



Second Quarter 2016 Earnings Results

August 2016



Participants

Anand Vadapalli: President and Chief Executive Officer

Leonard Steinberg: General Counsel

Laurie Butcher: Senior Vice President of Finance

Tiffany Dunn: Manager Investor and Board Relations

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, 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."

Non-GAAP Measures

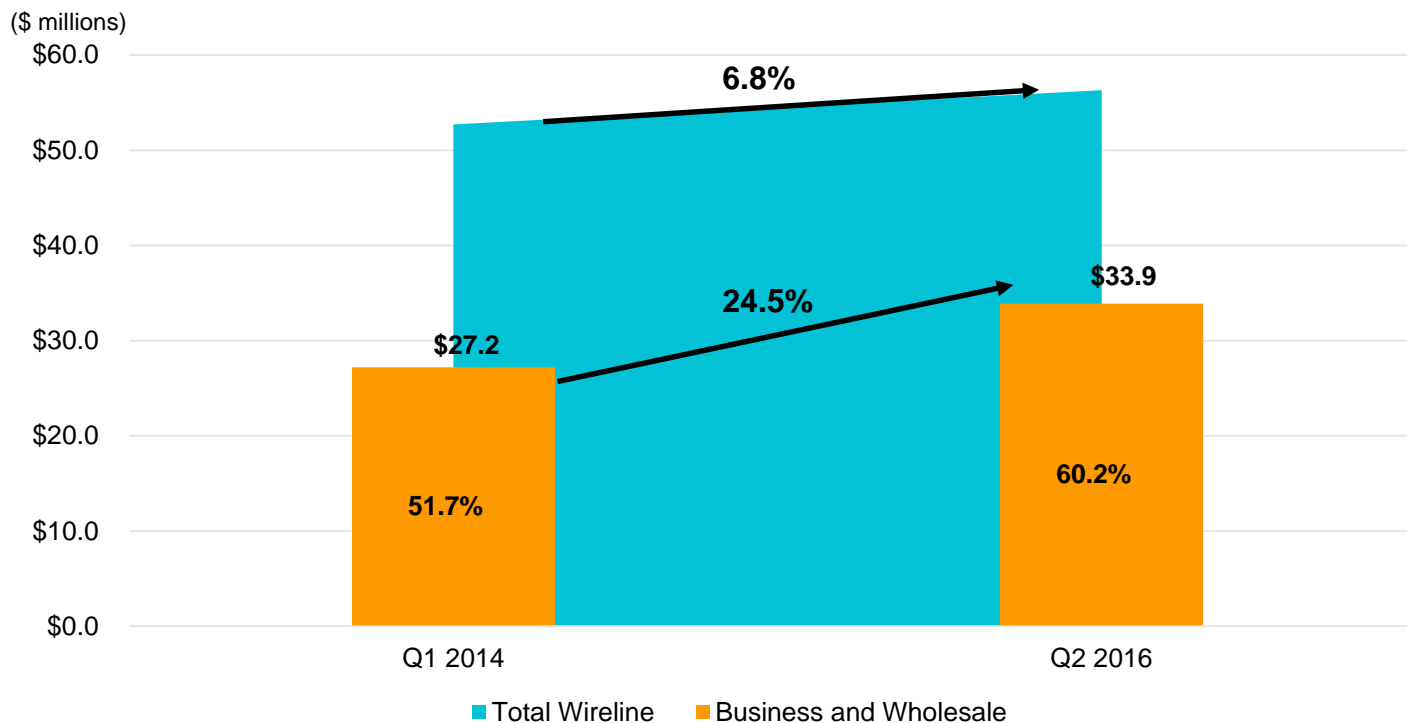
In an effort to provide investors with additional information regarding our financial results, in particular with regards to our liquidity and capital resources, we have disclosed certain non-GAAP financial information such as Adjusted EBITDA, Free Cash Flow and Net Debt, which management utilizes to assess performance and believes provides useful information to investors. The definition of these non-GAAP measures are on Schedules 4 and 5 of our earnings press release. Adjusted EBITDA, and Free Cash Flow are non-GAAP measures and should not be considered a substitute for Net Income, Net Cash Provided (Used) By Operating Activities and other measures of financial performance recorded in accordance with GAAP. Reconciliations of our non-GAAP measures to our nearest GAAP measures can be found in the Appendix or on our website at <http://www.alsk.com> in the investment data section. Other companies may not calculate non-GAAP measures in the same manner as Alaska Communications. We do not provide guidance for Net Income and Net Cash Provided (Used) By Operating Activities.

