

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, DC 20549

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**FORM 8-K**

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES AND EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): May 6, 2004

**GENERAL COMMUNICATION, INC.**

(Exact Name of Registrant as Specified in its Charter)

Alaska	0-15279	92-0072737
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(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification Number)
2550 Denali Street Suite 1000 Anchorage, Alaska		99503
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(Address of Principal Executive Offices)		(Zip Code)

Registrant's telephone number, including area code: (907) 868-5600

NONE

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(Former Name or Former Address, if Changed Since Last Report)

**Item 7. Financial Statements and Exhibit.**

- (a) Financial statements of businesses acquired: None
- (b) Pro forma financial information: None
- (c) Exhibit:

This exhibit is furnished pursuant to Item 12 hereof and should not be deemed to be "filed" under the Securities Exchange Act of 1934.

99.1 Press release dated May 6, 2004

**Item 12. Results of Operations and Financial Condition.**

On May 6, 2004, General Communication, Inc. (GCI) issued a press release announcing earnings for the three months ended March 31, 2004. A copy of the press release is attached as Exhibit 99.1.

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Act of 1934, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

The earnings release attached as Exhibit 99.1 discloses the non-GAAP financial measure of EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization). EBITDA has been reconciled to the closely related GAAP financial measure, Net Income, within the earnings release.

EBITDA is the sum of Net Income, Interest Expense, Amortization and Write-off of Loan and Senior Notes Fees, Interest Income, Taxes, and Depreciation, Amortization and Accretion. EBITDA is not presented as an alternative measure of Net Income as determined in accordance with accounting principles generally accepted in the United States of America. GCI's management uses EBITDA to evaluate the operating performance of its business, and as a measure of performance for incentive compensation purposes. GCI believes EBITDA is a measure used as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected EBITDA are used to estimate current or prospective enterprise value. EBITDA does not give effect to cash used for debt service requirements, and thus does not reflect funds available for investment or other discretionary uses. EBITDA as presented herein may not be comparable to similarly titled measures reported by other companies.

**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 hereunto duly authorized.

GENERAL COMMUNICATION, INC.

-----  
(Registrant)

Date: May 6, 2004

By /s/

-----  
Name: John M. Lowber  
Title: Senior Vice President,  
Chief Financial Officer,  
Secretary and Treasurer  
(Principal Financial Officer)

**EXHIBIT INDEX**

Exhibit No.	Description
99.1	Press release of General Communication, Inc. dated May 6, 2004.

May 6, 2004

John Lowber, (907) 868-5628; jlowber@gci.com  
Bruce Broquet, (907) 868-6660; bbroquet@gci.com  
David Morris, (907) 265-5396; dmorris@gci.com

**FOR IMMEDIATE RELEASE**

**GCI REPORTS FIRST QUARTER 2004 FINANCIAL RESULTS**

- Consolidated revenue of \$108.9 million
- Net income of \$1.9 million or \$0.03 per diluted share
- EBITDA, as adjusted of \$35.2 million
- Issued \$250 million in 7.25 percent bonds

**ANCHORAGE, AK** -- GCI (NASDAQ:GNCMA) today reported net income of \$1.9 million, or earnings per diluted share of \$0.03, for the first quarter of 2004. The company's first quarter net income compares to income of \$2.6 million, or earnings per diluted share of \$0.04 after the cumulative effect of a change in accounting principle of \$0.5 million or \$(0.01) per share on a diluted basis, net of income tax benefit, in the same period of 2003.

GCI's first quarter 2004 revenues totaled \$108.9 million, an increase of 17.3 percent over first quarter 2003 revenues of \$92.8 million. For the current quarter, earnings before interest, taxes, depreciation, amortization and accretion (EBITDA) totaled \$35.2 million, as adjusted, to exclude \$6.1 million in bond premiums paid in connection with refinancing \$180 million of 9.75 percent bonds. First quarter 2004 EBITDA increased \$6.3 million or 21.8 percent over the same quarter in 2003. First quarter 2003 EBITDA totaled \$28.9 million.

