

ALLTEL CORP
Form 10-K/A
June 21, 2005

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION Washington, D. C. 20549

FORM 10-K/A

AMENDMENT NO. 1 TO ANNUAL REPORT FILED PURSUANT TO
SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-4996

ALLTEL CORPORATION (Exact name of registrant as specified in its charter) DELAWARE 34-0868285 (State of incorporation or organization) (I.R.S. Employer

Identification No.) One Allied Drive, Little Rock, Arkansas 72202 (Address of principal executive offices) (Zip

Registrant's telephone number, including area code (501) 905-8000

Securities registered pursuant to Section 12(b) of the Act: Title of each class Name of each exchange on which registered

Preferred Stock New York and Pacific

Securities registered pursuant to Section 12(g) of the Act:

NONE (Title of Class)

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 and all amendments to such reports during the preceding 12 months (or for such shorter period as the registrant may have specified in a transition report filed pursuant to Rule 13a-7 of Regulation S-K) and (2) has not been delinquent in filing such reports.

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein.

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

Aggregate market value of voting stock held by non-affiliates as of June 30, 2004 \$15,601,010,955

Common shares outstanding, January 31, 2005 302,475,315

DOCUMENTS INCORPORATED BY REFERENCE Document Incorporated Into Proxy statement for the 2005 Annual Meeting

Explanatory Note

ALLTEL Corporation is filing this Form 10-K/A to amend its Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

Except for the amendments to Exhibits 31(a) and 31(b), this amendment does not update or modify in any way the disclosure contained in the Annual Report on Form 10-K for the fiscal year ended December 31, 2004.

ALLTEL Corporation
Form 10-K, Part I
Item 1. Business
THE COMPANY

GENERAL

ALLTEL Corporation ("ALLTEL" or the "Company") is a customer-focused communications company. The Company's web site address is www.alltel.com. ALLTEL files with, or furnishes to, the Securities and Exchange Commission.

FORWARD-LOOKING STATEMENTS

This Form 10-K may include certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Actual future events and results may differ materially from those expressed in these forward-looking statements as a result of various factors. In addition to these factors, actual future performance, outcomes and results may differ materially because of other matters.

1

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

THE COMPANY (continued)

ACQUISITIONS

Pending Acquisitions to be Completed During 2005:

On January 9, 2005, ALLTEL entered into an Agreement and Plan of Merger (the "Merger Agreement") with Western Wireless. On November 26, 2004, ALLTEL and Cingular Wireless LLC ("Cingular"), a joint venture between SBC Communications and Cingular, completed the acquisition of Cingular. Following completion of the acquisitions discussed above, ALLTEL's domestic communications operations will serve approximately 100 million customers.

Acquisitions Completed During the Past Five Years:

On December 1, 2004, ALLTEL completed the purchase of certain wireless assets from United States Cellular Corporation. On August 29, 2003, the Company purchased for \$22.8 million in cash a wireless property with a potential service area of approximately 10 million.

2

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

THE COMPANY (continued)

ACQUISITIONS (Continued)

On August 1, 2002, ALLTEL completed its purchase of local telephone properties serving approximately 589,000 wireline customers. On August 1, 2002, ALLTEL also completed its purchase of substantially all of the wireless properties owned by CenturyTel. On October 3, 2000, ALLTEL purchased wireless properties in New Orleans, Baton Rouge and three rural service areas. On January 31, 2000, ALLTEL, Bell Atlantic Corporation ("Bell Atlantic") and GTE Corporation ("GTE") signed an agreement to combine their wireless operations.

DISPOSITIONS

In December 2003, ALLTEL sold to Convergys Information Management Group ("Convergys") for \$37.0 million in cash the financial services division of its information services subsidiary. On April 1, 2003, ALLTEL completed the sale of the financial services division of its information services subsidiary. In January 2003, ALLTEL completed the termination of its business venture with Bradford & Bingley Group. The business was sold for \$10 million. During 2002, the Company sold its majority ownership interest in a Pennsylvania cellular partnership to Verizon for a total cash purchase price of \$41 million.

3

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

THE COMPANY (continued)

DISPOSITIONS (Continued)

During 2001, the Company sold 20 PCS licenses in six states to Verizon Wireless for a total cash purchase price of \$41 million. During 2000, the Company sold its PCS operations in Birmingham and Mobile, Alabama and PCS licenses in nine other states for a total cash purchase price of \$10 million.

