

Edgar Filing: CENTURYTEL INC - Form 8-K

CENTURYTEL INC  
Form 8-K  
February 01, 2002

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

FORM 8-K

CURRENT REPORT

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

Date of Report (Date of earliest event reported) January 31, 2002

CenturyTel, Inc.

(Exact name of registrant as specified in its charter)

Louisiana  
(State or other  
jurisdiction of  
incorporation)

1-7784  
(Commission File  
Number)

72-0651161  
(IRS Employer  
Identification No.)

100 Century Park Drive, Monroe, Louisiana  
(Address of principal executive offices)

71203  
(Zip Code)

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

Item 5. Other Events

FOR IMMEDIATE RELEASE  
January 31, 2002

FOR MORE INFORMATION CONTACT:  
Tony Davis (318) 388-9525  
tony.davis@centurytel.com

CenturyTel Reports Solid Fourth Quarter Earnings Growth

Monroe, LA. . . CenturyTel, Inc. (NYSE Symbol: CTL) announces operating results for fourth quarter 2001.

o Revenues climbed 3.0% to \$543.1 million.

o Earnings before interest, taxes, depreciation and amortization, excluding nonrecurring items, was \$271.1 million.

o Net income, excluding nonrecurring items, increased 5.6% to \$60.3 million.

o Cash earnings per share (earnings before goodwill amortization), excluding nonrecurring items, increased 8.2% to \$.53.

o Diluted earnings per share, excluding nonrecurring items, rose 5.0% to \$.42.

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Fourth Quarter Highlights  
(Excluding nonrecurring items)

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(In thousands, except per share and customer amounts)	Quarter Ended 12/31/01	Quarter Ended 12/31/00	%
			Change
Revenues	\$ 543,148	\$ 527,180	3.0%
EBITDA	\$ 271,062	\$ 269,379	0.6%
Net Income	\$ 60,328	\$ 57,121	5.6%
Cash Earnings Per Share	\$ .53	\$ .49	8.2%
Diluted Earnings Per Share	\$ .42	\$ .40	5.0%
Average Diluted Shares Outstanding	142,427	142,149	0.2%
Telephone Revenues	\$ 388,853	\$ 376,347	3.3%
Wireless Revenues	\$ 108,469	\$ 111,791	(3.0)%
Other Operations Revenues	\$ 45,826	\$ 39,042	17.4%
Telephone Access Lines	1,797,643	1,800,565	(0.2)%
Wireless Units in Majority-Owned Markets	795,277	751,200	5.9%

"In light of the economic uncertainty across our nation, CenturyTel achieved a strong 8.2% growth in cash earnings per share, excluding nonrecurring items," Glen F. Post, III, president and chief executive officer, said. "We expect economic challenges to continue during 2002, especially during the first half of the year. However, CenturyTel's strong free cash flow provides stability today and a solid platform for future growth."

Consolidated revenues rose 3.0% to \$543.1 million from \$527.2 million. EBITDA, excluding nonrecurring items, grew to \$271.1 million from \$269.4 million. CenturyTel achieved a consolidated EBITDA margin of 49.9% during the quarter. Net income for the quarter, excluding nonrecurring items, increased 5.6% to \$60.3 million from \$57.1 million in fourth quarter 2000, primarily due to increased telephone revenue and lower interest expense. Cash earnings per share, excluding nonrecurring items, was \$.53 in fourth quarter 2001 compared to \$.49 in fourth quarter 2000. Diluted earnings per share, excluding nonrecurring items, increased 5.0% to \$.42 from \$.40.

Telephone revenues grew 3.3% to \$388.9 million during the quarter, compared with \$376.3 million in fourth quarter 2000. Telephone operating income increased 6.0% to \$115.7 million from \$109.2 million, and EBITDA rose 3.6% to \$217.4 million from \$209.7 million a year ago. CenturyTel's fourth quarter telephone EBITDA margin was 55.9% while the operating income margin was 29.8%.