Sequentially, revenues for the company increased 4.9 percent over fourth quarter 2003 revenues of \$103.8 million. GCI's first quarter EBITDA of \$35.2 million, as adjusted, compares to EBITDA of \$36.5 million, as adjusted, in the fourth quarter of 2003.

For the first quarter 2004, GCI exceeded both its revenue and EBITDA guidance. The company provided guidance for revenues of approximately \$100 million to \$102 million, and approximately \$29 million to \$30 million of EBITDA. During the quarter, GCI recorded approximately \$6.8 million in project revenues and Universal Service Fund revenues not included in the guidance. EBITDA guidance excluded any benefit from a credit against future services to be purchased from MCI. GCI recorded a benefit of approximately \$1.2 million relating to the use of the MCI credit during the quarter.

"GCI's first quarter is a solid start on the year and positions us to report another year of record total revenues and EBITDA in 2004," said Ron Duncan, GCI president. "We own the best collection of assets in Alaska and as a result GCI can offer our customers the most competitive package of services in the Alaska market. Our financial results reflect strong customer acceptance of our unique offerings."

"We are on track for 2004. We expect second quarter revenues of approximately \$103 million to \$105 million and EBITDA of approximately \$31 million, excluding the effects of any receivable recovery from MCI." We are maintaining our guidance for total revenues of \$410 million to \$420 million and

EBITDA of \$129 million to \$134 million, before any benefit from credits against future services to be purchased from MCI."

### **Customer Highlights**

- The local services business added 2,500 access lines during the first quarter and now serves 108,600 local lines, an estimated 23 percent share of the total access line market in Alaska.
- GCI had 100,600 statewide Internet customers at the end of first quarter of 2004, an increase of 4,900 subscribers as compared with 95,700 at the end of 2003. At the end of the first quarter of 2004, more than 51,700 of these Internet customers are using GCI cable modem service, an increase of 5,700 over the fourth quarter of 2003. The number of customers served on GCI's statewide dial-up Internet platform decreased during the first quarter as more customers continue to migrate to cable modems.
- GCI cable television services now pass 203,353 homes and serve 133,981 basic subscribers. Basic subscribers decreased sequentially by 369 subscribers from the fourth quarter of 2003. The decrease in subscribers is primarily attributable to continued competition from satellite providers with local channels.
- Long-distance billable minutes increased 16.5 percent to 301.7 million minutes for the first quarter as compared to the same quarter of 2003, and decreased 0.9 percent sequentially.

### **Long Distance Results**

For the first quarter of 2004, long distance revenues totaled \$65.9 million as compared to revenues of \$56.3 million in the first quarter of 2003 and \$61.4 million in the fourth quarter of 2003. Long distance revenues increased 17.1 percent year-over-year and 7.3 percent sequentially. The increases were attributed to an increase in managed services, primarily from the recognition of \$6.1 million of project revenues, and expected growth from private line and dedicated data services revenues. Switched minutes revenues were relatively flat year-over-year due primarily to a substantial increase in minutes offset by lower rates per minute. Sequentially, switched minutes revenues decreased 3.5 percent from fewer minutes carried on the company's network, along with slightly lower rates.

Long distance EBITDA, as adjusted, increased 16.7 percent for the first quarter of 2004 to \$21.7 million as compared to \$18.6 million in the first quarter of the prior year and \$23.2 million, as adjusted, in the fourth quarter of 2003. Sequential EBITDA decreased \$0.5 million after excluding the MCI bad debt recoveries of \$1.2 million in the first quarter of 2004 and \$2.2 million in the fourth quarter of 2003.

Total minutes-of-use are up 16.5 percent in the first quarter of 2004 when compared to the first quarter of 2003. Sequentially, minutes-of-use are down 0.9 percent compared to the fourth quarter of 2003. The year-over-year increase in minutes is attributable to the improving "lower 48" economy, including an increase in minutes carried for other common carriers.

The total number of billed long distance customers increased 0.5 percent when customer counts are compared between March 2004 and December 2003.