MANAGEMENT

The Company's staff at its headquarters and regional offices supervise, coordinate and assist subsidiaries in management

EMPLOYEES

At December 31, 2004, the Company had 18,598 employees. Within the Company's work force, approximately 1,526 e

ORGANIZATIONAL STRUCTURE AND OPERATING SEGMENTS

The Company has focused its communications business strategy on growing its customer base through strategic acquisi

ALLTEL is organized based on the products and services that it offers. Under this organizational structure, the Compar

WIRELESS OPERATIONS

As of December 31, 2004, the Company provided wireless communications service to more than 8.6 million customers

4

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELESS OPERATIONS (continued)

ALLTEL has offered PCS service in Jacksonville, Florida, since March 1998. As previously discussed, in connection w

During 2004, ALLTEL continued to upgrade it wireless network infrastructure and invest in state-of-the-art code divis

PRODUCT OFFERINGS AND PRICING

Wireless revenues are derived primarily from monthly access and airtime charges, roaming and long-distance charges a

ALLTEL strives to address the needs of a variety of customer segments, stimulate usage, increase penetration, and imp

ALLTEL provides several voice features to enhance its wireless calling plans, including call waiting, call forwarding, c

The wireless industry has shifted to higher recurring revenue plans which provide a large number of packaged minutes.

5

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELESS OPERATIONS (continued)

PRODUCT OFFERINGS AND PRICING (continued)

In addition to these voice features, in early 2004, the Company launched Touch2Talk, which is a walkie-talkie service

In response to increasing demand, the Company continued to expand its various data solutions to its customers in 2004

ALLTEL also offers several prepaid alternatives designed to increase market penetration. One alternative, "Pay-As-Yo

Primarily as a result of the increased sales of the Company's higher-yield local, regional and national calling plans and

Maintaining low postpay customer churn rates (average monthly rate of customer disconnects) is a primary goal of the

MARKETING

ALLTEL's marketing strategy is to create and execute products, services and communications that drive growth while

6

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELESS OPERATIONS (continued)

DISTRIBUTION

ALLTEL utilizes four methods of distributing its wireless products and services in each of its markets: Company retail

ALLTEL currently conducts its retail operations in approximately 800 locations strategically located in neighborhood r

ALLTEL also contracts with large national retail stores to sell wireless products and services directly through its own k

The Company enters into dealer agreements with electronics retailers and discounters in its markets. These local dealer

ALLTEL's direct sales force focuses its efforts on business customers with high wireless telephone usage and multiple

COMPETITION

Substantial and increasing competition exists within the wireless communications industry. Cellular, PCS and Enhance

In the current wireless market, ALLTEL's ability to compete also depends on its ability to offer regional and national c

7

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELESS OPERATIONS (continued)

TECHNOLOGY

Since inception, mobile wireless technologies have seen significant improvements in both speed and reliability. The firm ALLTEL will maintain its first generation analog services until the FCC no longer requires it or as long as non-CDMA. Third generation digital wireless technologies increase voice capacity, allow high-speed wireless packet data services and

REGULATION

The Company is subject to regulation by the FCC as a provider of Commercial Mobile Radio Services ("CMRS"). The Telecommunications Act of 1996 ("96 Act"), provides wireless carriers numerous opportunities to provide an alternative service. The Company holds FCC authorizations for Cellular Radiotelephone Service ("CRS"), Personal Communications Service

8

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELESS OPERATIONS (continued)

REGULATION (continued)

Minority, non-controlling interests in an FCC license generally may be transferred or assigned without prior FCC approval. All of the Company's PCS licenses are for 10 MHz-wide broadband PCS systems. PCS licenses are granted for 10-year terms. Cellular systems operate on one of two 25 MHz-wide frequency blocks that the FCC allocates and licenses for CMRS. In an effort to promote more efficient number utilization, the FCC adopted rules requiring CMRS providers to participate in number portability. CMRS providers in the top 100 markets were required by the FCC to implement by November 24, 2003 (and, for all other markets, by February 1, 2004). An appeal by the United States Telecommunications Association ("USTA"), along with certain rural telephone companies, was filed with the FCC. Wireless service providers are required by the FCC to provide enhanced 911 emergency service ("E-911") in a two-phase

9

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELESS OPERATIONS (continued)

REGULATION (continued)

In phase two, CMRS carriers like ALLTEL have opted for a handset-based solution must determine, for originated calls, whether to use a handset-based solution. To ensure affordable access to telecommunications services throughout the United States, the FCC and many states continue to work on number portability. During 2004, the Company sought ETC certification by the FCC and various state commissions. In September 2004, the FCC, in conjunction with the Federal/State Joint Board on Universal Service, is considering changes to the USF program.

