. With IP telephony solutions, the technology and network capacity used to deliver a variety of call-handling features and applications can be shared by many customers.*



CHAPTER

4



Adapting to a Changing Environ

*"A Textbook Approach"*

We provide videoconferencing service and support to the College of Education at the University of Missouri in Columbia for a program that enables student athletes and student teachers to read and discuss books with children in many of Missouri's K-12 schools.

OUR CUSTOMERS SAY:

## Be Ready To Adapt When Our Needs Change

**H**ow will you communicate with your friends and family 10 years from now? No one knows, but everyone wants a provider who can adapt to meet their future needs.

We have a real advantage that enables us to adapt quickly. It's LightCore – our fiber optic network subsidiary that crosses more than 17 states. LightCore gives us greater control over our service quality and transport costs.

In 2004, LightCore expanded its capabilities by implementing an IP overlay on its existing fiber network. Now LightCore can offer wholesale IP services and CenturyTel can more readily develop IP-based solutions that business customers and others demand.

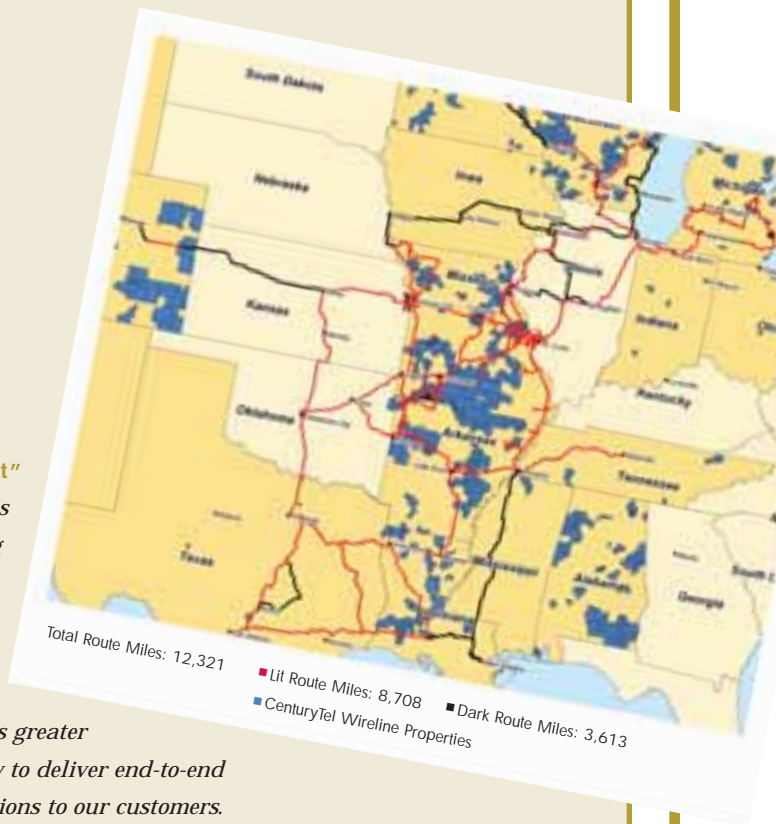
**"Yesterday, Today and Tomorrow"**

*Incorporated in 1968, CenturyTel has persevered and managed through the many twists and turns in the communications story. From analog to digital to IP-based solutions, we have proven our ability to remain flexible and adaptable in meeting our customers' changing needs.*

**"Efficient"**

*By combining the fiber routes acquired in 2003 with existing CenturyTel routes, LightCore created a 12,000 route-mile fiber system serving many of our Central U.S. wireline properties.*

*This fiber system provides us greater operating efficiency and the ability to deliver end-to-end solutions to our customers.*