### **Cable Television Results**

Cable television revenues for the first quarter increased 6.4 percent to \$24.9 million from \$23.4 million in the first quarter of 2003, and were down

slightly from \$25.0 million in the fourth quarter of 2003. EBITDA of \$11.0 million for the first quarter of 2004 increased 3.8 percent from the first quarter of 2003, and was steady compared to \$11.0 million in the fourth quarter of 2003. The increase in revenues and EBITDA year-over-year is due primarily to the increase in sales of digital special interest cable television and cable modem services.

Gross margins, as a percentage of revenues, decreased by 87 basis points year-over-year and 220 basis points sequentially. The growth rate from digital special interest services and cable modems is helping to mitigate the effects of continuing increases in programming and copyright costs.

As of March 31, 2004, the company's cable television operations passed 203,353 homes and served 133,981 basic subscribers (108,180 equivalent basic subscribers). For the first quarter, average revenue per equivalent basic subscriber was \$76.58, an increase of 10.2 percent when compared to the first quarter 2003 average revenue of \$69.49. Sequentially, average revenue was up 0.3 percent, from \$76.34, over the fourth quarter of 2003. Basic subscribers decreased sequentially by 369 subscribers from the fourth quarter of 2003. This compares with an increase of 228 subscribers in first quarter of 2003 over the fourth quarter of 2002. The decrease in subscribers is attributable, in part, to increased competition with satellite providers that now offer local programming.

During the first quarter of 2004 GCI launched several new service packages designed to compete aggressively with the satellite provider's offerings. The customer response to these packages has been very strong.

The company offers digital special interest (DSI) cable television service in Anchorage, Fairbanks, Juneau, Kenai, Soldotna, Ketchikan and the Mat-Su Valley area. GCI served 34,000 DSI customers at the end of the first quarter of 2004, a decrease of 900 customers compared to the fourth quarter of 2003. The sequential decrease in DSI customers was due to the heavy promotion of the service in the fall of 2003, which caused a temporary peak in the number of DSI subscribers.

GCI, along with the other largest publicly traded multiple system operators, signed a pledge to support and adhere to new voluntary reporting guidelines on common operating statistics to provide investors and others with a better understanding of the company's operations. The operating statistics below include capital expenditures and customer information from cable services and the components of our local services and Internet services utilizing our cable services' facilities.

GCI's capital expenditures by standard reporting category for the three-months ending March 31, 2004 and 2003 follow (amounts in thousands):

	2004	2003
Customer premise equipment	\$ 3,438	1,276
Commercial	47	68
Scalable infrastructure	1,755	135
Line extensions	44	88
Upgrade/rebuild	1,770	72
Support capital	181	77
Sub-total	<u>7,235</u>	<u>1,716</u>
Remaining reportable segments and All Other capital expenditures	<u>17,966</u>	<u>4,758</u>
	<u>\$ 25,201</u>	<u>6,474</u>

The standard definition of a customer relationship is the number of customers who receive at least one level of service, encompassing voice, video, and data services, without regard to which services customers purchase. These relationships do not include local telephone customers except those served by the cable television plant. At March 31, 2004 and 2003, GCI's cable business had 122,100 and 124,000 customer relationships, respectively.

The standard definition of a revenue-generating unit is the sum of all primary analog video, digital video, high-speed data and telephony customers, not counting additional outlets. At March 31, 2004 and 2003, GCI's cable business had 185,800 and 173,300 revenue generating units, respectively. The increase in the revenue generating units of 5,400 and 12,500 from December 31, 2003 and March 31, 2003, respectively, is due to an increase in the number of cable modem customers.

### **Local Telephone Results**

For the first quarter 2004, local telephone service revenues totaled \$11.8 million, an increase of 40.5 percent, when compared to \$8.4 million in the first quarter of 2003. Sequentially, revenue was steady at \$11.8 million. The increase in year-over-year revenues is attributable to increasing customer counts and universal service fund revenues.

In the first quarter, local services generated \$0.6 million of EBITDA, an improvement of \$1.8 million over the \$1.2 million loss in the first quarter of 2003. Sequentially, the first quarter EBITDA was slightly less than the \$0.7 million EBITDA in the fourth quarter of 2003. If the local telephone business received credit for access cost savings on calls placed by GCI long distance customers who are also GCI local customers, the company's local telephone business would have reported EBITDA of \$2.3 million in the first quarter of 2004.