10

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELESS OPERATIONS (continued)

REGULATION (continued)

for which the support is intended". If adopted, these changes would adversely affect the availability of USF to ALLTEL. The FCC mandated that, effective October 1, 2004, the Universal Service Administrative Company ("USAC") must be able to collect and distribute USF. In October 2003, the FCC issued an order adopting rules that allow CMRS licensees to lease spectrum to others. The FCC

The Communications Assistance for Law Enforcement Act ("CALEA") requires wireless and wireline carriers to ensure compliance with certain regulations under FCC and Federal Aviation Administration regulations, wireless carriers must comply with certain regulations re
11

ALLTEL Corporation
Form 10-K, Part I

Item 1. Business

WIRELINE OPERATIONS

As previously noted, the Company's wireline segment consists of ALLTEL's ILEC, CLEC and Internet access operations. Local service operations provide lines from telephone exchange offices to customer premises for the origination and termination of local service. Network access and interconnection services are provided by ALLTEL by connecting the equipment and facilities of its

COMPETITION

Many of the Company's ILEC operations have begun to experience competition in their local service areas. Sources of competition include other ILECs. To address competition, ALLTEL is focusing its efforts on marketing and selling additional products and services to its customers. Although DSL services have been a source of revenue and access line growth for the Company in 2004, 2003 and 2002
12

ALLTEL Corporation
Form 10-K, Part I

Item 1. Business

WIRELINE OPERATIONS (continued)

COMPETITION (continued)

challenging existing regulatory definitions. As further discussed below under the caption "Network Access Services"
13

LOCAL SERVICE REGULATION

Prior to 1996, ALLTEL's wireline subsidiaries provided local telephone service under exclusive franchises granted by the states. The 96 Act substantially modified certain aspects of the states' and the FCC's jurisdictions in the regulation of local exchange service. The 96 Act also requires all local exchange telephone companies to compensate one another for the transport and termination of long distance calls. Except for certain of its subsidiaries in Nebraska, Ohio and the recently acquired property in Kentucky, the Company's subsidiaries are subject to the 96 Act. In 1996, the FCC issued regulations implementing the local competition provisions of the 96 Act. These regulations established a local competition program. In June 2002, the U.S. Court of Appeals for the Second Circuit found that the 96 Act did not create an "implicit immunity"
13

ALLTEL Corporation
Form 10-K, Part I

Item 1. Business

WIRELINE OPERATIONS (continued)

LOCAL SERVICE REGULATION (continued)

The federal universal service program is under legislative, regulatory and industry participant scrutiny as a result of the 96 Act. In May 2001, the FCC adopted the Rural Task Force Order that established an interim universal service mechanism that would be subject to review. On November 8, 2002, the FCC requested that the Joint Board review certain of the FCC's rules relating to the high-cost program. As previously discussed under "Wireless Operations Regulation", the FCC mandated that, effective October 1, 2004, the high-cost program be subject to a triennial review. On December 20, 2001, the FCC released a notice of proposed rulemaking initiating the first triennial review of the FCC's universal service program. On March 2, 2004, the D.C. Circuit Court overturned key portions of the FCC's Triennial Review Order. The D.C. Circuit's decision was affirmed by the Supreme Court.
14

ALLTEL Corporation
Form 10-K, Part I

Item 1. Business

WIRELINE OPERATIONS (continued)

LOCAL SERVICE REGULATION (continued)

On March 31, 2004, the FCC commissioners urged carriers to begin private commercial negotiations to resolve issues. On September 13, 2004, the FCC released its Interim UNE Order requiring incumbent ILECs to maintain the status quo. On September 15, 2003, the FCC launched its first comprehensive review of the rules that establish wholesale pricing. Section 251(b) of the Communications Act of 1934 (the "34 Act"), as amended, requires, in part, that local exchange carriers. Periodically, the Company's local exchange subsidiaries receive requests from wireless communications providers for rate-of-return. Most states in which ALLTEL's ILEC subsidiaries operate have adopted alternatives to rate-of-return regulation, either

15

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELINE OPERATIONS (continued)

LOCAL SERVICE REGULATION (continued)

The following summary sets forth a description of the alternative regulation plan for each of the states in which the Company operates. ALLTEL's regulated Alabama wireline subsidiary has operated since 1996 under a Public Service Commission ("PSC") alternative regulation plan. ALLTEL's regulated Arkansas wireline subsidiary has operated since 1997 under an alternative regulation plan established by statute. ALLTEL's regulated Florida wireline subsidiary operates under alternative regulation established by Florida statute. ALLTEL's regulated Georgia wireline subsidiaries operate under an alternative regulation plan established by statute. ALLTEL has two regulated operating subsidiaries in Kentucky. The subsidiary acquired from Verizon is subject to alternative regulation. ALLTEL's regulated Missouri wireline subsidiary is subject to alternative regulation election established by statute.

16

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELINE OPERATIONS (continued)

LOCAL SERVICE REGULATION (continued)

ALLTEL's regulated Nebraska operations are subject to alternative regulation established by statute. (Nebraska law requires alternative regulation.) ALLTEL's regulated North Carolina subsidiary has operated since 1998 under alternative regulation plan approved by the Public Service Commission. ALLTEL's regulated Ohio wireline subsidiaries began in 2004, to operate under an alternative regulation plan established by statute. ALLTEL's regulated Pennsylvania subsidiary has operated under the Alternative Form of Regulation and Network Access Services. ALLTEL's regulated South Carolina operations are subject to alternative regulation established by statute. Local exchange services are subject to alternative regulation.