"We stated at the end of second quarter 2001 that our telephone EBITDA margin had bottomed and we expected to deliver improved margins by year end 2001. Telephone EBITDA margins increased to 55.9% for fourth quarter 2001 from 53.9% in second quarter 2001," Post said.

Wireless revenues decreased 3.0% to \$108.5 million in fourth quarter 2001, compared with \$111.8 million in fourth quarter 2000, primarily due to lower roaming revenues. Wireless operating income was \$23.6 million compared to \$25.9 million, a 9.0% decrease, and EBITDA decreased 2.3% to \$40.9 million compared to \$41.9 million a year ago. CenturyTel's fourth quarter wireless EBITDA margin was 38.6% and operating income margin was 22.2%, based on service revenues. Average monthly wireless service revenue per user was approximately \$45 during fourth quarter 2001.

Other operations revenues grew 17.4% to \$45.8 million during fourth quarter 2001, compared with \$39.0 million in fourth quarter 2000. CenturyTel's long distance revenues increased 10.1% to \$30.2 million. CenturyTel now serves more than 465,800 long distance customers, adding more than 27,200 during the

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quarter. Internet revenues increased 61.0% to \$11.4 million in fourth quarter 2001 from \$7.1 million. Internet operating losses were \$2.2 million for the quarter due to startup expenses pertaining to continued growth of the company's DSL operation.

"We are very pleased with the strong 31% growth in data revenues for fourth quarter 2001. We continue to experience excellent demand from our customers for data solutions," Post said.

For the year 2001, consolidated revenues rose 14.7% to \$2.117 billion from \$1.846 billion. EBITDA, excluding nonrecurring items, grew to \$1.068 billion from \$950.7 million, a 12.3% increase. The growth in 2001 revenues and EBITDA was primarily attributable to the Verizon access lines acquired in third quarter 2000. Net income, excluding nonrecurring items, decreased 1.4% to \$225.7 million from \$228.8 million in 2000. Cash earnings per share, excluding nonrecurring items, increased 2.0% to \$2.01 from \$1.97, and diluted earnings per share decreased 1.2% to \$1.59 from \$1.61.

For fourth quarter 2001, prepared in accordance with generally accepted accounting principles (GAAP), the company reported net income of \$49.8 million, or \$.35 per diluted share, compared to net income of \$57.1 million, or \$.40 per diluted share in fourth quarter 2000. Net income in fourth quarter 2001 includes (i) the proportionate share (\$13.3 million pre-tax) of charges recorded by an entity in which CenturyTel owns a minority interest and (ii) a \$3.0 million pre-tax charge for advisory and consulting fees. The diluted earnings per share impact of these nonrecurring items in fourth quarter 2001 was \$.07.

For the year 2001, prepared in accordance with GAAP, the company reported net income of \$343 million, or \$2.41 per diluted share, compared to net income of \$231.5 million, or \$1.63 per diluted share for the year 2000. Net income for the year 2001 includes nonrecurring items of (i) gain on sale of non-strategic assets; (ii) write-down of certain nonoperating assets; (iii) the proportionate share of charges recorded by an entity in which CenturyTel owns a minority interest and (iv) costs incurred for advisory and consulting fees. These nonrecurring items increased net income \$117.4 million, or \$.82 per diluted share.

For the year 2002, excluding the results from the pending Verizon property acquisition and \$8.0 - \$10.0 million in related integration costs, CenturyTel expects total revenues to increase three to six percent, consolidated EBITDA growth of four to seven percent, and diluted earnings per share of \$2.06 to \$2.18. These expectations include the effect of ceasing amortization of goodwill effective January 1, 2002, under Statement of Financial Accounting Standards No. 142 "Goodwill and Other Intangible Assets" (SFAS No. 142), but exclude the effects of nonrecurring items.

For first quarter 2002, CenturyTel expects total revenues of \$520 million to \$540 million. Operating cash flow for the first quarter is expected to be in the range of \$245 million to \$260 million. Earnings per share, excluding the effects of nonrecurring items, is expected to be in the range of \$.46 to \$.50, including the effect of SFAS No. 142.