At the end of the first quarter of 2004, GCI provided local service to approximately 108,600 access lines statewide. This represents an increase of 2,500 access lines, or 2.4 percent, over the 106,100 access lines reported at the end of the fourth quarter of 2003. The company estimates it has attained a 23 percent share of the total access line market in Alaska. Approximately 85 percent of GCI's access lines are provisioned on its own facilities or on resold local loops.

In early April 2004, GCI began converting customers to its Digital Local Phone Service (DLPS) technology. The roll out of DLPS will enable GCI to avoid wholesale and loop rental costs from local phone lines leased from the incumbent local exchange carrier. GCI plans to provision 8,000 to 12,000 DLPS lines by the end of 2004.

### **Internet Access Results**

Internet access revenues for the first quarter of 2004 totaled \$6.4 million, an increase of 39.1 percent year-over-year and 16.4 percent sequentially. First quarter 2003 revenues were \$4.6 million and fourth quarter 2003 revenues were \$5.5 million. EBITDA for the first quarter totaled \$1.9 million, an improvement of \$0.9 million year-over-year and \$0.3 million sequentially. First quarter 2003 EBITDA was \$1.0 million and fourth quarter 2003 EBITDA was \$1.6 million. The increase in Internet access revenues and EBITDA results from more customers served, including the State of Alaska, the migration of existing customers from dial-up to cable modem access and customers adding more features and services, increasing economies of scale and effective operating controls.

At the end of the first quarter of 2004, GCI had 100,600 statewide Internet customers, an increase of 4,900 customers sequentially and 8,800 year-over-year. GCI's statewide Internet customers included 51,700 subscribers using cable modem access. This represents an increase of 5,700 subscribers, or 12.4 percent, over the prior quarter's subscriber count of 46,000. On a year-over-year basis, GCI experienced a 33.9 percent increase in cable modem subscribers, from 38,600, over the first quarter of 2003.

GCI began offering Internet access services during 1998 and its dial-up Internet service is offered in most major Alaska markets. GCI is the largest Internet access provider in Alaska.

### **Other Items**

During the three months ending March 31, 2004, core capital expenditures decreased to \$14.9 million as compared to \$16.6 million in the fourth quarter of 2003. Additionally, GCI spent \$10.3 million relating to its new undersea fiber. GCI generated approximately \$2.6 million of free cash flow during the first quarter before bond redemption expenses and repayment of approximately \$54.0 million of senior debt from the remaining proceeds of its refinancing of \$180 million of 9.75 percent senior notes with the issuance of \$250 million of 7.25 percent senior notes.

GCI will hold a conference call to discuss the quarter's results on Friday, May 7, 2004 beginning at 2 p.m. (Eastern). To access the briefing on May 7, dial 888-989-5305 (international callers should dial 712-257-0003) and identify your call as "GCI." In addition to the conference call, GCI will make available net conferencing. To access the call via net conference, log on to [www.gci.com](http://www.gci.com) and follow the instructions. A reply of the call will be available for 72-hours by dialing 800-879-9497, access code 7461 (international callers should dial 402-220-5353.)

GCI is the largest Alaska-based and operated integrated telecommunications provider. A pioneer in bundled services, GCI provides local, wireless, and long distance telephone, cable television, Internet and data communication services throughout Alaska. More information about the company can be found at [www.gci.com](http://www.gci.com).

The foregoing contains forward-looking statements regarding the company's expected results that are based on management's expectations as well as on a

number of assumptions concerning future events. Actual results might differ materially from those projected in the forward looking statements due to uncertainties and other factors, many of which are outside GCI's control. Additional information concerning factors that could cause actual results to differ materially from those in the forward looking statements is contained in GCI's cautionary statement sections of Form 10-K and 10-Q filed with the Securities and Exchange Commission.