The Company has two operating subsidiaries in Texas. These subsidiaries are subject to alternative regulation established by statute.

NETWORK ACCESS SERVICES REGULATION

The Company's local exchange subsidiaries currently receive compensation from other telecommunications providers, including long distance carriers. A number of carriers have begun offering voice telecommunications services utilizing Internet protocol as the underlying technology.

17

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELINE OPERATIONS (continued)

NETWORK ACCESS SERVICES REGULATION (continued)

Although the FCC's rulemaking regarding IP-enabled services remains pending, the FCC has adopted three orders establishing a framework for broadband services. On October 8, 2004, the FCC granted in part and denied in part a petition filed by Core Communications requesting that the FCC establish a framework for broadband services. In April 2001, the FCC released a notice of proposed rulemaking addressing inter-carrier compensation. Under this rulemaking, carriers are required to file with the FCC their inter-carrier compensation proposals. During the first quarter of 2002, the FCC initiated a rulemaking to evaluate the appropriate framework for broadband services.

18

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

WIRELINE OPERATIONS (continued)

NETWORK ACCESS SERVICES REGULATION (continued)

The Ninth Circuit Court ruling was scheduled to become effective April 8, 2004, but the Ninth Circuit Court stayed the ruling. On October 11, 2001, the FCC adopted rate-of-return access charge reform and initiated a further round of rulemaking.

TECHNOLOGY

The Company believes the local exchange business is in transition from circuit switched technology, which forms the backbone of ALLTEL's backbone fiber network provides the basis for the transport of data traffic. ALLTEL has deployed almost 14 million miles of fiber.

CLEC OPERATIONS

ALLTEL has authority to provide competitive local exchange services in 17 states. As of December 31, 2004, the Company has provided CLEC services in 19 states. Generally, CLECs are required to obtain certificates of public convenience and necessity. In addition, CLECs are required to obtain state approval for their services. 19

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

COMMUNICATIONS SUPPORT SERVICES

Communications support services consist of the Company's long-distance and network management services, product distribution, and directory publishing.

LONG-DISTANCE AND NETWORK MANAGEMENT OPERATIONS

Long-distance telecommunications services are provided on both a facilities-based and resale basis by ALLTEL subsidiaries. Network management services are currently marketed to business customers in select areas. These services are ancillary to the Company's long-distance services.

PRODUCT DISTRIBUTION

The Company's product distribution subsidiary, ALLTEL Communications Products, Inc. ("Communications Products"), provides product distribution services. Communications Products experiences substantial competition throughout its sales territories from other distribution companies.

DIRECTORY PUBLISHING

ALLTEL Publishing Corporation ("ALLTEL Publishing") coordinates advertising, sales, printing, and distribution for the Company's directory publishing services. 20

ALLTEL Corporation

Form 10-K, Part I

Item 1. Business

COMMUNICATIONS SUPPORT SERVICES (continued)

TELECOMMUNICATIONS INFORMATION SERVICES

As previously discussed, in December 2003, the Company sold to Convergys certain assets and related liabilities, including certain telecommunications information services.

INVESTMENTS

On April 1, 2003, in connection with the sale of the Company's financial services division previously discussed, ALLTEL sold certain investments. 21

ALLTEL Corporation

Form 10-K, Part I

Item 2. Properties

The Company's properties do not provide a basis for description by character or location of principal units. All of the Company's properties are owned by the Company's subsidiaries.

WIRELINE PROPERTY

The Company's wireline subsidiaries own property in their respective operating territories which consists primarily of land and buildings. Certain properties of the wireline subsidiaries are pledged as collateral on \$5.1 million of long-term debt.

OTHER PROPERTY

Other properties in service consist primarily of property, plant and equipment used in providing wireless communications services.

Item 3. Legal Proceedings

The Company is party to various other legal proceedings arising from the ordinary course of business. Although the ultimate outcome of these proceedings is uncertain, to the knowledge of ALLTEL's management, no material legal proceedings, either private or governmental, currently pending or threatened against the Company.

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

No matters were submitted to the security holders for a vote during the fourth quarter of 2004.

22

ALLTEL Corporation

Form 10-K, Part II

Item 5. Market for the Registrant's Common Equity and Related Stockholder Matters

(a) The outstanding shares of ALLTEL's Common Stock are listed and traded on the New York Stock Exchange and the NASDAQ National Market.

As of January 31, 2005, the approximate number of stockholders of common stock including an estimate for those holding shares in street name is as follows:

Item 6. Selected Financial Data

For information pertaining to Selected Financial Data of ALLTEL Corporation, refer to pages F-37 and F-38 of the Financial Supplement.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

For information pertaining to Management's Discussion and Analysis of Financial Condition and Results of Operations, refer to pages F-1 through F-36 of the Financial Supplement.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information pertaining to the Company's market risk disclosures, refer to page F-34 of the Financial Supplement, and pages F-1 through F-36 of the Financial Supplement.

