



2nd Quarter 2014 Earnings Results

August 2014



Participants

Anand Vadapalli: President and Chief Executive Officer

Wayne Graham: Chief Financial Officer

Leonard Steinberg: General Counsel

Laurie Butcher: Vice President of Finance

Safe Harbor Statement

Forward-Looking Statements

We have included in this presentation 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. You 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 risks, uncertainties and other factors, many of which are outside Alaska Communications' control.

For further information regarding risks and uncertainties associated with Alaska Communications' business, please refer to the Alaska Communications' SEC filings, including, but not limited to, our annual report on Form 10-K for the fiscal year ended December 31, 2013, quarterly reports on Form 10-Q filed subsequently, and other filings with the SEC, included under headings such as "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Q2 2014 Highlights and Operational Overview

Anand Vadapalli: President and Chief Executive Officer

How We Create Value For Our Shareholders



Growing Broadband Revenues



Growing EBITDA



Reducing Debt

Continued Strong Performance in 2014



Industry leading top line growth with core Service and Other revenue growing 11.5%



Industry leading continued strength in Broadband revenue



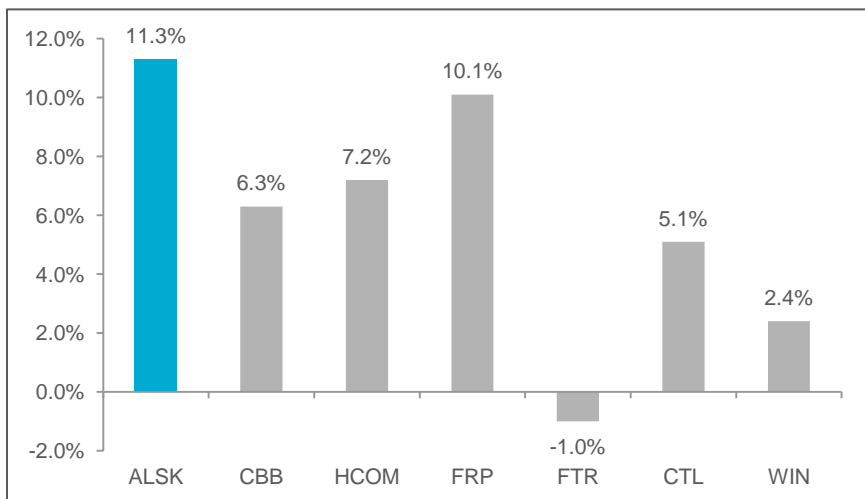
Key financial metrics all performing ahead of plan and guidance targets



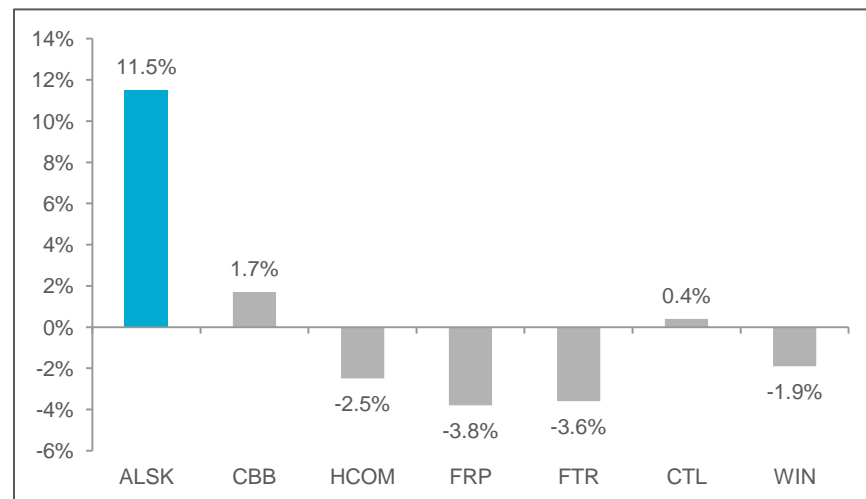
Recent customer wins demonstrate continued success in the market