# # #

**GENERAL COMMUNICATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Amounts in thousands)	Assets	(Unaudited) March 31, 2004	December 31, 2003
<b>Current assets:</b>			
Cash and cash equivalents		\$ 10,841	10,435
Receivables		64,089	70,235
Less allowance for doubtful receivables		2,018	1,954
Net receivables		62,071	68,281
Deferred income taxes, net		6,726	7,195
Prepaid and other current assets		6,257	12,159
Notes receivable from related parties		1,673	1,885
Property held for sale		1,176	2,173
Inventories		984	1,513
Total current assets		89,728	103,641
Property and equipment in service, net of depreciation		360,361	369,039
Construction in progress		51,802	33,618
Net property and equipment		412,163	402,657
Cable certificates		191,241	191,241
Goodwill		41,972	41,972
Other intangible assets, net of amortization of \$1,815 and \$1,656 at March 31, 2004 and December 31, 2003, respectively		4,136	3,895
Deferred loan and senior notes costs, net of amortization of \$1,438 and \$5,308 at March 31, 2004 and December 31, 2003, respectively		9,559	5,757
Notes receivable from related parties		3,903	4,281
Other assets		9,147	9,576
Total other assets		259,958	256,722
Total assets		\$ 761,849	763,020

(Continued)

**GENERAL COMMUNICATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS**

(Continued)

(Amounts in thousands)	(Unaudited) March 31, 2004	December 31, 2003
Liabilities, Preferred Stock, and Stockholders' Equity		
Current liabilities:		
Current maturities of obligations under capital leases	\$ 6,293	5,139
Accounts payable	23,571	34,133
Deferred revenue	14,736	21,275
Accrued payroll and payroll related obligations	14,311	17,545
Accrued liabilities	7,369	8,156
Accrued interest	2,920	8,645
Subscriber deposits	577	651
Total current liabilities	<u>69,777</u>	<u>95,544</u>
Long-term debt	366,912	345,000
Obligations under capital leases, excluding current maturities	37,378	38,959
Obligation under capital lease due to related party, excluding current maturity	695	677
Deferred income taxes, net of deferred income tax benefit	24,805	24,168
Other liabilities	6,507	6,366
Total liabilities	<u>506,074</u>	<u>510,714</u>
Redeemable preferred stock	<u>22,572</u>	<u>25,664</u>
Stockholders' equity		
Common stock (no par):		
Class A. Authorized 100,000 shares; issued 53,343 and 52,589 shares at March 31, 2004 and December 31, 2003, respectively	206,451	202,362
Class B. Authorized 10,000 shares; issued 3,866 and 3,868 shares at March 31, 2004 and December 31, 2003, respectively; convertible on a share-per-share basis into Class A common stock	3,267	3,269
Less cost of 338 Class A common shares held in treasury at March 31, 2004 and December 31, 2003	(1,917)	(1,917)
Paid-in capital	13,173	12,836
Notes receivable with related parties issued upon stock option exercise	(4,370)	(4,971)
Retained earnings	16,812	15,371
Accumulated other comprehensive loss	(213)	(308)
Total stockholders' equity	<u>233,203</u>	<u>226,642</u>
Commitments and contingencies		
Total liabilities, preferred stock, and stockholders' equity	<u>\$ 761,849</u>	<u>763,020</u>

**GENERAL COMMUNICATION, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF INCOME**  
(Unaudited)

(Amounts in thousands, except per share amounts)	Three Months Ended March 31,	
	2004	2003
Revenues	\$ 108,916	92,777
Cost of sales and services	38,745	30,248
Selling, general and administrative expenses	35,404	32,993
Bad debt expense (recovery)	(397)	597
Depreciation, amortization and accretion expense	15,758	13,501
Operating income	19,406	15,438
Other income (expense)		
Interest expense	(7,517)	(9,154)
Loss on early extinguishment of debt	(6,136)	-
Amortization and write-off of loan and senior notes fees	(2,627)	(1,073)
Interest income	108	166
Other expense, net	(16,172)	(10,061)
Net income before income taxes and cumulative effect of a change in accounting principle	3,234	5,377
Income tax expense	1,309	2,282
Net income before cumulative effect of a change in accounting principle	1,925	3,095
Cumulative effect of a change in accounting principle, net of income tax benefit of \$367	-	(544)
Net income	\$ 1,925	2,551
Basic and diluted net income per common share:		
Net income before cumulative effect of a change in accounting principle	\$ 0.03	0.05
Cumulative effect of a change in accounting principle, net of income tax benefit of \$367	-	(0.01)
Net income	\$ 0.03	0.04