Item 8. Financial Statements and Supplementary Data

For information pertaining to Financial Statements and Supplementary Data of ALLTEL Corporation, refer to pages F-1 through F-36 of the Financial Supplement.

23

ALLTEL Corporation

Form 10-K, Part II

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

No reportable information under this item.

Item 9(A). Controls and Procedures

(a) Evaluation of disclosure controls and procedures. The term "disclosure controls and procedures" (defined in SEC Rule 13a-15(e)) refers to the controls and procedures designed to ensure that information required to be disclosed by the registrant in its periodic reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

Item 9(B). Other Information

No reportable information under this item.

Form 10-K, Part III

Item 10. Directors and Executive Officers of the Registrant

For information pertaining to Directors of ALLTEL Corporation refer to "Election of Directors" in ALLTEL's Proxy Statement.

Name Age

Position Scott T. Ford 42 President and Chief Executive Officer Kevin L. Beebe 45 Group President

There are no arrangements between any officer and any other person pursuant to which he was selected as an officer. See "Director Independence" in ALLTEL's Proxy Statement.

24

ALLTEL Corporation

Form 10-K, Part III

Item 10. Directors and Executive Officers of the Registrant (continued)

ALLTEL has a code of ethics that applies to all employees and members of the Board of Directors. ALLTEL's code of ethics is available on the company's website at www.alltel.com.

Item 11. Executive Compensation

For information pertaining to Executive Compensation, refer to "Management Compensation" in ALLTEL's Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

For information pertaining to beneficial ownership of ALLTEL securities, refer to "Security Ownership of Certain Beneficial Owners" in ALLTEL Corporation's 2004 Annual Report. Set forth below is additional information as of December 31, 2004, about shares of the Company's common stock that are owned or controlled by security holders (1) 15,502.9 \$56.21 16,819.4 Equity compensation plans not approved by security holders Totals 15,502.9 \$56.21 16,819.4

- (1) Includes the ALLTEL Corporation 1991 Stock Option Plan, ALLTEL Corporation 1994 Stock Option Plan for Employees and the ALLTEL Corporation 2004 Stock Option Plan.
- (2) Does not include 419,492 stock options with a weighted-average exercise price of \$31.57, which were assumed to be exercised on December 31, 2004.

Item 13. Certain Relationships and Related Transactions

For information pertaining to Certain Relationships and Related Transactions, refer to "Certain Transactions" in ALLTEL Corporation's 2004 Annual Report.

Item 14. Principal Accountant Fees and Services

For information pertaining to fees paid to the Company's principal accountant and the Audit Committee's pre-approval of such fees, refer to "Principal Accountant Fees and Services" in ALLTEL Corporation's 2004 Annual Report.

ALLTEL Corporation Form 10-K, Part IV

Item 15. Exhibits, Financial Statement Schedules

- (a) The following documents are filed as a part of this report:

- 1. Financial Statements:

The following Consolidated Financial Statements of ALLTEL Corporation and subsidiaries for the year ended December 31, 2004 and 2003 are included in this report. Separate condensed financial statements of ALLTEL Corporation have been omitted since the Company meets the test of being a "small business" under the Securities Exchange Act of 1934.

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by its duly authorized officer.

By /s/ Jeffery R. Gardner Date: June 21, 2005 Jeffery R. Gardner, Executive Vice President -
Chief Financial Officer
(Principal Financial Officer)

27

**Report of Independent Registered Public Accounting Firm on
Financial Statement Schedule**

To the Board of Directors of ALLTEL Corporation:

Our audits of the consolidated financial statements, of management's assessment of the effectiveness of ALLTEL Corporation's internal control over financial reporting, and of the effectiveness of ALLTEL Corporation's disclosure controls and procedures were performed by us in accordance with the standards of the Public Company Accounting Oversight Board (PCAOB).

/s/ PricewaterhouseCoopers LLP
Little Rock, Arkansas,
February 10, 2005

28

ALLTEL CORPORATION

SCHEDULE II VALUATION AND QUALIFYING ACCOUNTS

(Dollars in Millions)

Column A Column B Column C Column D Column E

Notes:

(A) Accounts charged off net of recoveries of amounts previously written off. (B) During 2004, the Company recorded net recoveries of amounts previously written off. See Note 9 on pages F-66 to F-68 of the Financial Supplement, which is incorporated herein by reference, for additional information.
29

EXHIBIT INDEX

Number and Name (2)(a) Agreement and Plan of Merger, dated as of January 9, 2005, by and among ALLTEL Corporation and Alltel Corporation.
* Incorporated herein by reference as indicated. *** Previously filed in ALLTEL's original 2004 Annual Report on Form 10-K.
30