Q2 2016 Highlights and Business Overview

Anand Vadapalli: President and Chief Executive Officer

Continued progress to our 2016 Operating Plan driven by Business and Wholesale

- Total Wireline revenues up 2.8% quarterly, 3.8% year to date, and 6.8% since Q1 2014.
- Business and wholesale revenues up 8.6% quarterly, 10.2% year to date, and 24.5% since Q1 2014.
- As a percentage of total wireline revenue, business and wholesale has grown from 51.7% in Q1 2014 to 60.2% in Q2 2016.



Business and Wholesale: Key milestones in the quarter

- | | |
|--|--|
| <ul style="list-style-type: none"> ▪ One of our highest sales quarters, which will accelerate business and wholesale revenue growth in upcoming quarters. ▪ Our major wins extended our relationships with several strategic customers, including: <ul style="list-style-type: none"> – The next installment of cell site backhaul – Dedicated Internet services to a carrier customer – Integrated Rural Health communications network solutions – Managed IT professional services contract for an energy sector customer – Cloud enablement solution for a health care service provider | <ul style="list-style-type: none"> ▪ Launched Business Technology Center – an Alaska first <ul style="list-style-type: none"> – Provides customers a “hands on” experience and ability to experience products and solutions – Enables our world-class business partners to demonstrate and train customers on products ▪ First Microsoft ExpressRoute solution providing secure Office 365 solutions hosted in the Microsoft Azure cloud: <ul style="list-style-type: none"> – Our partnerships provide product differentiation – Security and reliability are paramount for business solutions. |
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Review of Second Quarter 2016 Results

Laurie Butcher, SVP Finance

Q2 and 1H 2016 Revenue Performance

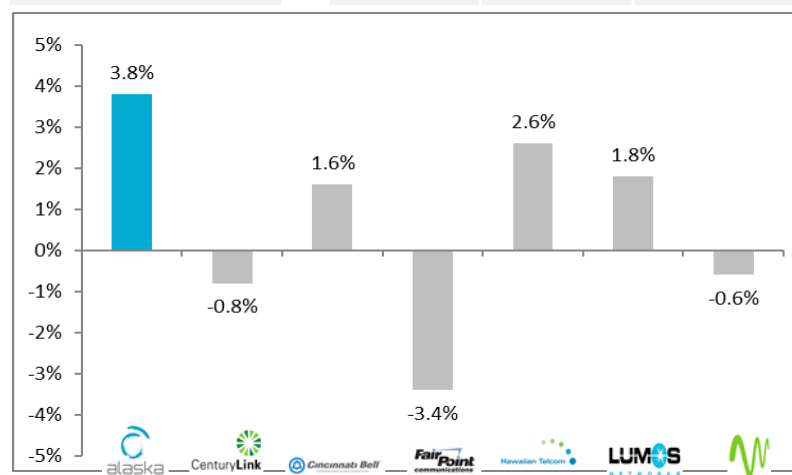
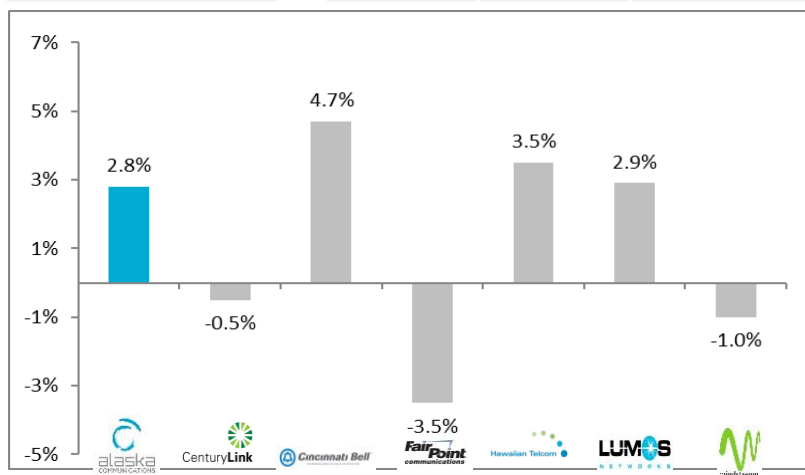
TOTAL WIRELINE REVENUE GROWTH