**"Complete Coverage"**

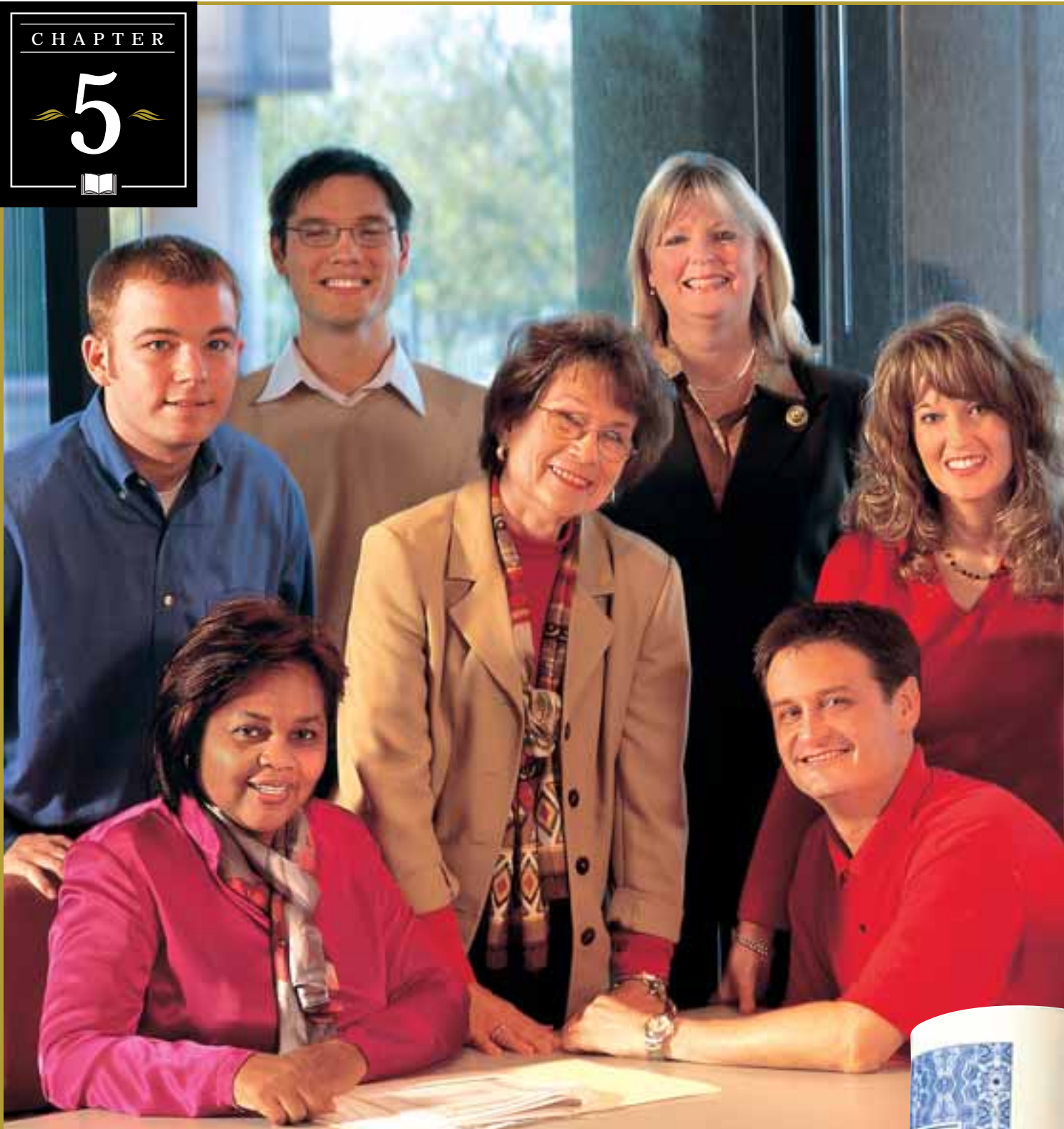
*LightCore's robust fiber network enables it to provide value-added services to carriers, wireless service providers and Internet Service Providers in markets across the Central U.S.*



**New Horizons, New Opportunities**  
 To Serve a Customer

CHAPTER

5



*"Committed, Dedicated Teamwork"*

Our employees are committed to delivering convenience, value and flexible advanced solutions to our customers. Thanks to their discipline and hard work, we have been able to grow our business year after year and deliver solid returns to our shareholders.





OUR CUSTOMERS SAY:

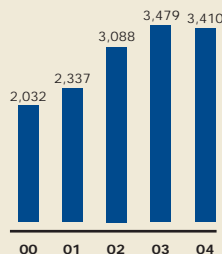
**We Want A Stable Provider We Can Count On**

CenturyTel has served many of our markets for decades. We make long-term investments in local and regional communications networks. We have experienced employees who are committed to serving our customers. We are financially strong – with a solid balance sheet, investment-grade credit ratings and healthy cash flows. We have a 31 year history of increasing

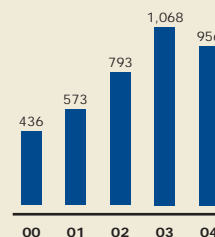
dividend payments to shareholders. Our customers know they can count on us in 2005 and in the years to come.