In addition to historical information, this release includes forward-looking statements, estimates and projections that are based on current expectations only, and are subject to a number of risks, uncertainties and assumptions, many of which are beyond the control of CenturyTel. Actual events and results may differ materially from those anticipated, estimated or projected if one or more of these risks or uncertainties materialize, or if underlying assumptions prove incorrect. Factors that could affect actual results include but are not limited to: the Company's ability to effectively manage its growth, including integrating newly acquired businesses into our operations, hiring adequate numbers of qualified staff and successfully upgrading our billing and other

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information systems; the results of the Company's efforts to separate its wireless operations; the terms upon which the Company finances its pending acquisitions; the inherent risk of rapid technological change; the effects of on-going changes in the regulation of the Company or the communications industry generally; 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 offerings on a timely and cost-effective basis; higher than anticipated interest rates; and the effects of more general factors such as changes in overall market or economic conditions or in legislation, regulation or public policy. These and other uncertainties related to the Company's business are described in greater detail in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. The information contained in this release is as of January 31, 2002. The Company undertakes no obligation to update or revise any of this information whether as a result of new information, future events or developments, or otherwise.

CenturyTel's management will be hosting a conference call at 10:30 A.M. Central time to discuss fourth quarter earnings and guidance for the first quarter and full year 2002. Investors can access CenturyTel's earnings conference call and replay by accessing the company's website at ([www.centurytel.com](http://www.centurytel.com)) (<http://www.centurytel.com>))

CenturyTel, Inc. provides communications services including local exchange, wireless, long distance, Internet access and data services to nearly three million customers in 21 states. The company, headquartered in Monroe, Louisiana, is publicly traded on the New York Stock Exchange under the symbol CTL. CenturyTel is the 8th largest local exchange telephone company, based on access lines, and the 8th largest cellular company, based on population equivalents owned, in the United States.

Visit CenturyTel's corporate Web site at ([www.centurytel.com](http://www.centurytel.com))

### CenturyTel, Inc. CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000 (UNAUDITED)

In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)
<hr/>			
TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 124,246	123,642	0.5%
Network access	228,589	217,357	5.2%
Other	36,018	35,348	1.9%
	<hr/>		
	388,853	376,347	3.3%
	<hr/>		
Operating expenses			
Plant operations	94,486	91,437	3.3%
Customer operations	30,861	29,057	6.2%
Corporate and other	46,154	46,127	0.1%
Depreciation and amortization	101,660	100,535	1.1%
	<hr/>		
	273,161	267,156	2.2%

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Telephone operating income	115,692	109,191	6.0%
-----			
WIRELESS OPERATIONS			
Operating revenues			
Service	82,964	82,066	1.1%
Roaming	23,145	25,845	(10.4%)
Equipment sales	2,360	3,880	(39.2%)
	108,469	111,791	(3.0%)
-----			
Operating expenses			
Cost of equipment sold	5,664	8,336	(32.1%)
System operations	21,063	17,859	17.9%
General, administrative and customer service	21,425	21,664	(1.1%)
Sales and marketing	19,383	22,036	(12.0%)
Depreciation and amortization	17,372	16,014	8.5%
	84,907	85,909	(1.2%)
-----			
Wireless operating income	23,562	25,882	(9.0%)
-----			
OTHER OPERATIONS			
Operating revenues			
Long distance	30,199	27,434	10.1%
Internet	11,379	7,068	61.0%
Other	4,248	4,540	(6.4%)
	45,826	39,042	17.4%
-----			
Operating expenses			
Cost of sales and other	37,870	30,888	22.6%
Depreciation and amortization	2,515	1,187	111.9%
	40,385	32,075	25.9%
-----			
Other operating income	5,441	6,967	(21.9%)
-----			
TOTAL OPERATING INCOME	144,695	142,040	1.9%
-----			
OTHER INCOME (EXPENSE)			
Interest expense	(52,024)	(63,089)	(17.5%)
Income (loss) from unconsolidated cellular entities	(5,188)	7,604	(168.2%)
Minority interest	(3,081)	(2,149)	43.4%
Other income and expense	(3,165)	4,148	(176.3%)
Income tax expense	(31,474)	(31,433)	0.1%
-----			
NET INCOME	\$ 49,763	57,121	(12.9%)
=====			
EARNINGS PER SHARE			
Basic	\$ 0.35	0.41	(14.6%)
Diluted	\$ 0.35	0.40	(12.5%)

