

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

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2016	2015	2016	2015
Net cash provided (used) by operating activities	\$ 8,705	\$ (9,627)	\$ 18,937	\$ (8,246)
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	8,640	8,075	17,160	17,016
Gain on wireless sale	-	(1,421)	-	(41,140)
Loss on the disposal of assets, net	128	697	152	1,754
Unrealized gain on ineffective hedge	-	(275)	-	(542)
Amortization of debt issuance costs and debt discount	1,005	990	2,021	2,043
Amortization of ineffective hedge	-	10	-	1,970
Loss on extinguishment of debt	-	-	336	2,628
Amortization of deferred capacity revenue	(855)	(694)	(1,702)	(1,469)
Stock-based compensation	642	795	1,447	1,279
Deferred income tax expense (benefit)	228	(136)	495	(3,394)
Charge (benefit) for uncollectible accounts	209	(204)	77	1,319
Cash distribution from equity method investments	-	-	-	3,056
Earnings from equity method investments	-	-	-	(3,056)
Other non-cash expense, net	197	273	414	543
Income taxes payable (receivable)	8	(5,574)	(722)	8,038
Changes in operating assets and liabilities	(1,780)	(7,303)	(1,077)	(9,648)
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	(3,755)	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	\$ 14,023	\$ 11,060	\$ 27,953	\$ 23,525

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 ("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.