Our Revenue Growth Leads the Industry

TOTAL BROADBAND REVENUE GROWTH Q2 2014



TOTAL SERVICE AND OTHER REVENUE GROWTH Q2 2014



Sources: Respective company SEC filings

Superior Broadband Revenue Growth Continues (in thousands)

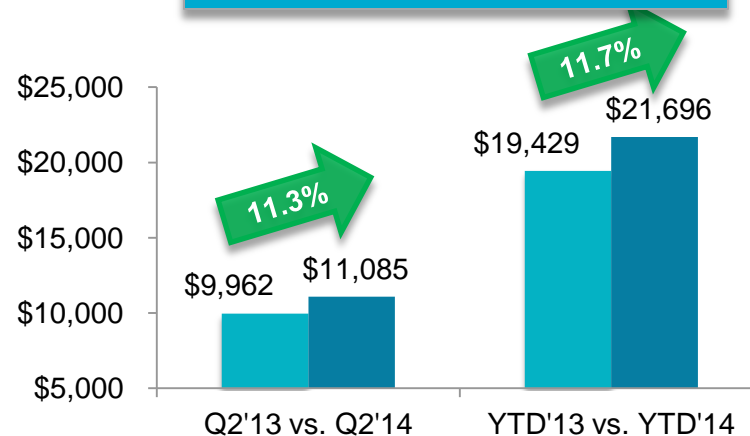
BUSINESS AND WHOLESALE

- Total revenue increased 9.2% quarter to date, and increased 8.2% year to date
- Broadband grew 11.3% quarter to date, and grew 11.7% year to date

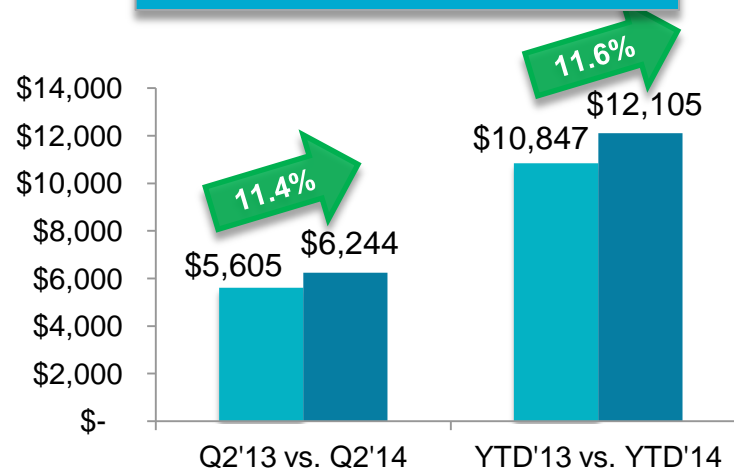
CONSUMER

- Total revenue increased 1.0% quarter to date, and increased 1.4% year to date
- Broadband grew 11.4% quarter to date, and grew 11.6% year to date

BUSINESS BROADBAND



CONSUMER BROADBAND



Select Customer Activity in Q2 2014

- We entered into a transaction with a large national carrier to build strategic fiber facilities for a federal customer.
 - This win was the result of a competitive process, based on the strength of our technical solution and customer relationships.
 - This multi year contract significantly strengthens strategic customer relationships. It will be accretive to our free cash flow starting 2015.
- We extended our relationship with a large Alaska based financial institution to provide connectivity to their Alaska and Lower 48 data center operations.
 - This reflects the outcome of a competitive process with our win based on the design of our solution and MEF certification of our Ethernet network.
- We extended our relationship with a leading Alaska based rural health care provider providing both dedicated Internet and MPLS based data networks.
 - Again, an outcome of a highly competitive process where we won based on the reliability of our past performance with the customer.

Review of Second Quarter 2014 Results

Wayne Graham, Chief Financial Officer

Q2 2014 Revenue Performance (in millions)

SUPERIOR YEAR OVER YEAR REVENUE GROWTH

- Total Service and Other revenue performance is strong.
- TekMate acquisition on January 31st, 2014 benefited year over year comparisons by \$0.9 million in Q2 and \$1.5 million on a YTD basis.
- We benefited from \$2.1 million of revenue reserve releases in the second quarter.

