



## Alaska Communications Systems Reports Third Quarter 2009 Results

- Total Revenue of \$91.3 million level with Prior Year<sup>1</sup>-
- Wireless and Enterprise Total 53 percent of Revenue-
- Closes \$10.3 Million Enterprise Contract-
- EBITDA Increases 2.8 percent to \$34.9 Million -
- Reduces 2009 Annual Guidance for Revenue and EBITDA -

ANCHORAGE, Alaska, Nov 05, 2009 (BUSINESS WIRE) -- Alaska Communications Systems Group, Inc. ("ACS") (NASDAQ: ALSK) today reported financial results for its third quarter ended September 30, 2009.

"The ACS strategy of capturing growth in the enterprise and wireless segments to offset reductions in legacy wire line business continues to deliver the right kind of revenue and earnings mix," said Liane Pelletier, ACS president and chief executive officer. "For the quarter, we delivered stable revenue and EBITDA growth as a result of new enterprise customers buying business IP services."

"Our participation in the enterprise market is concentrated on selling data services as they most fundamentally allow ACS to help organizations transform how they do business. In the quarter 80 percent of enterprise revenue was data versus voice. Since the last call, the most substantial win came from a federal agency, with a solution valued at more than \$10 million, to be earned over six years. Clearly, ACS will also continue to leverage its large Alaska footprint to serve lower 48 carrier voice needs as well, but this will be a volatile segment as carrier market shares shift, and as voice becomes a data application," said Pelletier.

"Our participation in the wireless market this year continues to challenge ACS - a function of the economy and the iPhone. In terms of the economy, reports just out summarize what ended up being the softest tourist season in years, affecting both Alaska businesses and visitors to the state. In terms of the \$99 iPhone, ACS' high quality subscriber base, able to afford the monthly service charges associated with the iPhone, were again attracted away at very high rates. ACS remains focused on delivering superior mobile data coverage, speed and local service to attract data users. In the quarter, ACS generated more gross additions than the prior three quarters, and grew data ARPU 56 percent year over year, but the subscriber additions were insufficient to outpace churn to the iPhone. We look forward to introducing Android-powered handsets over the next few months and hope they will re-establish a level playing field in devices," concluded Pelletier.

### Financial Highlights: Third Quarter 2009 Compared to Third Quarter 2008

- Revenues of \$91.3 million in line with \$91.3 million in the prior year.
  - Enterprise revenues increased \$2.7 million, or 31 percent.
  - Wireless revenue declined by \$2.0 million or 5.0 percent due to declines in roaming revenue and subscribers.
  - Retail, wholesale and access wireline revenues declined by \$0.7 million, or 1.7 percent, with the current quarter benefiting from \$2.5 million in out-of-period network access reserves compared to \$1.4 million in 2008.
- EBITDA of \$34.9 million was up 2.8 percent from prior year EBITDA of \$33.9 million:
  - Wireline EBITDA of \$18.2 million increased by 6.2 percent, with gains in enterprise and higher levels of network access more than offsetting declines in retail and wholesale.
  - Wireless EBITDA of \$16.7 million was in line with the prior year with tight expense management offsetting lower contributions from subscriber and roaming revenue.
- Net cash provided by operating activities of \$21.3 million was down 26.5 percent from \$29.0 million in the prior year period. The annual decline is entirely attributable to working capital changes.
- Net income before extraordinary item of \$0.3 million, or \$0.01 per diluted share, compared to net income of \$1.8 million, or \$0.04 per diluted share, in the prior year. The decline in net income is attributable to a \$4.9 million increase in depreciation expense resulting from an assessment that with changes in technology, asset salvage values previously set by regulators and historically viewed as reasonable, were no longer appropriate.
- In the third quarter 2009, ACS ceased to follow regulatory accounting rules following its July 1, 2009 conversion to price cap regulation and recognized an extraordinary gain, net of tax, of \$37.3 million following the extinguishment of certain regulatory liabilities.

"While we are delighted with the enterprise contracts that we have closed in the quarter and the strength of our provisioning backlog, enterprise revenue did decline by \$0.2 million on a sequential basis," said David Wilson, ACS executive vice president and chief

financial officer. "In order to assess the underlying momentum in enterprise, a deeper dive into the major revenue drivers in the quarter is required:

- Firstly, the expiration of a 2007 capacity exchange agreement with another carrier mid way through the quarter resulted in a \$0.4 million drop in revenue that had no impact on EBITDA or cash flows;
- Secondly, share shifts that took place one layer below our level of carrier relationship resulted in a \$0.4 million sequential decline in voice revenue; and
- Finally, we turned up \$0.6 million of new business, significant, but somewhat below our expectations."