This stability allowed us to complete a \$400 million stock repurchase program in 2004, returning cash to our shareholders while maintaining the flexibility to invest in and grow our business.

**Stockholders' Equity**  
(in millions)



**Net Cash Provided from Operating Activities**  
(in millions)

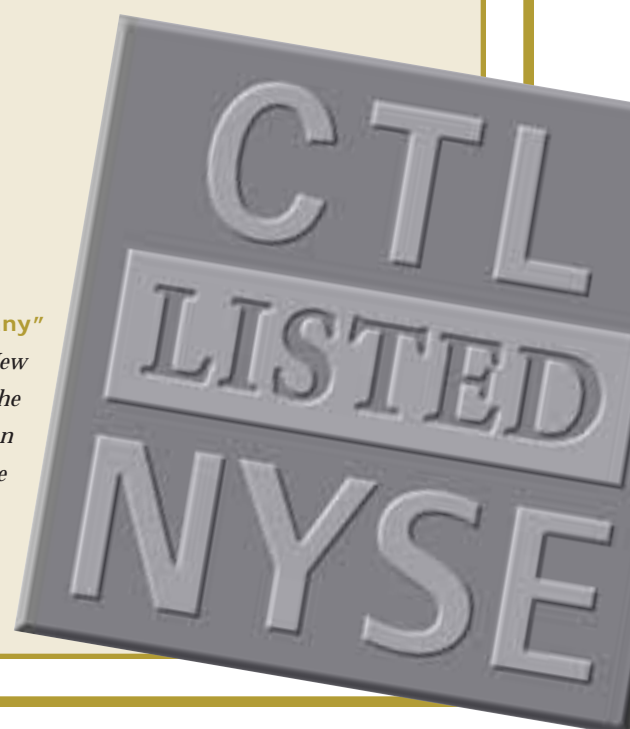


**"Disciplined"**

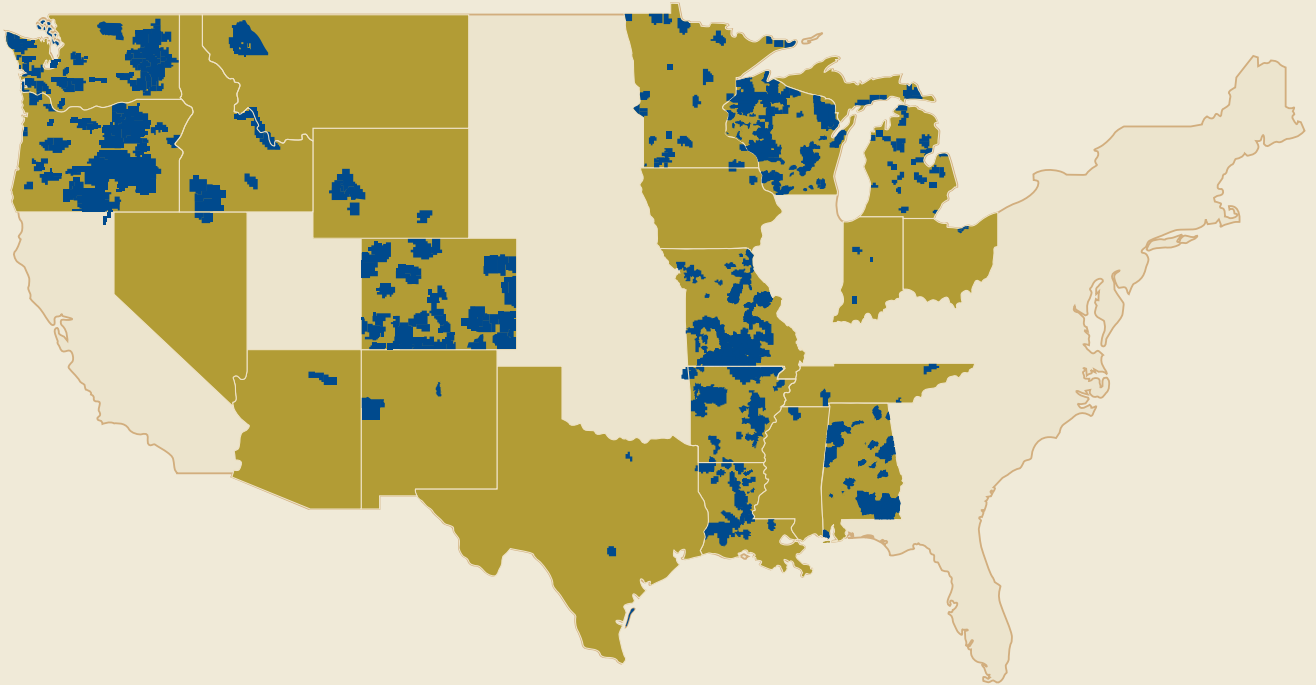
*We work hard to make smart use of cash. In 2004 we repurchased nearly 13.4 million shares of common stock, or more than 9 percent of December 31, 2003 shares outstanding, and in February 2005 announced a new \$200 million stock repurchase program.*

