

**ALASKA COMMUNICATIONS SYSTEMS GROUP, INC.**  
**ADJUSTED EBITDA**  
(Unaudited, In Thousands)

	<b>Three Months Ended</b>	
	<b>March 31,</b>	
	<b>2016</b>	<b>2015</b>
Net cash provided by operating activities	\$ 10,232	\$ 1,381
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,520	8,941
Gain on wireless sale	-	(39,719)
Loss on the disposal of assets, net	24	1,057
Unrealized gain on ineffective hedge	-	(267)
Amortization of debt issuance costs and debt discount	1,016	1,053
Amortization of ineffective hedge	-	1,960
Loss on extinguishment of debt	336	2,628
Amortization of deferred capacity revenue	(847)	(775)
Stock-based compensation	805	484
Deferred income tax expense (benefit)	267	(3,258)
(Benefit) charge for uncollectible accounts	(132)	1,523
Cash distribution from equity method investments	-	3,056
Earnings from equity method investments	-	(3,056)
Other non-cash expense, net	217	270
Income taxes (receivable) payable	(730)	13,612
Changes in operating assets and liabilities	<u>703</u>	<u>(2,345)</u>
Net income	\$ 53	\$ 16,217
Add (subtract):		
Interest expense	3,869	7,419
Loss on extinguishment of debt	336	2,628
Interest income	(5)	(25)
Depreciation and amortization	8,520	8,941
Loss (gain) on disposal of assets, net	24	(38,662)
Earnings from equity method investments	-	(3,056)
AWN distributions received/receivable, net	-	765
Income tax expense	63	13,074
Stock-based compensation	805	484
Long-term cash incentives	211	334
Pension adjustment	21	-
Net loss attributable to noncontrolling interest	33	-
Wireless sale transaction-related and wind down costs	<u>-</u>	<u>4,346</u>
Adjusted EBITDA	<u>\$ 13,930</u>	<u>\$ 12,465</u>

**NonGAAP Measures:**

In an effort to provide investors with additional information regarding the Company's results as determined by GAAP, the Company also discloses certain non-GAAP information which management utilizes to assess recurring performance and believes provides useful information to investors regarding baseline operating results.

The Company has disclosed Adjusted EBITDA 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 noncontrolling interest, stock-based compensation, pension adjustments, and expenses under the company's long term cash incentive plan ("LTICI"). LTICI 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.