"While we are changing our year end guidance to reflect challenges in our carrier voice and wireless businesses, and delays in booking new enterprise revenues, our dividend payout ratio for the year continues to be within the 70-75 percent range set by the board. In addition, we anticipate \$3.3 million in non-recurring cash payments in the fourth quarter from certain enterprise customers, and this is excluded from guidance," concluded Wilson.

### **Metric Highlights: Third Quarter 2009 Compared to Second Quarter 2009**

- Wireless monthly churn of 2.4 percent compared to 2.0 percent in the second quarter. Key drivers of the increase were a loss of market share to the iPhone and higher ACS initiated disconnects for non-payment.
- Total wireless subscribers decreased by approximately 2,300 to 139,700.
- Wireless ARPU increased by \$1.90 to \$64.51 from \$62.61 with a \$0.54 gain in data ARPU and a \$1.76 gain in CETC. Data ARPU increased by 7.4 percent to \$7.84 from \$7.30.
- DSL lines declined by 500 to 46,400 while ISP ARPU increased by 1.0 percent to \$34.37.
- Retail local access lines declined by 1.8 percent to 166,600 as a result of cord cutting and seasonality.
- Total local access lines decreased by approximately 2.3 percent to 189,800.

### **Nine Month Financial Review**

For the nine months ended September 30, 2009, revenues were \$263.4 million, compared to \$264.3 million in the same period last year. Net income before extraordinary item was \$3.7 million, or \$0.08 per diluted share, compared to net income of \$8.3 million, or \$0.19 per diluted share, in the same period in 2008. Net cash provided by operating activities for the first nine months of 2009 was \$73.0 million compared to \$69.2 million in the same period in 2008. EBITDA for the nine months ended September 30, 2009 was \$98.6 million, compared to \$99.3 million in the same period last year.

### **2009 Business Outlook**

For the full-year 2009, ACS is changing its revenue and EBITDA guidance.

- Revenues are now expected to be approximately \$350 million versus prior guidance of exceeding this level; and
- EBITDA is now expected to be approximately \$128 million rather than exceeding \$132 million.

As previously reported ACS expects:

- Maintenance capital expenditures are expected to be below the \$40 million spent in 2008;
- Funding required for the completion of AKORN; the upgrade of Northstar; and the build of a second fiber route between Anchorage and Fairbanks to be \$11 million; and
- Net cash interest expense of \$36 million.

<sup>1</sup> Our FCC approved conversion to price cap regulation went into effect July 1, 2009. At the effective date, ACS ceased to follow regulatory accounting rules resulting in the elimination of certain intercompany transactions with regulated affiliates that were not previously eliminated during consolidation. This change reduced the absolute level of reported revenue by approximately 10 percent but had no impact on the absolute levels of reported EBITDA or cash flows.

### **Conference Call**

The company will host a conference call and live webcast today at 5:00 p.m. Eastern Time. Parties in the United States and Canada can call 866-225-8754 to access the conference call. Parties outside the United States and Canada can access the call at 480-629-9692. The live webcast of the conference call will be accessible from the "Events Calendar" section of the company's website ([www.alsk.com](http://www.alsk.com)). The webcast will be archived for a period of 90 days. A telephonic replay of the conference call will also be available two hours after the call and will run until Wednesday, November 11, 2009 at midnight ET. To hear the replay, parties in the United States and Canada can call 800-406-7325 and enter pass code 4176885. Parties outside the United States and Canada can call

## About Alaska Communications Systems

Headquartered in Anchorage, ACS is Alaska's leading provider of broadband and other wireline and wireless solutions to Enterprise and mass market customers. The ACS wireline operations include the state's most advanced data networks and the only diverse undersea fiber optic system connecting Alaska to the contiguous United States. The ACS wireless operations include a statewide 3G CDMA network, reaching across Alaska from the North Slope to Ketchikan, with coverage extended via best-in-class CDMA carriers in the Lower 49 and Canada. By investing in the fastest-growing market segments and attracting the highest-quality customers, ACS seeks to drive top and bottom-line growth, while continually improving customer experience and cost structure through process improvement. More information can be found on the company's website at [www.acsalaska.com](http://www.acsalaska.com) or at its investor site at [www.alsk.com](http://www.alsk.com).