**"In Good Company"**

*CenturyTel has traded on the New York Stock Exchange under the symbol CTL since 1978 – more than 25 years – and was admitted to the S&P 500 Index in 1999.*



## Access Lines



State	Total Access Lines December 31, 2004	Percent	Top 5	Top 12
Wisconsin	466,000	20.1	70.8%	95.4%
Missouri	458,700	19.8		
Alabama	275,100	11.9		
Arkansas	256,100	11.1		
Washington	183,000	7.9		
Michigan	108,000	4.7		
Louisiana	101,400	4.4		
Colorado	94,100	4.1		
Ohio	80,300	3.5		
Oregon	74,000	3.2		
Montana	64,100	2.8		
Texas	43,700	1.9		
Minnesota	30,100	1.3		
Tennessee	26,700	1.2		
Mississippi	24,100	1.0		
New Mexico	6,400	0.3		
Wyoming	5,900	0.2		
Idaho	5,800	0.2		
Indiana	5,400	0.2		
Iowa	2,100	0.1		
Arizona	2,000	0.1		
Nevada	600	0.0		
	<b>2,313,600</b>	<b>100.0</b>		

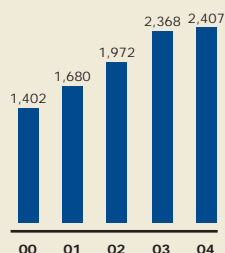
# Financial Highlights

Dollars, except per share amounts, and shares in thousands	2004	2003	2002	2001	2000	5-year CAGR <sup>(1)</sup>
<b>Operating revenues from continuing operations</b>	\$2,407,372	2,367,610	1,971,996	1,679,504	1,402,357	13.9%
<b>Operating income from continuing operations</b>	\$ 753,953	750,396	575,406	425,305	386,137	16.3%
<b>Depreciation and amortization</b>	\$ 500,904	503,652	450,197	440,404	352,342	11.0%
<b>Income from continuing operations, as adjusted<sup>(2)</sup></b>	\$ 337,244	344,707	193,533	195,408	164,044	15.3%
<b>Net income</b>	\$ 337,244	344,707	801,624	343,031	231,474	7.1%
<b>Net income, as adjusted<sup>(2)</sup></b>	\$ 337,244	344,707	801,624	399,297	278,029	3.7%
<b>Diluted earnings per share from continuing operations, as adjusted<sup>(2)</sup></b>	\$ 2.41	2.35	1.35	1.37	1.16	15.5%
<b>Diluted earnings per share, as adjusted<sup>(2)</sup></b>	\$ 2.41	2.35	5.56	2.81	1.96	3.9%
<b>Dividends per common share</b>	\$ 0.23	0.22	0.21	0.20	0.19	5.0%
<b>Average diluted shares outstanding</b>	142,144	148,779	144,408	142,307	141,864	0.1%
<b>Number of common shareholders</b>	4,720	4,613	5,181	5,460	5,714	(1.7%)
<b>Total assets</b>	\$7,796,953	7,895,852	7,770,408	6,318,684	6,393,290	10.6%
<b>Long-term debt</b>	\$2,762,019	3,109,302	3,578,132	2,087,500	3,050,292	5.9%
<b>Stockholders' equity</b>	\$3,409,765	3,478,516	3,088,004	2,337,380	2,032,079	13.0%
<b>Telephone access lines</b>	2,313,626	2,376,118	2,414,564	1,797,643	1,800,565	12.7%
<b>Long distance lines</b>	1,067,817	931,761	798,697	564,851	433,846	24.5%

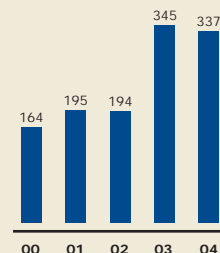
(1) Five-year compounded annual growth rate

(2) As adjusted to reflect the effect of eliminating goodwill amortization in accordance with SFAS 142 for periods prior to 2002.