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
SUPPLEMENTAL SCHEDULE  
(Unaudited)

**Traditional Summary**

	Three Months Ended March 31, 2004					Three Months Ended March 31, 2003				
	Long		Local			Long		Local		
	Distance	Cable	Services	Internet	Combined	Distance	Cable	Services	Internet	Combined
Revenues	\$ 65,866	24,852	11,792	6,406	108,916	56,323	23,438	8,426	4,590	92,777
Cost of sales	23,378	7,062	6,546	1,759	38,745	16,738	6,457	5,649	1,404	30,248
Contribution	42,488	17,790	5,246	4,647	70,171	39,585	16,981	2,777	3,186	62,529
Selling, general and administrative expenses	21,390	6,551	4,682	2,781	35,404	20,560	6,249	4,001	2,183	32,993
Bad debt expense (recovery)	(608)	211	-	-	(397)	448	149	-	-	597
EBITDA, as adjusted	21,706	11,028	564	1,866	35,164	18,577	10,583	(1,224)	1,003	28,939
Less loss on early extinguishment of debt	6,136	-	-	-	6,136	-	-	-	-	-
EBITDA	15,570	11,028	564	1,866	29,028	18,577	10,583	(1,224)	1,003	28,939
Add loss on early extinguishment of debt	6,136	-	-	-	6,136	-	-	-	-	-
Less depreciation, amortization and accretion expense	9,263	4,679	892	924	15,758	6,989	4,766	864	882	13,501
Operating income (loss)	\$ 12,443	6,349	(328)	942	19,406	11,588	5,817	(2,088)	121	15,438

**Integrated Summary EBITDA, as Adjusted**  
(Unaudited)

	Three Months Ended March 31, 2004				Three Months Ended March 31, 2003			
	Voice	Data	Video	Combined	Voice	Data	Video	Combined
Traditional Summary EBITDA, as Adjusted:								
Long Distance	\$ 21,706			21,706	18,577			18,577
Cable			11,028	11,028			10,583	10,583
Local Services	564			564	(1,224)			(1,224)
Internet		1,866		1,866		1,003		1,003
	22,270	1,866	11,028	35,164	17,353	1,003	10,583	28,939
EBITDA, as Adjusted, Reallocations:								
Long Distance	(11,875)	11,875		-	(7,710)	7,710		-
Cable		2,738	(2,738)	-		2,116	(2,116)	-
Local Services	(31)	31		-	(27)	27		-
Integrated Summary EBITDA, as Adjusted	\$ 10,364	16,510	8,290	35,164	9,616	10,856	8,467	28,939

GENERAL COMMUNICATION, INC. AND SUBSIDIARIES  
SUPPLEMENTAL SCHEDULE  
(Unaudited)

**Traditional Summary**

	Three Months Ended March 31, 2004					Three Months Ended December 31, 2003				
	Long	Local			Combined	Long	Local			Combined
	Distance	Cable	Services	Internet		Distance	Cable	Services	Internet	
Revenues	\$ 65,866	24,852	11,792	6,406	108,916	61,432	24,995	11,787	5,540	103,754
Cost of sales	23,378	7,062	6,546	1,759	38,745	18,799	6,553	6,316	1,526	33,194
Contribution	42,488	17,790	5,246	4,647	70,171	42,633	18,442	5,471	4,014	70,560
Selling, general and administrative expenses	21,390	6,551	4,682	2,781	35,404	21,645	7,315	4,816	2,368	36,144
Bad debt expense (recovery)	(608)	211	-	-	(397)	(2,226)	116	-	-	(2,110)
EBITDA, as adjusted	21,706	11,028	564	1,866	35,164	23,214	11,011	655	1,646	36,526
Less loss on early extinguishment of debt	6,136	-	-	-	6,136	-	-	-	-	-
Less impairment charge	-	-	-	-	-	5,434	-	-	-	5,434
EBITDA	15,570	11,028	564	1,866	29,028	17,780	11,011	655	1,646	31,092
Add loss on early extinguishment of debt	6,136	-	-	-	6,136	-	-	-	-	-
Less depreciation, amortization and accretion expense	9,263	4,679	892	924	15,758	8,045	3,855	941	1,179	14,020
Operating income (loss)	\$ 12,443	6,349	(328)	942	19,406	9,735	7,156	(286)	467	17,072