Q2 2016

| (\$ in M) | Q2 2016 | Q2 2015 | % Increase/Decrease |
|-------------------------------|---------------|---------------|---------------------|
| Business and Wholesale | \$33.9 | \$31.2 | 8.6% |
| Consumer | \$9.5 | \$10.1 | (6.4%) |
| Regulatory | \$12.9 | \$13.4 | (3.6%) |
| Total Wireline Revenue | \$56.3 | \$54.7 | 2.8% |

1H 2016

| (\$ in M) | 1H 2016 | 1H 2015 | % Increase/Decrease |
|-------------------------------|----------------|----------------|---------------------|
| Business and Wholesale | \$67.4 | \$61.1 | 10.2% |
| Consumer | \$19.0 | \$20.4 | (6.7%) |
| Regulatory | \$26.2 | \$26.9 | (2.7%) |
| Total Wireline Revenue | \$112.6 | \$108.4 | 3.8% |



Performing to Plan and Reaffirming 2016 Guidance

| (\$ in M) | 6/30/16 | 12/31/15 |
|------------|---------|----------|
| Total Debt | \$179.5 | \$188.7 |
| Cash | \$22.2 | \$36.0 |

| (\$ in M) | YTD 2016 Results | 2016 Guidance |
|--------------------------------|------------------|---------------|
| Total Wireline Revenue | \$112.6 | ~\$228 |
| Adjusted EBITDA ¹ | \$28.0 | ~\$59 |
| Net Capital Spending | \$13.7 | ~\$35 |
| Free Cash Flow ^{1, 2} | \$4.1 | ~\$5 |

¹ Reconciliations of our non-GAAP measures to our nearest GAAP measures can be found in the Appendix or on our website at <http://www.alsk.com> in the investment data section. The company does not provide guidance for Net Income and Net Cash Provided (Used) By Operating Activities.

² Quarterly Free Cash Flow fluctuates and should not be viewed as an indicator of annual performance. While events, seasonality of capital spend and the timing of interest payments may result in negative Free Cash Flow in one or more quarters, the company reaffirms guidance for annual Free Cash Flow.

Committed to Driving Shareholder Value

**Top Line
Growth**

**Unique Competitive Dynamic
Growing Market
Products and Partnerships**

**Margin
Expansion**

**LEAN creates organizational capacity
Customer service drives retention and acquisition**

**Shareholder
Value**

EBITDA and FCF growth drives shareholder value creation

Appendix

Use of Non-GAAP Measures

In an effort to provide investors with additional information regarding our financial results, in particular with regards to our liquidity and capital resources, we have disclosed certain non-GAAP financial information such as Adjusted EBITDA, Free Cash Flow and Net Debt, which management utilizes to assess performance and believes provides useful information to investors. Adjusted EBITDA and Free Cash Flow are non-GAAP measures and should not be considered a substitute for Net Cash Provided (Used) By Operating Activities and other measures of financial performance recorded in accordance with GAAP. Reconciliations of our non-GAAP measures to our nearest GAAP measures can be found in the following tables and in greater detail on our website at <http://www.alsk.com> in the investment data section. Other companies may not calculate non-GAAP measures in the same manner as ACS. We do not provide guidance for Net Income and Net Cash Provided (Used) By Operating Activities.