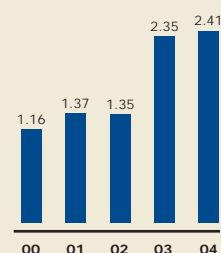
**Operating Revenues from Continuing Operations**  
(in millions)



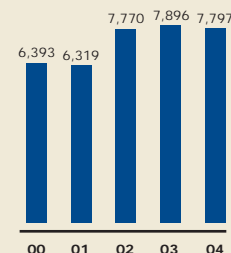
**Income from Continuing Operations, as Adjusted**  
(in millions)



**Diluted EPS from Continuing Operations, as Adjusted**



**Total Assets**  
(in millions)



## Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders  
CenturyTel, Inc.

We have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of CenturyTel, Inc. and its subsidiaries as of December 31, 2004 and 2003, and the related statements of income, comprehensive income, cash flows and stockholders' equity for each of the years in the three-year period ended December 31, 2004 (not presented herein, but included in the Company's 2005 Proxy Statement); and in our report dated March 14, 2005,

we expressed an opinion on those consolidated financial statements. Our report refers to a change in accounting for goodwill and other intangible assets in 2002.

In our opinion, the information set forth in the accompanying selected condensed consolidated financial statements of CenturyTel, Inc. is fairly stated in all material respects, in relation to the consolidated financial statements from which it has been derived.

**KPMG LLP**

KPMG LLP  
Shreveport, Louisiana  
March 14, 2005

## 2004 Financial Information

The following pages of CenturyTel's Annual Report contain selected condensed consolidated financial statements. Full financial statements, along with certifications required under the Sarbanes-Oxley Act of 2002 and management's discussion and analysis of financial condition and results of operations, are provided in the Company's 2005 Proxy Statement ("Proxy Statement") and 2004 Annual Report on Form 10-K ("Form 10-K") filed with the Securities and Exchange Commission. The Proxy Statement will be mailed to shareholders.

A copy of the Company's Form 10-K can be obtained at no charge by contacting the Company's Investor Relations department at 800.833.1188 or by accessing the Company's Web site at [www.centurytel.com](http://www.centurytel.com).

In addition to historical information, this Annual Report includes certain forward-looking statements that are subject to uncertainties that could cause the Company's actual results to differ materially from such statements. Please refer to the Company's Form 10-K for the year ended December 31, 2004 for a description of these and other uncertainties related to the Company's business.

# Consolidated Statements of Income

Year ended December 31,

Dollars, except per share amounts, and shares in thousands	2004	2003	2002
<b>Operating Revenues</b>	\$2,407,372	2,367,610	1,971,996
<b>Operating Expenses</b>			
Cost of services and products (exclusive of depreciation and amortization)	755,413	739,210	635,164
Selling, general and administrative	397,102	374,352	301,681
Corporate overhead costs allocable to discontinued operations	–	–	9,548
Depreciation and amortization	500,904	503,652	450,197
Total operating expenses	1,653,419	1,617,214	1,396,590
Operating Income	753,953	750,396	575,406
<b>Other Income (Expense)</b>			
Interest expense	(211,051)	(226,751)	(221,845)
Income from unconsolidated cellular entity	7,067	6,160	5,582
Nonrecurring gains and losses, net	–	–	3,709
Other income (expense)	(2,597)	2,154	(63,814)
Total other income (expense)	(206,581)	(218,437)	(276,368)
<b>Income from Continuing Operations Before Income Tax Expense</b>	547,372	531,959	299,038
Income Tax Expense	210,128	187,252	105,505
<b>Income from Continuing Operations</b>	337,244	344,707	193,533
<b>Discontinued Operations</b>			
Income from discontinued operations, net of \$284,459 tax	–	–	608,091
<b>Net Income</b>	\$ 337,244	344,707	801,624
<b>Basic Earnings per Share</b>			
From continuing operations	\$ 2.45	2.40	1.36
From discontinued operations	\$ –	–	4.29
Basic earnings per share	\$ 2.45	2.40	5.66
<b>Diluted Earnings per Share</b>			
From continuing operations	\$ 2.41	2.35	1.35
From discontinued operations	\$ –	–	4.21
Diluted earnings per share	\$ 2.41	2.35	5.56
<b>Dividends per Common Share</b>	\$ 0.23	0.22	0.21
<b>Average Basic Shares Outstanding</b>	137,215	143,583	141,613
<b>Average Diluted Shares Outstanding</b>	142,144	148,779	144,408