EXHIBIT INDEX, Continued

Number and Name (10)(b)(1) Agreement by and between ALLTEL Corporation and Joe T. Ford effective as of January 9, 2005.
* Incorporated herein by reference as indicated. *** Previously filed in ALLTEL's original 2004 Annual Report on Form 10-K.
31

EXHIBIT INDEX, Continued

Number and Name (10)(c)(8) Change in Control Agreement by and between the Company and Sharilyn S. Gasaway.
* Incorporated herein by reference as indicated. *** Previously filed in ALLTEL's original 2004 Annual Report on Form 10-K.
32

EXHIBIT INDEX, Continued

Number and Name (10)(f)(10) ALLTEL Corporation 1999 Nonemployee Directors Stock Compensation Plan (as amended).
* Incorporated herein by reference as indicated. *** Previously filed in ALLTEL's original 2004 Annual Report on Form 10-K.
33

EXHIBIT INDEX, Continued

Number and Name (10)(g)(10) ALLTEL Corporation 2001 Equity Incentive Plan (incorporated herein by reference to the 2001 Equity Incentive Plan).
* Incorporated herein by reference as indicated. *** Previously filed in ALLTEL's original 2004 Annual Report on Form 10-K.
34

EXHIBIT INDEX, Continued

Number and Name (10)(k)(8) Amendment No. 7 to ALLTEL Corporation Pension Plan (January 1, 2001 Restatement)
* Incorporated herein by reference as indicated. *** Previously filed in ALLTEL's original 2004 Annual Report on Form 10-K
35

EXHIBIT INDEX, Continued

Number and Name (10)(o)(4) Amendment No. 3 to ALLTEL Corporation 401(k) Plan (January 1, 2001 Restatement)
* Incorporated herein by reference as indicated. *** Previously filed in ALLTEL's original 2004 Annual Report on Form 10-K
36

ALLTEL CORPORATION

**FINANCIAL SUPPLEMENT
TO ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2004**

**ALLTEL CORPORATION
INDEX TO FINANCIAL SUPPLEMENT
TO ANNUAL REPORT ON FORM 10-K
FOR THE YEAR ENDED DECEMBER 31, 2004** **Management's Discussion and Analysis of Financial Condition and Results of Operations**
for the years ended December 31, 2004, 2003 and 2002 F-43 Consolidated Balance Sheets
as of December 31, 2004 and 2003 F-44 Consolidated Statements of Cash Flows
for the years ended December 31, 2004, 2003 and 2002 F-45 Consolidated Statements of Shareholders' Equity
for the years ended December 31, 2004, 2003 and 2002 F-46 Notes to Consolidated Financial Statements F-47 F-7
F-1

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

ALLTEL Corporation ("ALLTEL" or the "Company") is a customer-focused communications company providing wireline and wireless services. Wireless customer growth was strong as ALLTEL added more than 600,000 net customers during the year, most of which were new to the Company. Wireless service revenues increased 7 percent from 2003 driven by an 8 percent increase in retail revenues, reflecting the growth in the wireless segment. Wireless segment income for 2004 increased 2 percent from a year ago, reflecting the growth in retail revenues not offset by an increase in operating expenses. In its wireline business, ALLTEL added more than 90,000 high-speed data customers, increasing ALLTEL's DSL customer base. ALLTEL maintained its strong financial position while returning more than \$1 billion in capital to shareholders. During 2005, the Company will continue to face significant challenges resulting from competition in the telecommunications industry. As further discussed under "Pending Acquisitions to be Completed in 2005", ALLTEL positioned its wireless business to take advantage of the expected growth in the wireless market. During 2005, the Company will continue to face significant challenges resulting from competition in the telecommunications industry.

F-2

ACQUISITIONS

Pending Acquisitions to be Completed During 2005

On January 9, 2005, ALLTEL entered into an Agreement and Plan of Merger (the "Merger Agreement") with Western

On November 26, 2004, ALLTEL and Cingular Wireless LLC ("Cingular"), a joint venture between SBC Communicat

Acquisitions Completed During 2004, 2003 and 2002

On December 1, 2004, ALLTEL completed the purchase of certain wireless assets from United States Cellular Corpor

On August 29, 2003, ALLTEL purchased for \$22.8 million in cash a wireless property with a potential service area cov

F-3

On August 1, 2002, ALLTEL completed its purchase of local telephone properties serving approximately 589,000 wire

The accounts and results of operations of the acquired wireline and wireless properties discussed above are included in

F-4

Service revenues increased \$218.2 million, or 3 percent, in 2004, primarily reflecting growth in ALLTEL's wireless cu

The above increases in service revenues in 2004 were partially offset by lower wireless airtime, retail roaming and who