## Forward-Looking EBITDA Guidance

*This press release includes information related to management's estimate of EBITDA for the year ending December 31, 2009. EBITDA, as defined by the company, may not be similar to EBITDA measures used by other companies and is not a measurement under generally accepted accounting principles (GAAP). Management believes that EBITDA provides useful information to investors about the company's performance because it eliminates the effects of period-to-period changes in costs associated with capital investments, interest and stock-based compensation expense that are not directly attributable to the underlying performance of the company's business operations. Management believes the most directly comparable GAAP measure would be "Net cash provided by operating activities." Due to the difficulty in forecasting and quantifying the amounts that would be required to be included in this comparable GAAP measure, the company is not providing an estimate of year-end net cash provided by operating activities at this time.*

## Forward-Looking Statements

*This press release includes certain "forward-looking statements," as that term is defined in the Private Securities Litigation Reform Act of 1995. These forward-looking statements are based on management's beliefs as well as on a number of assumptions concerning future events made using information currently available to management. Readers are cautioned not to put undue reliance on such forward-looking statements, which are not a guarantee of performance and are subject to a number of uncertainties and other factors, many of which are outside ACS' control. Such factors are, without limitation, adverse national economic conditions, including continuing disruption in the U.S. capital markets, adverse local economic conditions, including an unexpected downturn in the Alaska oil and gas or tourism markets, changes in capital expenditures, or other factors affecting the company's ability to generate sufficient earnings and cash flows to continue to make dividend payments to its stockholders; the company's ability to complete, manage, integrate, market, maintain, and attract sufficient customers to the products and services it may derive from the construction of AKORN and purchase and integration of Crest Communications Corporation; adverse changes in labor matters, including workforce levels and labor negotiations; disruption of our suppliers' provisioning of critical products or services; the impact of natural or man-made disasters; changes in company's relationships with large carrier or enterprise customers or its roaming partners; changes in revenue from Universal Service Funds; unforeseen changes in public policies; changes in accounting policies, including the Company's application of regulatory accounting rules, which could result in an impact on earnings; or disruptive technological developments in the telecommunications industry. For further information regarding risks and uncertainties associated with ACS' business, please refer to the company's SEC filings, including, but not limited to, the sections entitled "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our annual report on Form 10-K and quarterly reports on Form 10-Q. Copies of the company's SEC filings may be obtained by contacting its investor relations department at (907) 564-7556 or by visiting its investor relations website at [www.alsk.com](http://www.alsk.com).*

## Schedule 1

### ALASKA COMMUNICATIONS SYSTEMS GROUP, INC. CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited, In Thousands, Except Per Share Amounts)

|                                   | Three Months Ended |           | Nine Months Ended |            |
|-----------------------------------|--------------------|-----------|-------------------|------------|
|                                   | September 30,      |           | September 30,     |            |
|                                   | 2009               | 2008      | 2009              | 2008       |
| Total operating revenues          | \$ 91,262          | \$ 91,285 | \$ 263,439        | \$ 264,267 |
| Operating expenses:               |                    |           |                   |            |
| Cost of services and sales        | 35,318             | 35,048    | 101,886           | 98,745     |
| Selling, general & administrative | 21,895             | 25,402    | 66,846            | 72,630     |
| Depreciation and amortization     | 23,724             | 18,790    | 59,784            | 54,391     |
| Total operating expenses          | 80,937             | 79,240    | 228,516           | 225,766    |
| Operating income                  | 10,325             | 12,045    | 34,923            | 38,501     |
| Other income and expense:         |                    |           |                   |            |
| Interest expense                  | (9,642)            | (8,886)   | (28,284)          | (25,258)   |
| Interest income                   | 30                 | 532       | 81                | 1,541      |
| Other                             | -                  | (255)     | -                 | (255)      |