## Consolidated Balance Sheets

December 31,

Dollars in thousands	2004	2003
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 167,215	203,181
Accounts receivable	232,580	236,187
Materials and supplies, at average cost	5,361	9,229
Other	14,691	14,342
Total current assets	419,847	462,939
<b>Net Property, Plant and Equipment</b>	<b>3,341,401</b>	<b>3,455,481</b>
<b>Goodwill and Other Assets</b>		
Goodwill	3,433,864	3,425,001
Other	601,841	552,431
Total goodwill and other assets	4,035,705	3,977,432
<b>Total Assets</b>	<b>\$7,796,953</b>	<b>7,895,852</b>
<b>Liabilities and Equity</b>		
<b>Current Liabilities</b>		
Current maturities of long-term debt	\$ 249,617	72,453
Accounts payable	141,618	113,274
Accrued expenses and other current liabilities	249,523	241,044
Advance billings and customer deposits	50,860	44,612
Total current liabilities	691,618	471,383
<b>Long-Term Debt</b>	<b>2,762,019</b>	<b>3,109,302</b>
<b>Deferred Credits and Other Liabilities</b>	<b>933,551</b>	<b>836,651</b>
<b>Stockholders' Equity</b>		
Common stock, \$1.00 par value, authorized 350,000,000 shares, issued and outstanding 132,373,912 and 144,364,168 shares	132,374	144,364
Paid-in capital	222,205	576,515
Accumulated other comprehensive loss, net of tax	(8,334)	-
Retained earnings	3,055,545	2,750,162
Unearned ESOP shares	-	(500)
Preferred stock – non-redeemable	7,975	7,975
Total stockholders' equity	3,409,765	3,478,516
<b>Total Liabilities and Equity</b>	<b>\$7,796,953</b>	<b>7,895,852</b>

# Consolidated Statements of Cash Flow

Year ended December 31,

Dollars in thousands	<b>2004</b>	<b>2003</b>	<b>2002</b>
<b>Operating Activities from Continuing Operations</b>			
Net Income	\$ 337,244	344,707	801,624
Adjustments to reconcile net income to net cash provided by operating activities from continuing operations			
Income from discontinued operations, net of tax	-	-	(608,091)
Depreciation and amortization	500,904	503,652	450,197
Deferred income taxes	74,374	128,706	71,112
Income from unconsolidated cellular entity	(7,067)	(6,160)	(5,582)
Nonrecurring gains and losses, net	-	-	(3,709)
Changes in current assets and current liabilities	58,322	160,984	69,650
Retirement benefits	26,954	(14,739)	(9,416)
Increase in noncurrent assets	(31,714)	(23,528)	(30,543)
Increase (decrease) in noncurrent liabilities	(6,220)	(6,151)	35,489
Other, net	3,034	(19,507)	22,703
Net cash provided by operating activities from continuing operations	955,831	1,067,964	793,434
<b>Investing Activities from Continuing Operations</b>			
Acquisitions, net of cash acquired	(2,000)	(86,243)	(2,245,026)
Payments for property, plant and equipment	(385,316)	(377,939)	(386,267)
Investment in debt security	(25,000)	-	-
Proceeds from sale of assets	-	-	4,144
Distributions from unconsolidated cellular entity	8,219	1,104	5,438
Other, net	(9,214)	(1,560)	(1,378)
Net cash used in investing activities from continuing operations	(413,311)	(464,638)	(2,623,089)
<b>Financing Activities from Continuing Operations</b>			
Proceeds from issuance of debt	-	-	2,123,618
Payments of debt	(179,393)	(432,258)	(1,592,246)
Repurchase of common stock	(401,013)	-	-
Proceeds from settlement of interest rate hedge contract	-	22,315	-
Proceeds from issuance of common stock	29,485	33,980	29,125
Payment of debt issuance costs	-	-	(12,999)
Payment of equity unit issuance costs	-	-	(15,867)
Cash dividends	(31,861)	(32,017)	(30,156)
Other, net	4,296	4,174	4,866
Net cash provided by (used in) financing activities from continuing operations	(578,486)	(403,806)	506,341
Net cash provided by discontinued operations	-	-	1,323,479
Net increase (decrease) in cash and cash equivalents	(35,966)	199,520	165
Cash and cash equivalents at beginning of year	203,181	3,661	3,496
<b>Cash and Cash Equivalents at End of Year</b>	<b>\$ 167,215</b>	<b>203,181</b>	<b>3,661</b>