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SHARES OUTSTANDING			
Basic	140,909	140,325	0.4%
Diluted	142,427	142,149	0.2%
DIVIDENDS PER COMMON SHARE			
	\$ 0.0500	0.0475	5.3%

## CenturyTel, Inc. CONSOLIDATED STATEMENTS OF INCOME THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000 (UNAUDITED)

Excludes nonrecurring items In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)
TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 124,246	123,642	0.5%
Network access	228,589	217,357	5.2%
Other	36,018	35,348	1.9%
	388,853	376,347	3.3%
Operating expenses			
Plant operations	94,486	91,437	3.3%
Customer operations	30,861	29,057	6.2%
Corporate and other	46,154	46,127	0.1%
Depreciation and amortization	101,660	100,535	1.1%
	273,161	267,156	2.2%
Telephone operating income	115,692	109,191	6.0%
WIRELESS OPERATIONS			
Operating revenues			
Service	82,964	82,066	1.1%
Roaming	23,145	25,845	(10.4%)
Equipment sales	2,360	3,880	(39.2%)
	108,469	111,791	(3.0%)
Operating expenses			
Cost of equipment sold	5,664	8,336	(32.1%)
System operations	21,063	17,859	17.9%
General, administrative and customer service	21,425	21,664	(1.1%)
Sales and marketing	19,383	22,036	(12.0%)
Depreciation and amortization	17,372	16,014	8.5%
	84,907	85,909	(1.2%)
Wireless operating income	23,562	25,882	(9.0%)

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OTHER OPERATIONS			
Operating revenues			
Long distance	30,199	27,434	10.1%
Internet	11,379	7,068	61.0%
Other	4,248	4,540	(6.4%)
	45,826	39,042	17.4%
Operating expenses			
Cost of sales and other	37,870	30,888	22.6%
Depreciation and amortization	2,515	1,187	111.9%
	40,385	32,075	25.9%
Other operating income	5,441	6,967	(21.9%)
TOTAL OPERATING INCOME	144,695	142,040	1.9%
OTHER INCOME (EXPENSE)			
Interest expense	(52,024)	(63,089)	(17.5%)
Income from unconsolidated cellular entities	8,066	7,604	6.1%
Minority interest	(3,081)	(2,149)	43.4%
Other income and expense	(165)	4,148	(104.0%)
Income tax expense	(37,163)	(31,433)	18.2%
NET INCOME	\$ 60,328	57,121	5.6%
EARNINGS PER SHARE			
Basic	\$ 0.43	0.41	4.9%
Diluted	\$ 0.42	0.40	5.0%
SHARES OUTSTANDING			
Basic	140,909	140,325	0.4%
Diluted	142,427	142,149	0.2%
DIVIDENDS PER COMMON SHARE	\$ 0.0500	0.0475	5.3%

## CenturyTel, Inc. CONSOLIDATED STATEMENTS OF INCOME TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000 (UNAUDITED)

In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)
TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 491,529	408,538	20.3%
Network access	874,458	727,797	20.2%
Other	139,746	117,634	18.8%