|                                     |           |          |           |          |
|-------------------------------------|-----------|----------|-----------|----------|
| Total other income and expense      | (9,612)   | (8,609)  | (28,203)  | (23,972) |
| Income before income tax            | 713       | 3,436    | 6,720     | 14,529   |
| Income tax expense                  | (388)     | (1,591)  | (3,018)   | (6,275)  |
| Income before extraordinary item    | 325       | 1,845    | 3,702     | 8,254    |
| Extraordinary item, net of tax      | 37,346    | -        | 37,346    | -        |
| Net income                          | \$ 37,671 | \$ 1,845 | \$ 41,048 | \$ 8,254 |
| Net income per share:               |           |          |           |          |
| Basic:                              |           |          |           |          |
| Income on continuing operations     | \$ 0.01   | \$ 0.04  | \$ 0.08   | \$ 0.19  |
| Extraordinary item, net of tax      | 0.84      | -        | 0.85      | -        |
| Net income                          | \$ 0.85   | \$ 0.04  | \$ 0.93   | \$ 0.19  |
| Weighted average shares outstanding | 44,354    | 43,603   | 44,100    | 43,302   |
| Diluted                             |           |          |           |          |
| Income before extraordinary item    | \$ 0.01   | \$ 0.04  | \$ 0.08   | \$ 0.19  |
| Extraordinary item, net of tax      | 0.82      | -        | 0.83      | -        |
| Net income                          | \$ 0.83   | \$ 0.04  | \$ 0.91   | \$ 0.19  |
| Weighted average shares outstanding | 45,136    | 44,428   | 44,873    | 44,306   |

**Schedule 2**

**ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited, In Thousands Except Per Share Amounts)**

| Assets   | September 30, December 31, |            |
|--|----------------------------|------------|
|  | 2009                       | 2008       |
| Current assets:  |                            |            |
| Cash and cash equivalents  | \$ 7,127                   | \$ 1,326   |
| Restricted cash  | 5,990                      | 20,517     |
| Accounts receivable-trade, net of allowance of \$6,984 and \$5,912 | 37,919                     | 40,433     |
| Materials and supplies   | 9,689                      | 9,404      |
| Prepayments and other current assets                               | 6,573                      | 6,515      |
| Deferred income taxes  | 13,933                     | 21,145     |
| Total current assets   | 81,231                     | 99,340     |
| Property, plant and equipment                                      | 1,425,035                  | 1,392,951  |
| Less: accumulated depreciation and amortization                    | (945,306)                  | (891,899)  |
| Property, plant and equipment, net                                 | 479,729                    | 501,052    |
| Non-current investments  | 855                        | 1,005      |
| Goodwill   | 8,850                      | 8,850      |
| Intangible assets, net   | 24,049                     | 24,118     |
| Debt issuance costs  | 6,614                      | 8,554      |
| Deferred income taxes  | 82,234                     | 105,480    |
| Deferred charges and other assets                                  | 648                        | 452        |
| Total assets   | \$ 684,210                 | \$ 748,851 |
| <b>Liabilities and Stockholders' Equity (Deficit)</b>              |                            |            |
| Current liabilities:   |                            |            |
| Current portion of long-term obligations                           | \$ 883                     | \$ 666     |
| Accounts payable, accrued and other current liabilities            | 59,894                     | 74,028     |
| Advance billings and customer deposits                             | 9,736                      | 10,399     |
| Total current liabilities  | 70,513                     | 85,093     |
| Long-term obligations, net of current portion                      | 537,228                    | 538,975    |
| Other deferred credits and long-term liabilities                   | 30,467                     | 98,693     |
| Total liabilities  | 638,208                    | 722,761    |
| Commitments and contingencies                                      |                            |            |
| Stockholders' equity (deficit):                                    |                            |            |

|   |            |            |
|---|------------|------------|
| Common stock, \$.01 par value; 145,000 authorized | 444        | 437        |
| Additional paid in capital                        | 207,154    | 231,813    |
| Accumulated deficit                               | (147,082)  | (188,130)  |
| Accumulated other comprehensive loss              | (14,514)   | (18,030)   |
| Total stockholders' equity                        | 46,002     | 26,090     |
| Total liabilities and stockholders' equity        | \$ 684,210 | \$ 748,851 |

Schedule 3

ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.  
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS  
(Unaudited, In Thousands)