2004 ANNUAL REPORT

# CenturyTel Management



CenturyTel Management (clockwise):

**Stacey W. Goff**, Senior Vice President, General Counsel and Corporate Secretary | **R. Stewart Ewing, Jr.**, Executive Vice President and Chief Financial Officer | **Glen F. Post, III**, Chairman of the Board and Chief Executive Officer  
**Karen A. Puckett**, President and Chief Operating Officer | **David D. Cole**, Senior Vice President – Operations Support  
**Michael E. Maslowski**, Senior Vice President and Chief Information Officer



## E P I L O G U E

## Success Stories

Our leadership team is committed to delivering positive operating and financial results to our customers, our employees and our shareholders. In 2004, we realized the following accomplishments:

- Drove increased customer satisfaction and incremental revenue growth through our bundling initiatives and customer care efforts. In our Fall 2004 Customer Satisfaction Study, 72 percent of customers surveyed (75 percent of residential customers) said they would definitely or probably recommend CenturyTel service to others.
- Completed the conversion to a state-of-the-art billing and customer care system that can grow as our bundled packages expand.
- Grew our premier Simple Choice™ bundle customer base by 51 percent and increased residential bundles penetration by 60 percent.
- Grew features revenue by 13 percent.
- Added 136,000 long distance lines, to end 2004 with more than 1,067,800 lines, an increase of nearly 15 percent from 2003.
- Launched tiered DSL service and ended the year with 142,600 DSL connections, an increase of 59,000 or 71 percent from 2003.
- Increased operating revenues to \$2.407 billion, up over the prior year, in a very difficult competitive and regulatory environment.
- Returned more than \$430 million to our shareholders through our stock repurchase program and cash dividends.
- Retired nearly \$180 million of debt.
- Increased broadband enablement from 63 percent to 71 percent.



# CenturyTel Leadership

## Directors

### Glen F. Post, III (1\*, 7)

Occupation:  
Chairman of the Board  
and Chief Executive Officer  
CenturyTel  
Monroe, Louisiana  
Joined Board: 1985

### William R. Boles, Jr. (6\*)

Occupation: President  
and practicing attorney  
The Boles Law Firm  
Monroe, Louisiana  
Joined Board: 1992

### Virginia Boulet (2, 3\*)

Occupation: Of counsel  
Adams and Reese, LLP  
New Orleans, Louisiana  
Joined Board: 1995

### Calvin Czeschin (1, 6, 7)

Occupation: President  
Yelcot Telephone Company  
Mountain Home, Arkansas  
Joined Board: 1974

### James B. Gardner (1, 2\*, 4, 5, 7\*)

Occupation: Managing Director  
SAMCO Capital Markets  
Dallas, Texas  
Joined Board: 1981

### W. Bruce Hanks (6)

Occupation: Private investor  
Monroe, Louisiana  
Joined Board: 1992

### R. L. Hargrove, Jr. (1, 2, 3)

Occupation:  
Retired telephone executive  
Monroe, Louisiana  
Joined Board: 1985

### Johnny Hebert (6)

Occupation: President  
and private investor  
River City Electric Company  
West Monroe, Louisiana  
Joined Board: 1968

### C. G. Melville, Jr. (3, 4\*, 5\*)

Occupation: Private investor  
New Orleans, Louisiana  
Joined Board: 1968

### Fred Nichols (2, 4, 5)

Occupation:  
Retired cable executive  
Tyler, Texas  
Joined Board: 2003

### Harvey P. Perry (1)

Occupation:  
Vice Chairman of the Board  
and retired telephone executive  
CenturyTel  
Monroe, Louisiana  
Joined Board: 1990