**Integrated Summary EBITDA, as Adjusted**  
(Unaudited)

	Three Months Ended March 31, 2004				Three Months Ended December 31, 2003			
	Voice	Data	Video	Combined	Voice	Data	Video	Combined
Traditional Summary EBITDA, as Adjusted:								
Long Distance	\$ 21,706			21,706	23,214			23,214
Cable			11,028	11,028			11,011	11,011
Local Services	564			564	655			655
Internet		1,866		1,866		1,646		1,646
	22,270	1,866	11,028	35,164	23,869	1,646	11,011	36,526
EBITDA, as Adjusted, Reallocations:								
Long Distance	(11,875)	11,875		-	(11,448)	11,448		-
Cable		2,738	(2,738)	-		2,469	(2,469)	-
Local Services	(31)	31		-	(26)	26		-
Integrated Summary EBITDA, as Adjusted	\$ 10,364	16,510	8,290	35,164	12,395	15,589	8,542	36,526

**Non-GAAP Financial Reconciliation Schedule**

(Unaudited, Amounts in Millions)

	Three Months Ended		
	March 31, 2004	March 31, 2003	December 31, 2003
EBITDA, as adjusted (Note 1) \$	35.2	28.9	36.5
Loss on early extinguishment of debt	(6.1)	---	---
Impairment charge	---	---	(5.4)
EBITDA (Note 2)	29.1	28.9	31.1
Depreciation, amortization and accretion expense	(15.8)	(13.5)	(14.0)
Loss on early extinguishment of debt	6.1	---	---
Operating income	19.4	15.4	17.1
Other income (expense):			
Interest expense	(7.5)	(9.2)	(7.6)
Loss on early extinguishment of debt	(6.1)	---	---
Amortization and write-off of loan and senior notes fee expense	(2.7)	(1.1)	(5.4)
Interest income	0.1	0.2	0.1
Other expense, net	(16.2)	(10.1)	(12.9)
Net income before income taxes and cumulative effect of a change in accounting principle	3.2	5.3	4.2
Income tax expense	1.3	2.2	0.5
Net income before cumulative effect of a change in accounting principle	1.9	3.1	3.7
Cumulative effect of a change in accounting principle, net of income tax benefit of \$0.4	---	(0.5)	---
Net income	\$ 1.9	2.6	3.7

## Notes:

- (1) EBITDA (as defined in Note 2 below) before deducting Loss on Early Extinguishment of Debt during the three months ended March 31, 2004, and Impairment Charge during the three months ended December 31, 2003.
- (2) EBITDA (Earnings Before Interest, Taxes, Depreciation and Amortization) is the sum of Net Income, Interest Expense, Amortization and Write-off of Loan and Senior Notes Fees, Interest Income, Taxes, and Depreciation, Amortization and Accretion. EBITDA is not presented as an alternative measure of net income, operating income or cash flow from operations, as determined in accordance with accounting principles generally accepted in the United States of America. GCI's management uses EBITDA to evaluate the operating

performance of its business, and as a measure of performance for incentive compensation purposes. GCI believes EBITDA is a measure used as an analytical indicator of income generated to service debt and fund capital expenditures. In addition, multiples of current or projected EBITDA are used to estimate current or prospective enterprise value. EBITDA does not give effect to cash used for debt service requirements, and thus does not reflect funds available for investment or other discretionary uses. EBITDA as presented herein may not be comparable to similarly titled measures reported by other companies.