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2009                                | 2008      | 2009                               | 2008      |
| Cash Flows from Operating Activities:  |                                     |           |                                    |           |
| Net income   | \$ 37,671                           | \$ 1,845  | \$ 41,048                          | \$ 8,254  |
| Adjustments to reconcile net income to net cash provided (used) by operating activities: |                                     |           |                                    |           |
| Depreciation and amortization  | 23,724                              | 18,790    | 59,784                             | 54,391    |
| Gain on extraordinary item, net of tax   | (37,346)                            | -         | (37,346)                           | -         |
| Amortization of debt issuance costs and original issue discount                          | 1,752                               | 1,636     | 5,205                              | 3,640     |
| Stock-based compensation   | 851                                 | 3,103     | 3,416                              | 5,618     |
| Deferred income taxes  | 388                                 | 1,647     | 3,018                              | 6,331     |
| Provision for uncollectible accounts   | 1,562                               | 996       | 3,632                              | 3,616     |
| Other non-cash expenses  | 224                                 | 291       | 1,242                              | 1,115     |
| Changes in operating assets and liabilities  | (7,515)                             | 706       | (6,992)                            | (13,766)  |
| Net cash provided by operating activities  | 21,311                              | 29,014    | 73,007                             | 69,199    |
| Cash Flows from Investing Activities:  |                                     |           |                                    |           |
| Investment in construction and capital expenditures                                      | (16,585)                            | (37,318)  | (37,258)                           | (107,900) |
| Change in unsettled construction and capital expenditures                                | 2,654                               | 8,093     | (9,450)                            | 7,933     |
| Change in unsettled acquisition costs  | -                                   | -         | (250)                              | -         |
| Net change in short-term investments   | -                                   | 375       | -                                  | 790       |
| Net change in restricted accounts  | 721                                 | 16,236    | 14,527                             | (54,835)  |
| Other investing activities   | 150                                 | -         | 150                                | (1,350)   |
| Net cash used by investing activities  | (13,060)                            | (12,614)  | (32,281)                           | (155,362) |
| Cash Flows from Financing Activities:  |                                     |           |                                    |           |
| Repayments of long-term debt   | (3,220)                             | (155)     | (30,185)                           | (2,676)   |
| Proceeds from the issuance of long-term debt   | 3,000                               | -         | 24,500                             | 125,000   |
| Purchase of call options   | -                                   | -         | -                                  | (20,431)  |
| Sale of common stock warrants  | -                                   | -         | -                                  | 9,852     |
| Debt issuance costs  | -                                   | (56)      | -                                  | (4,309)   |
| Payment of cash dividend on common stock   | (9,622)                             | (9,370)   | (28,534)                           | (27,901)  |
| Payment of withholding taxes on stock-based compensation                                 | (256)                               | (7)       | (1,823)                            | (3,321)   |
| Proceeds from issuance of common stock   | 795                                 | 358       | 1,117                              | 944       |
| Net cash provided (used) by financing activities   | (9,303)                             | (9,230)   | (34,925)                           | 77,158    |
| Change in cash and cash equivalents  | (1,052)                             | 7,170     | 5,801                              | (9,005)   |
| Cash and cash equivalents, beginning of period   | 8,179                               | 19,033    | 1,326                              | 35,208    |
| Cash and cash equivalents, end of period   | \$ 7,127                            | \$ 26,203 | \$ 7,127                           | \$ 26,203 |
| Supplemental Cash Flow Data:   |                                     |           |                                    |           |
| Interest paid  | \$ 10,747                           | \$ 9,894  | \$ 28,371                          | \$ 23,897 |
| Income taxes paid, net of refunds  | \$ (669)                            | \$ -      | \$ (669)                           | \$ 417    |
| Supplemental Non-cash Transactions:  |                                     |           |                                    |           |
| Property acquired under capital leases   | \$ 230                              | \$ 1,301  | \$ 890                             | \$ 1,359  |
| Dividend declared, but not paid  | \$ 9,555                            | \$ 9,386  | \$ 9,555                           | \$ 9,386  |
| Asset retirement obligation  | \$ 288                              | \$ 59     | \$ 291                             | \$ 91     |

**ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.**  
**SCHEDULE OF EBITDA CALCULATION**  
(Unaudited, In Thousands)