### Jim D. Reppond (1, 4)

Occupation:  
Retired telephone executive  
Mountain Home, Arkansas  
Joined Board: 1986

### Joseph R. Zimmel (2)

Occupation: Financial consultant  
Greenwich, Connecticut  
Joined Board: 2003

## Executive Officers

### Glen F. Post, III

Chairman of the Board  
and Chief Executive Officer

### Karen A. Puckett

President  
and Chief Operating Officer

### R. Stewart Ewing, Jr.

Executive Vice President  
and Chief Financial Officer

### David D. Cole

Senior Vice President -  
Operations Support

### Stacey W. Goff

Senior Vice President,  
General Counsel  
and Corporate Secretary

### Michael E. Maslowski

Senior Vice President  
and Chief Information Officer

## Committees

- (1) Executive
  - (2) Audit
  - (3) Nominating and  
Corporate Governance
  - (4) Compensation
  - (5) Incentive Awards  
Subcommittee  
(of Compensation)
  - (6) Risk Evaluation
  - (7) Special Pricing
- \* Denotes chairperson

*This report includes certain forward-looking statements that are subject to uncertainties that could cause CenturyTel's actual results to differ materially. A description of these uncertainties and other information regarding forward-looking statements is contained in CenturyTel's 2004 annual report on Form 10-K.*

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# Shareholder Information

## Further Information

Call 800.833.1188, Monday through Friday from 8 a.m. to 5 p.m. Central Time, for stock-related inquiries. Certain financial information can also be found on CenturyTel's Corporate Web site at [www.centurytel.com](http://www.centurytel.com). To obtain a copy of CenturyTel's annual report on Form 10-K at no charge contact:

Tony Davis  
Vice President of Investor Relations  
CenturyTel, Inc.  
100 CenturyTel Drive  
Monroe, Louisiana 71203  
800.833.1188 Telephone  
318.388.9064 Fax  
[tony.davis@centurytel.com](mailto:tony.davis@centurytel.com)

## Dividend Reinvestment Plan

By participating in CenturyTel's Dividend Reinvestment and Stock Purchase Service (the Service), shareholders may purchase common stock with their reinvested dividends at market price. In order to participate in this plan, individuals must own at least one share of CenturyTel stock registered in their name. Under this service, shareholders pay no commission or handling charge for purchases made with reinvested dividends or those made under the optional cash purchase provision. Optional payments must be at least \$25 per payment with a maximum of \$150,000 per calendar year. Optional payments may be made at any time by check or money order, or monthly, via direct debit. Upon request, shareholders can obtain information on the Service directly from CenturyTel or from our Transfer Agent.

Computershare Investor Services, L.L.C.  
Dividend Reinvestment Department  
P.O. Box A3309  
Chicago, Illinois 60690-3309  
800.969.6718

CenturyTel participates in the NAIC  
(National Association of Investors' Corporation)  
Low-Cost Investment Plan.

## Annual Meeting

CenturyTel's annual meeting of shareholders will be held Thursday, May 12, 2005, at 2 p.m. Central Time at the following location:

Corporate Headquarters  
100 CenturyTel Drive  
Monroe, Louisiana 71203

## Trading and Dividend Information

	High	Low	Close	Dividends Declared
<b>2004</b>				
1st Quarter	\$33.40	\$26.20	\$27.49	\$.0575
2nd Quarter	30.32	26.22	30.04	.0575
3rd Quarter	34.47	29.79	34.24	.0575
4th Quarter	35.54	31.00	35.47	.0575

	High	Low	Close	Dividends Declared
<b>2003</b>				
1st Quarter	\$31.79	\$25.25	\$27.60	\$.0550
2nd Quarter	35.90	27.33	34.85	.0550
3rd Quarter	35.85	32.45	33.89	.0550
4th Quarter	36.76	30.09	32.62	.0550

## CenturyTel, Inc. Stock

CenturyTel's common stock is listed on the New York Stock Exchange under the symbol CTL.

## Projected Dividend Dates\*

	Record Date	Payment Date
1st Quarter	March 4, 2005	March 18, 2005
2nd Quarter	June 3, 2005	June 17, 2005
3rd Quarter	September 2, 2005	September 16, 2005
4th Quarter	December 2, 2005	December 16, 2005

\* Subject to discretion of the CenturyTel, Inc. Board of Directors.

**CTL**  
**LISTED**  
**NYSE**



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