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	1,505,733	1,253,969	20.1%
-----			
Operating expenses			
Plant operations	380,466	290,062	31.2%
Customer operations	117,080	105,950	10.5%
Corporate and other	186,483	163,761	13.9%
Depreciation and amortization	398,284	317,906	25.3%
-----			
	1,082,313	877,679	23.3%
-----			
Telephone operating income	423,420	376,290	12.5%
-----			
WIRELESS OPERATIONS			
Operating revenues			
Service revenues	336,850	328,956	2.4%
Roaming	90,192	99,791	(9.6%)
Equipment sales	10,923	14,822	(26.3%)
-----			
	437,965	443,569	(1.3%)
-----			
Operating expenses			
Cost of equipment sold	23,453	30,064	(22.0%)
System operations	75,628	69,641	8.6%
General, administrative and customer service	85,467	78,087	9.5%
Sales and marketing	74,670	82,673	(9.7%)
Depreciation and amortization	66,346	65,239	1.7%
-----			
	325,564	325,704	-
-----			
Wireless operating income	112,401	117,865	(4.6%)
-----			
OTHER OPERATIONS			
Operating revenues			
Long distance	117,363	104,435	12.4%
Internet	39,057	23,491	66.3%
Other	17,351	20,462	(15.2%)
-----			
	173,771	148,388	17.1%
-----			
Operating expenses			
Cost of sales and other	142,919	112,219	27.4%
Depreciation and amortization	8,754	4,911	78.3%
-----			
	151,673	117,130	29.5%
-----			
Other operating income	22,098	31,258	(29.3%)
-----			
TOTAL OPERATING INCOME	557,919	525,413	6.2%
-----			
OTHER INCOME (EXPENSE)			
Interest expense	(225,523)	(183,302)	23.0%
Income from unconsolidated			
cellular entities	27,460	26,986	1.8%
Minority interest	(11,812)	(10,201)	15.8%
Nonrecurring gains and losses	199,971	20,593	871.1%
Other income and expense	5,041	6,696	(24.7%)



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Income tax expense	(210,025)	(154,711)	35.8%
<hr/>			
NET INCOME	\$ 343,031	231,474	48.2%
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EARNINGS PER SHARE			
Basic	\$ 2.43	1.65	47.3%
Diluted	\$ 2.41	1.63	47.9%
SHARES OUTSTANDING			
Basic	140,743	140,069	0.5%
Diluted	142,307	141,864	0.3%
DIVIDENDS PER COMMON SHARE	\$ 0.2000	0.1900	5.3%

## CenturyTel, Inc. CONSOLIDATED STATEMENTS OF INCOME TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000 (UNAUDITED)

Excludes nonrecurring items In thousands, except per share amounts	2001	2000	INCREASE (DECREASE)
<hr/>			
TELEPHONE OPERATIONS			
Operating revenues			
Local service	\$ 491,529	408,538	20.3%
Network access	874,458	727,797	20.2%
Other	139,746	117,634	18.8%
<hr/>			
	1,505,733	1,253,969	20.1%
<hr/>			
Operating expenses			
Plant operations	378,466	290,062	30.5%
Customer operations	117,080	105,950	10.5%
Corporate and other	186,483	163,761	13.9%
Depreciation and amortization	398,284	317,906	25.3%
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	1,080,313	877,679	23.1%
<hr/>			
Telephone operating income	425,420	376,290	13.1%
<hr/>			
WIRELESS OPERATIONS			
Operating revenues			
Service	336,850	328,956	2.4%
Roaming	90,192	99,791	(9.6%)
Equipment sales	10,923	14,822	(26.3%)
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	437,965	443,569	(1.3%)
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Operating expenses			
Cost of equipment sold	23,453	30,064	(22.0%)