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |           |
|--|-------------------------------------|-----------|------------------------------------|-----------|
|  | 2009                                | 2008      | 2009                               | 2008      |
| Net cash provided by operating activities  | \$ 21,311                           | \$ 29,014 | \$ 73,007                          | \$ 69,199 |
| Adjustments to reconcile net income to net cash (provided) used by operating activities: |                                     |           |                                    |           |
| Depreciation and amortization  | (23,724)                            | (18,790)  | (59,784)                           | (54,391)  |
| Gain on extraordinary item, net of tax   | 37,346                              | -         | 37,346                             | -         |
| Amortization of debt issuance costs and original issue discount                          | (1,752)                             | (1,636)   | (5,205)                            | (3,640)   |
| Stock-based compensation   | (851)                               | (3,103)   | (3,416)                            | (5,618)   |
| Deferred income taxes  | (388)                               | (1,647)   | (3,018)                            | (6,331)   |
| Provision for uncollectible accounts   | (1,562)                             | (996)     | (3,632)                            | (3,616)   |
| Other non-cash expenses  | (224)                               | (291)     | (1,242)                            | (1,115)   |
| Changes in operating assets and liabilities  | 7,515                               | (706)     | 6,992                              | 13,766    |
| Net income   | \$ 37,671                           | \$ 1,845  | \$ 41,048                          | \$ 8,254  |
| Add (subtract):  |                                     |           |                                    |           |
| Interest expense   | 9,642                               | 8,886     | 28,284                             | 25,258    |
| Interest income  | (30)                                | (532)     | (81)                               | (1,541)   |
| Depreciation and amortization  | 23,724                              | 18,790    | 59,784                             | 54,391    |
| (Gain) loss on disposal of assets, net and impairment of long-term investments           | (15)                                | 259       | 454                                | 1,018     |
| Gain on extraordinary item, net of tax   | (37,346)                            | -         | (37,346)                           | -         |
| Income tax expense   | 388                                 | 1,591     | 3,018                              | 6,275     |
| Stock-based compensation   | 851                                 | 3,103     | 3,416                              | 5,618     |
| EBITDA   | \$ 34,885                           | \$ 33,942 | \$ 98,577                          | \$ 99,273 |

Note: In an effort to provide investors with additional information regarding the Company's results as determined by generally accepted accounting principles (GAAP), the Company also discloses certain non-GAAP information which management utilizes to assess performance and believes provides useful information to investors. The Company has disclosed its net income before interest, provisions for taxes, depreciation expense, gain or loss on asset purchases or disposals, amortization of intangibles and stock-based compensation expense (EBITDA) because the Company believes it is an important indicator as it provides information about our ability to service debt, pay dividends and fund capital expenditures. EBITDA is not a GAAP measure and should not be considered a substitute for net cash provided by operating activities and other measures of financial performance recorded in accordance with GAAP.

## Schedule 5

**ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.**  
**SCHEDULE OF OPERATING REVENUE AND EBITDA MARGIN BY SEGMENT**  
(Unaudited, In Thousands)

|  | Three Months Ended<br>September 30, |           | Nine Months Ended<br>September 30, |            |
|--|-------------------------------------|-----------|------------------------------------|------------|
|  | 2009                                | 2008      | 2009                               | 2008       |
| Operating Revenue                              |                                     |           |                                    |            |
| Retail   | \$ 21,890                           | \$ 22,197 | \$ 64,401                          | \$ 67,138  |
| Wholesale                                      | 2,836                               | 3,452     | 8,795                              | 11,160     |
| Access   | 18,426                              | 18,251    | 49,396                             | 55,701     |
| Enterprise                                     | 11,218                              | 8,531     | 33,518                             | 23,029     |
| Wireline                                       | 54,370                              | 52,431    | 156,110                            | 157,028    |
| Wireless                                       | 36,892                              | 38,854    | 107,329                            | 107,239    |
| Total operating revenue                        | \$ 91,262                           | \$ 91,285 | \$ 263,439                         | \$ 264,267 |
| Wireline EBITDA                                |                                     |           |                                    |            |
| Operating revenue                              | \$ 54,370                           | \$ 52,431 | \$ 156,110                         | \$ 157,028 |
| Operating expenses (exclusive of depreciation) | (36,921)                            | (38,035)  | (110,710)                          | (108,627)  |
| Stock-based compensation                       | 761                                 | 2,753     | 3,056                              | 4,985      |
| Net loss on disposal of assets                 | -                                   | 4         | 31                                 | 790        |