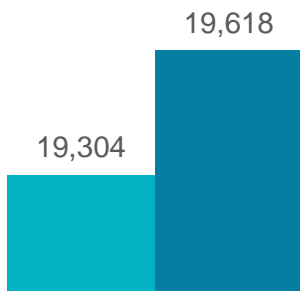
	Q2 2014	Q2 2013	% Increase
Business and Wholesale	\$27.7	\$25.4	9.2%
Consumer	\$10.4	\$10.3	1.0%
Other	\$17.3	\$14.0	23.5%
Total Service and Other Revenue	\$55.5	\$49.8	11.5%

	YTD 2014	YTD 2013	% Increase
Business and Wholesale	\$54.1	\$50.0	8.2%
Consumer	\$20.6	\$20.3	1.4%
Other	\$33.4	\$28.3	18.1%
Total Service and Other Revenue	\$108.2	\$98.7	9.7%

Q2 2014 Connections and ARPU

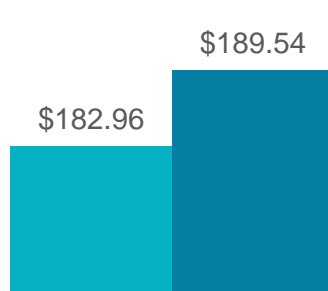
BUSINESS BROADBAND

CONNECTIONS



Q1'14 vs. Q2'14

ARPU

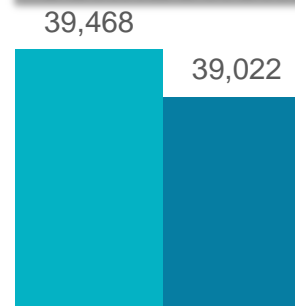


Q1'14 vs. Q2'14

- Connections and ARPU grew 1.6% and 3.6% sequentially
- Customers continue to demand higher bandwidth speeds, which will drive ARPU performance

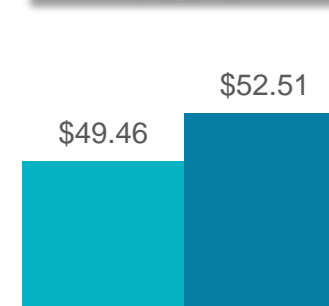
CONSUMER BROADBAND

CONNECTIONS



Q1'14 vs. Q2'14

ARPU



Q1'14 vs. Q2'14

- ARPU grew 6.2% even though connections declined
- Our value proposition is flat rate unlimited data, resulting in moderate consumer ARPU growth

Adjusted EBITDA, FCF and Leverage (\$ in millions)

WE ARE REAFFIRMING 2014 GUIDANCE FOR THE FOLLOWING CATEGORIES

- Revenue
- Adjusted EBITDA
- Free Cash Flow

WE ARE REVISING 2014 GUIDANCE AS FOLLOWS

- Capital spending from approximately \$40 million to between \$40-\$45 million.
 - Fiber project funded by major customer with no impact to free cash flow in 2014.

CONTINUED BALANCE SHEET STRENGTHENING

- \$17.3 million of debt payments on a YTD basis.
- Net debt continues to be lower and stands at \$411.2 million.

	YTD 2014	Guidance
Total Revenue	\$158.9	\$310
Adjusted EBITDA	\$46.8	\$90
Free Cash Flow	\$11.2	\$20

	6/30/14	6/30/13
Total Debt	\$438.9	\$515
Cash	\$27.7	\$43

In Closing, Q2 Performance was Strong and We Deliver Value by Doing What We Say...

**Grow retail
broadband
REVENUES**



RESULTS:

- Industry leading growth
- Superior revenue and broadband growth validates long-term market opportunity resulting in reaffirmed guidance
- TekMate acquisition performing ahead of expectations

**Enhancing
EBITDA**



RESULTS:

- Strong Q2, and tracking with guidance
- Focus on Business and Wholesale revenue to drive margins
- Reaffirming 2014 Adjusted EBITDA guidance

**FREE
CASH FLOW**



RESULTS:

- Strong cash reserves
- Free Cash Flow will be dedicated to continued balance sheet strengthening
- Reaffirming 2014 Free Cash Flow guidance

DEBT