Service revenues increased \$727.2 million, or 11 percent, in 2003. The acquisitions of wireless and wireline properties

Product sales increased \$48.0 million, or 6 percent, in 2004 and \$140.3 million, or 21 percent, in 2003. The increase in

F-5

Cost of services increased \$100.6 million, or 4 percent, in 2004 and \$234.6 million, or 12 percent, in 2003. The increas

In addition to higher wireless network-related costs and increased wireless regulatory fees, cost of services for 2003 als

Cost of products sold decreased \$32.0 million, or 3 percent, in 2004 and increased \$152.2 million, or 17 percent, in 200

Selling, general, administrative and other operating expenses increased \$26.1 million, or 2 percent, in 2004 and \$201.1

Pension expense, which is included in both cost of services and selling, general, administrative and other expenses, dec

Depreciation and amortization expense increased \$52.0 million, or 4 percent, in 2004 and \$152.2 million, or 14 percent

F-6

Operating income increased \$23.6 million, or 1 percent, in 2004 and \$178.3 million, or 10 percent, in 2003. The increa

The increase in operating income in 2003 primarily reflected the nonacquisition-related growth in revenues and sales di

Restructuring and Other Charges

A summary of the restructuring and other charges recorded in 2004 was as follows:

In January 2004, the Company announced its plans to reorganize its operations and support teams. During February 20

During the first quarter of 2004, ALLTEL recorded a \$2.3 million reduction in the liabilities associated with various re

F-7

A summary of the restructuring and other charges recorded in 2003 was as follows:

During the second quarter of 2003, the Company recorded a restructuring charge of \$8.5 million consisting of severance and other charges. A summary of the restructuring and other charges recorded in 2002 was as follows: Co
During the evaluation of its existing CLEC operations, ALLTEL determined that a business model that relied heavily on CLEC operations. The \$12.6 million in lease and contract termination costs recorded in 2002 consisted of \$6.2 million, representing the e
F-8

In connection with the purchase of wireline properties in Kentucky from Verizon and wireless properties from CenturyLink, the Company recorded a charge of \$42.3 million. In conjunction with a product replacement program initiated by a vendor in 2001, the Company exchanged certain used equipment. As of December 31, 2004, the remaining unpaid liability related to the Company's integration and restructuring activities was \$12.6 million. As indicated in the table above, non-operating income, net increased \$26.1 million, or 816 percent, in 2004 and non-operating income, net decreased \$17.9 million, or 100 percent, in 2003. Equity earnings in unconsolidated partnerships in 2003 included \$17.9 million of additional income resulting from the sale of a wireless property in Pennsylvania to Verizon. F-9

Interest Expense

Interest expense decreased \$26.1 million, or 7 percent, in 2004 and increased \$23.5 million, or 7 percent, in 2003. The

Gain on Disposal of Assets, Write-Down of Investments and Other

In 2003, ALLTEL sold to Convergys certain assets and related liabilities, including selected customer contracts and cash. In 2002, the Company recorded a pretax gain of \$22.1 million from the sale of a wireless property in Pennsylvania to Verizon.

Income Taxes

Income tax expense decreased \$15.3 million, or 3 percent, in 2004 primarily due to tax benefits associated with the reversal of income tax contingency reserves and the allowance of a net operating loss carryforward. F-10

Primarily due to the tax benefits associated with the reversal of income tax contingency reserves and the allowance of a net operating loss carryforward, net income from continuing operations increased \$73.2 million, or 8 percent, in 2004 and \$103.4 million, or 12 percent, in 2003.

Net Income and Earnings per Share from Continuing Operations

Net income from continuing operations increased \$73.2 million, or 8 percent, in 2004 and \$103.4 million, or 12 percent, in 2003.

Discontinued Operations

On April 1, 2003, ALLTEL completed the sale of the financial services division of its information services subsidiary, Alltel Financial Services. In January 2003, ALLTEL completed the termination of its business venture with Bradford & Bingley Group. The business was sold to Bradford & Bingley Group. The following table includes certain summary income statement information related to the financial services operations. The income tax benefit recorded in 2004 included the reversal of \$15.1 million of federal income tax contingency reserves. F-11

The depreciation of long-lived assets related to the financial services division ceased as of January 28, 2003, the date of termination of the business venture. Included in operating expenses for 2002 was a \$42.3 million charge associated with discontinuing the Company's business. F-12

Cumulative Effect of Accounting Change

Except for certain wireline subsidiaries as further discussed below, the Company adopted Statement of Financial Accounting Standards No. 143 on January 1, 2002. ALLTEL has evaluated the effects of SFAS No. 143 on its operations and has determined that, for telecommunications operations, the cumulative effect of the adoption of SFAS No. 143 on January 1, 2002, was not material. In accordance with federal and state regulations, depreciation expense for the Company's wireline operations has historically been calculated on a straight-line basis. F-13