|  |           |           |            |            |
|--|-----------|-----------|------------|------------|
| Wireline EBITDA                                | \$ 18,210 | \$ 17,153 | \$ 48,487  | \$ 54,176  |
| EBITDA Margin                                  | 33.5%     | 32.7%     | 31.1%      | 34.5%      |
| Wireless EBITDA                                |           |           |            |            |
| Operating revenue                              | \$ 36,892 | \$ 38,854 | \$ 107,329 | \$ 107,239 |
| Operating expenses (exclusive of depreciation) | (20,292)  | (22,415)  | (58,022)   | (62,748)   |
| Stock-based compensation                       | 90        | 350       | 360        | 633        |
| Net (gain) loss on disposal of assets          | (15)      | -         | 423        | (27)       |
| Wireless EBITDA                                | \$ 16,675 | \$ 16,789 | \$ 50,090  | \$ 45,097  |
| EBITDA Margin                                  | 45.2%     | 43.2%     | 46.7%      | 42.1%      |

Schedule 6

**ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.**  
**INVESTMENT IN CONSTRUCTION AND CAPITAL**  
(Unaudited, In Thousands)

|   | Three Months Ended<br>September 30,<br>2009 | Three Months Ended<br>September 30,<br>2008 | Nine Months Ended<br>September 30,<br>2009 | Nine Months Ended<br>September 30,<br>2008 |
|---|---|---|--|--|
| Investment in construction and capital                              | \$ 16,585                                   | \$ 37,318                                   | \$ 37,258                                  | \$ 107,900                                 |
| Capitalized interest  | (524)                                       | (1,090)                                     | (3,005)                                    | (2,079)                                    |
| Investment in construction and capital, net of capitalized interest | \$ 16,061                                   | \$ 36,228                                   | \$ 34,253                                  | \$ 105,821                                 |
| Growth  | 2,834                                       | 23,952                                      | 9,686                                      | 73,170                                     |
| Maintenance and other   | 13,227                                      | 12,276                                      | 24,247                                     | 32,651                                     |
| Capital funded by the selling shareholders of Crest                 | -   | -   | 320  | -  |
| Investment in construction and capital, net of capitalized interest | \$ 16,061                                   | \$ 36,228                                   | \$ 34,253                                  | \$ 105,821                                 |

Schedule 7

**ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.**  
**KEY OPERATING STATISTICS**  
(Unaudited)

|  | September 30,<br>2009 (a) | June 30,<br>2009 | September 30,<br>2008 |
|--|---------------------------|------------------|-----------------------|
| Wireline:  |                           |                  |                       |
| Retail   |                           |                  |                       |
| Local  | 166,560                   | 169,548          | 177,279               |
| Quarterly growth rate in retail local telephone access lines         | -1.8%                     | -1.1%            | -1.8%                 |
| Average monthly revenue per subscriber for the quarter               | \$ 18.50                  | \$ 19.66         | \$ 19.82              |
| Long Distance  |                           |                  |                       |
| Long distance subscribers  | 60,970                    | 61,807           | 64,692                |
| Average monthly retail revenue per subscriber for the quarter        | \$ 19.51                  | \$ 19.84         | \$ 20.65              |
| Internet   |                           |                  |                       |
| DSL subscribers  | 46,360                    | 46,845           | 47,639                |
| Dial-up subscribers  | 6,182                     | 6,743            | 7,394                 |
|  | 52,542                    | 53,588           | 55,033                |
| Average monthly DSL & dial-up revenue per subscriber for the quarter | \$ 34.37                  | \$ 34.04         | \$ 32.09              |
| Wholesale  |                           |                  |                       |
| Resale access lines  | 7,368                     | 7,815            | 8,577                 |
| UNE lines  | 15,922                    | 16,978           | 21,543                |
|  | 23,290                    | 24,793           | 30,120                |
| Quarterly growth rate in wholesale local access lines                | -6.1%                     | -3.7%            | -10.6%                |
| Average monthly revenue per subscriber for the quarter               | \$ 29.16                  | \$ 29.23         | \$ 28.37              |

## Wireless:

|   |          |          |          |
|---|----------|----------|----------|
| Wireless subscribers (b)  | 139,726  | 142,028  | 149,927  |
| Average monthly churn for the quarter (b)                         | 2.4%     | 2.0%     | 2.1%     |
| Average monthly revenue per retail subscriber for the quarter (c) | \$ 64.51 | \$ 62.61 | \$ 60.79 |

- (a) Average monthly revenue per subscriber includes the full elimination of intercompany revenue and the reclass of bad debt expense from contra revenue to SG&A expense.
- (b) Prior period metrics have been adjusted reflecting changes disclosed in our April 21, 2009 press release.
- (c) CETC added \$14.46 to wireless ARPU in the third quarter of 2009, \$12.70 in the second quarter of 2009, and \$10.33 in the third quarter of 2008.