Adjusted EBITDA is defined as net income before interest, loss on extinguishment of debt, depreciation and amortization, gain or loss on asset purchases or disposals including the gain on the sale of our wireless operations, earnings from equity method investments, taxes, wireless transaction-related costs, loss attributable to non-controlling interest, stock-based compensation, pension adjustments, and expenses under the company's long term cash incentive plan ("LTCI"). LTCI expenses are considered part of an interim compensation structure to mitigate the dilutive impact of additional share issuances for executive compensation. Distributions from AWN are included in Adjusted EBITDA.

Free cash flow is defined as Adjusted EBITDA, less recurring operating cash requirements which include capital expenditures, net of cash received for a fiber build for a carrier customer, less cash interest expense, significant non-cash revenue associated with our interconnection agreement with AWN and GCI, and proceeds on sale of fiber to our joint venture partner.

Reconciliation of Non-GAAP Measures – Adjusted EBITDA

| (unaudited, in thousands) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|----------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Net income (loss) | \$ 283 | \$ (4,860) | \$ 336 | \$ 11,357 |
| Add (subtract): | | | | |
| Interest expense | 3,852 | 4,257 | 7,721 | 11,676 |
| Loss on extinguishment of debt | - | - | 336 | 2,628 |
| Interest income | (6) | (17) | (11) | (42) |
| Depreciation and amortization | 8,640 | 8,075 | 17,160 | 17,016 |
| Loss (gain) on disposal of assets, net | 128 | (724) | 152 | (39,386) |
| Earnings from equity method investments | - | - | - | (3,056) |
| AWN distributions received/receivable, net | - | - | - | 765 |
| Income tax (expense) benefit | 236 | (3,775) | 299 | 9,319 |
| Stock-based compensation | 642 | 795 | 1,447 | 1,279 |
| Long-term cash incentives | 194 | 308 | 405 | 642 |
| Pension adjustment | 20 | - | 41 | - |
| Net loss attributable to noncontrolling interest | 34 | 19 | 67 | 19 |
| Wireless sale transaction-related and wind down costs | - | 6,962 | - | 11,308 |
| Adjusted EBITDA | <u>\$ 14,023</u> | <u>\$ 11,060</u> | <u>\$ 27,953</u> | <u>\$ 23,525</u> |

Reconciliation of Non-GAAP Measures – Free Cash Flow

| (unaudited, in thousands) | Three Months Ended June 30, 2016 | Three Months Ended June 30, 2015 | Six Months Ended June 30, 2016 | Six Months Ended June 30, 2015 |
|---|----------------------------------|----------------------------------|--------------------------------|--------------------------------|
| Adjusted EBITDA | \$ 14,023 | \$ 11,060 | \$ 27,953 | \$ 23,525 |
| Less: | | | | |
| Capital expenditures excluding acquisition price of North Slope fiber network | (8,487) | (9,233) | (13,662) | (15,133) |
| Milestone billings for fiber build project for a carrier customer | - | - | - | 2,500 |
| Net capital expenditures | <u>(8,487)</u> | <u>(9,233)</u> | <u>(13,662)</u> | <u>(12,633)</u> |
| Purchase of North Slope fiber network | | | | |
| Acquisition price | - | (11,000) | - | (11,000) |
| (Paid) less: 50% due in 2016 | (5,500) | 5,500 | (5,500) | 5,500 |
| Proceeds on sale of fiber to joint venture partner | - | 2,650 | 2,650 | 2,650 |
| Less: other cash proceeds | - | 400 | - | 400 |
| Net North Slope purchase | (5,500) | (2,450) | (2,850) | (2,450) |
| Amortization of GCI/AWN capacity revenue | (516) | (514) | (1,025) | (1,129) |
| Interest paid | <u>(4,562)</u> | <u>(5,557)</u> | <u>(6,359)</u> | <u>(8,941)</u> |
| Free cash flow | <u>\$ (5,042)</u> | <u>\$ (6,694)</u> | <u>\$ (4,057)</u> | <u>\$ (1,628)</u> |