Average Common Shares Outstanding

The average number of common shares outstanding decreased one percent in 2004 compared to a slight increase in av
F-12

RESULTS OF OPERATIONS BY BUSINESS SEGMENT

Communications-Wireless Operations

(Dollars in millions, customers in thousands)

2004

2003

2002

Revenues and sales:

Service revenues

\$
4,791.2

\$
4,466.5

\$
3,999.2

Product sales

286.9

261.9

161.0

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Total revenues and sales

5,078.1

4,728.4

4,160.2

Costs and expenses:

Cost of services

1,543.6

1,367.8

1,246.1

Cost of products sold

573.7

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536.7

430.6

Selling, general, administrative and other

1,201.8

1,154.9

958.0

Depreciation and amortization

738.8

671.0

577.6

Total costs and expenses

4,057.9

3,730.4

3,212.3

Segment income

\$
1,020.2

\$
998.0

\$
947.9

Customers

8,626.5

8,023.4

7,601.6

Average customers

8,295.9

7,834.5

7,095.5

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Gross customer additions (a)

2,812.7

2,856.8

3,157.0

Net customer additions (a)

603.1

421.8

1,032.5

Market penetration

13.8%

13.3%

12.9%

Postpay customer churn

1.74%

2.09%

2.23%

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Total churn

2.23%

2.59%

2.50%

Retail minutes of use per customer per month (b)

494

375

309

Retail revenue per customer per month (c)

\$44.39

\$43.39

\$42.90

Average revenue per customer per month (d)

\$48.13

\$47.51

\$46.97

Cost to acquire a new customer (e)

\$315

\$308

\$304

Notes to Communications-Wireless Operations Table:

- (a) Includes the effects of acquisitions and dispositions. Excludes reseller customers for all periods presented. (b) F
(d) Average revenue per customer per month is calculated by dividing wireless service revenues by average customer
F-13

During 2004, the total number of wireless customers served by ALLTEL increased by more than 600,000 customers, o
The level of customer growth in 2005 will be dependent upon the Company's ability to attract new customers in an inc
The Company continues to focus its efforts on lowering postpay customer churn (average monthly rate of customer dis
Wireless revenues and sales increased \$349.7 million, or 7 percent, in 2004 and \$568.2 million, or 14 percent, in 2003.
F-14

received FCC approval for five non-rural ETC applications and obtained approval of its petitions from state commissio
Service revenue growth in 2004 and 2003 attributable to increased access revenues from customer growth, additional r
Primarily driven by growth in average monthly retail minutes of use, increased sales of higher-priced postpay rate plan
Product sales increased \$25.0 million, or 10 percent, in 2004 and \$100.9 million, or 63 percent, in 2003. The increase i
Cost of services increased \$175.8 million, or 13 percent, in 2004 and \$121.7 million, or 10 percent, in 2003. The increa
Cost of products sold increased \$37.0 million, or 7 percent, in 2004 and \$106.1 million, or 25 percent, in 2003. The inc
F-15

customers to newer wireless technologies as part of ALLTEL's customer retention efforts, partially offset by the effects
Selling, general, administrative and other expenses increased \$46.9 million, or 4 percent, in 2004 and \$196.9 million, o
Depreciation and amortization expense increased \$67.8 million, or 10 percent, in 2004 and \$93.4 million, or 16 percent
Primarily as a result of growth in revenues and sales discussed above, wireless segment income increased \$22.2 million
Cost to acquire a new customer is used to measure the average cost of adding a new customer and represents sales, mar
F-16

Set forth below is a summary of the restructuring and other charges related to the wireline operations that were not included in the accompanying financial statements.

Regulatory Matters-Wireline Operations

Except for the Kentucky properties acquired in 2002 and the Nebraska operations acquired in 1999, ALLTEL's ILEC subsidiaries are subject to rate-of-return regulation. Although the Company believes that the application of SFAS No. 71 continues to be appropriate, it is possible that changes in rate-of-return regulation may affect the carrying amount of these assets. Most states in which ALLTEL's ILEC subsidiaries operate have adopted alternatives to rate-of-return regulation, either cost-of-service or performance-based regulation. A number of carriers have begun offering voice telecommunications services utilizing Internet protocol as the underlying technology. This has led to increased competition for traditional telephony services, and the distinctions between different types of IP-enabled services. The FCC indicated that it is currently reviewing the impact of IP-enabled services on traditional telephony services. Although the FCC's rulemaking regarding IP-enabled services remains pending, the FCC has adopted three orders establishing a framework for the regulation of IP-enabled services. F-22

traditional telephony services, and the distinctions between different types of IP-enabled services. The FCC indicated that it is currently reviewing the impact of IP-enabled services on traditional telephony services. Although the FCC's rulemaking regarding IP-enabled services remains pending, the FCC has adopted three orders establishing a framework for the regulation of IP-enabled services.