Schedule 8

**ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.**  
**CONSOLIDATED STATEMENTS OF OPERATIONS**  
**QUARTERLY OPERATIONS WITH RECLASS AND ELIMINATION ADJUSTMENTS**  
**(Unaudited, In Thousands)**

|   | 2009      |           | 2008        |           |           |           |
|---|-----------|-----------|-------------|-----------|-----------|-----------|
|   | Q2        | Q1        | Q4 (a)      | Q3 (a)    | Q2        | Q1        |
| Operating revenues:                                   |           |           |             |           |           |           |
| Retail  | \$ 21,069 | \$ 21,442 | \$ 22,148   | \$ 22,197 | \$ 22,548 | \$ 22,393 |
| Wholesale   | 2,918     | 3,041     | 3,208       | 3,452     | 3,772     | 3,936     |
| Access  | 15,352    | 15,618    | 16,531      | 18,251    | 16,238    | 21,212    |
| Enterprise  | 11,463    | 10,837    | 10,109      | 8,531     | 7,630     | 6,868     |
| Wireline  | 50,802    | 50,938    | 51,996      | 52,431    | 50,188    | 54,409    |
| Wireless  | 35,217    | 35,220    | 34,875      | 38,854    | 34,964    | 33,421    |
| Total operating revenues                              | 86,019    | 86,158    | 86,871      | 91,285    | 85,152    | 87,830    |
| Operating expenses:                                   |           |           |             |           |           |           |
| Cost of services and sales                            | 34,225    | 32,343    | 33,278      | 35,048    | 32,964    | 30,733    |
| Selling, general & administrative                     | 21,840    | 23,111    | 28,012      | 25,402    | 23,426    | 23,802    |
| Depreciation and amortization                         | 15,175    | 20,885    | 19,611      | 18,790    | 19,138    | 16,463    |
| Loss on impairment of goodwill and intangibles assets | -         | -         | 29,641      | -         | -         | -         |
| Total operating expenses                              | 71,240    | 76,339    | 110,542     | 79,240    | 75,528    | 70,998    |
| Operating income (loss)                               | 14,779    | 9,819     | (23,671)    | 12,045    | 9,624     | 16,832    |
| Other income and expense:                             |           |           |             |           |           |           |
| Interest expense                                      | (10,302)  | (8,340)   | (8,814)     | (8,886)   | (9,143)   | (7,229)   |
| Interest income                                       | 17        | 34        | 154         | 532       | 706       | 303       |
| Other   | -         | -         | 10          | (255)     | -         | -         |
| Total other income and expense                        | (10,285)  | (8,306)   | (8,650)     | (8,609)   | (8,437)   | (6,926)   |
| Income (loss) before income tax                       | 4,494     | 1,513     | (32,321)    | 3,436     | 1,187     | 9,906     |
| Income tax (expense) benefit                          | (1,961)   | (669)     | 13,250      | (1,591)   | (554)     | (4,130)   |
| Net income (loss)                                     | \$ 2,533  | \$ 844    | \$ (19,071) | \$ 1,845  | \$ 633    | \$ 5,776  |
| Net income (loss) per share:                          |           |           |             |           |           |           |
| Basic   | \$ 0.06   | \$ 0.02   | \$ (0.44)   | \$ 0.04   | \$ 0.01   | \$ 0.13   |
| Diluted   | \$ 0.06   | \$ 0.02   | \$ (0.44)   | \$ 0.04   | \$ 0.01   | \$ 0.13   |
| Weighted average shares outstanding:                  |           |           |             |           |           |           |
| Basic   | 44,195    | 43,746    | 43,656      | 43,603    | 43,362    | 42,939    |
| Diluted   | 44,651    | 44,527    | 43,656      | 44,428    | 44,304    | 44,308    |

- (a) Financial results for Q3 and Q4 2008 have been also been adjusted for the bifurcation of our convertible debt and certain other reclassifications to make the historical statements comparable to the current reporting format.

SOURCE: Alaska Communications Systems Group, Inc.

**ACS Investors:**

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