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System operations	75,628	69,641	8.6%
General, administrative and customer service	85,467	78,087	9.5%
Sales and marketing	74,670	82,673	(9.7%)
Depreciation and amortization	66,346	65,239	1.7%
	325,564	325,704	-
Wireless operating income	112,401	117,865	(4.6%)
OTHER OPERATIONS			
Operating revenues			
Long distance	117,363	104,435	12.4%
Internet	39,057	23,491	66.3%
Other	17,351	20,462	(15.2%)
	173,771	148,388	17.1%
Operating expenses			
Cost of sales and other	142,919	111,715	27.9%
Depreciation and amortization	8,754	4,911	78.3%
	151,673	116,626	30.1%
Other operating income	22,098	31,762	(30.4%)
TOTAL OPERATING INCOME	559,919	525,917	6.5%
OTHER INCOME (EXPENSE)			
Interest expense	(225,523)	(183,302)	23.0%
Income from unconsolidated cellular entities	35,350	32,316	9.4%
Minority interest	(11,799)	(10,201)	15.7%
Other income and expense	11,041	14,643	(24.6%)
Income tax expense	(143,327)	(150,545)	(4.8%)
NET INCOME	\$ 225,661	228,828	(1.4%)
EARNINGS PER SHARE			
Basic	\$ 1.60	1.63	(1.8%)
Diluted	\$ 1.59	1.61	(1.2%)
SHARES OUTSTANDING			
Basic	140,743	140,069	0.5%
Diluted	142,307	141,864	0.3%
DIVIDENDS PER COMMON SHARE	\$ 0.2000	0.1900	5.3%

CenturyTel, Inc.  
CONSOLIDATED BALANCE SHEETS  
DECEMBER 31, 2001 AND DECEMBER 31, 2000  
(UNAUDITED)

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	December 31, 2001	December 31, 2000
<hr/>		
	(in thousands)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 13,362	19,039
Other current assets	286,911	357,465
<hr/>		
Total current assets	300,273	376,504
<hr/>		
PROPERTY, PLANT AND EQUIPMENT		
Telephone	5,292,255	4,999,808
Wireless	568,835	522,684
Other	446,920	392,024
Accumulated depreciation	(3,308,447)	(2,955,223)
<hr/>		
Net property, plant and equipment	2,999,563	2,959,293
<hr/>		
INVESTMENTS AND OTHER ASSETS		
Excess cost of net assets acquired	2,471,484	2,509,033
Other	547,364	548,460
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Total investments and other assets	3,018,848	3,057,493
<hr/>		
TOTAL ASSETS	\$ 6,318,684	6,393,290
<hr/>		
LIABILITIES AND EQUITY		
CURRENT LIABILITIES		
Short-term debt and current maturities of long-term debt	\$ 1,008,834	425,962
Other current liabilities	285,122	317,408
<hr/>		
Total current liabilities	1,293,956	743,370
<hr/>		
LONG-TERM DEBT	2,087,500	3,050,292
DEFERRED CREDITS AND OTHER LIABILITIES	599,848	567,549
STOCKHOLDERS' EQUITY	2,337,380	2,032,079
<hr/>		
TOTAL LIABILITIES AND EQUITY	\$ 6,318,684	6,393,290

## CAPITAL EXPENDITURES TWELVE MONTHS ENDED DECEMBER 31, 2001 AND 2000

	2001	2000	INC (DEC)
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	(in thousands)		

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Telephone	\$	351,010	275,523	27.4%
Wireless		71,212	58,468	21.8%
Other		84,505	115,546	(26.9%)
-----				
Total capital expenditures	\$	506,727	449,537	12.7%
=====				

## CAPITAL EXPENDITURES THREE MONTHS ENDED DECEMBER 31, 2001 AND 2000

		2001	2000	INC (DEC)
-----				
(in thousands)				
-----				
Telephone	\$	102,179	117,682	(13.2%)
Wireless		18,690	19,504	(4.2%)
Other		1,603	29,670	(94.6%)
-----				
Total capital expenditures	\$	122,472	166,856	(26.6%)
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## Item 5. Other Events

In its January 31, 2002 press release announcing its fourth quarter 2001 financial results, the Company reported there to be 795,277 Wireless Units in Majority-Owned Markets as of December 31, 2001. The correct number of Wireless Units in Majority-Owned Markets as of December 31, 2001 was actually 797,340.

## 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.

By: /s/ Neil A. Sweasy

-----  
Neil A. Sweasy  
Vice President and Controller