1st Quarter 2018 Earnings Results

May 2018

Participants

Anand Vadapalli: President and Chief Executive Officer

Laurie Butcher: Senior Vice President of Finance

Leonard Steinberg: General Counsel

Tiffany Smith: 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. Such statements include all statements regarding our review of our current long-term business plan against a broad range of alternatives that have the potential to enhance shareholder value, the timing of such review, the possible outcomes of such review, our exploration of strategic options to address scale and geographic diversification, our current and projected financial and operating performance and all guidance related thereto, and any plans and initiatives to enhance shareholder value. 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 and amendments filed thereto, 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, Adjusted 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, 6, and 9 of our earnings press release. Adjusted EBITDA, and Adjusted 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 at the end of this presentation 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.

2018 Highlights and Business Overview

Anand Vadapalli: President and Chief Executive Officer

2018 Outlook

- Alaska Economy: Overall improvement
  - Strengthening Oil and Gas industry
  - Increasing service demand from businesses
- Enterprise and Carrier
  - Solid sales funnel and results support future growth
  - Turning up customers in the Arctic markets, including large school district wins
  - Capturing 5G network growth with small cell backhaul services
- Mass Market
  - Fiber-fed WiFi and Fixed Wireless creating market opportunity and performance
  - CAF II planning and implementation underway and performing to plan
- Network and IT Capabilities
  - Fiber expansion in Arctic markets – deployed metro fiber in Nome and Utqiaġvik (Barrow)
  - Fiber-fed WiFi / Fixed Wireless deployments well underway
  - Expanding Satellite deployment
  - Improving online capabilities

Review of First Quarter 2018 Results

Laurie Butcher, SVP Finance

Q1 2018 Financial Performance

- Total Revenues: $56.0 million, compared to $56.7 million in Q1 2017
  - Business & Wholesale: 60.3% of total revenue was $33.8 million, down 2.2% year over year
    - Business broadband: $13.7 million, down 16.1% reflecting the impact of rural health care
    - Wholesale broadband: $9.6 million, up 15.2% with continued performance in 2018
  - Consumer: 16.7% of total revenue was $9.4 million, flat year over year
    - Consumer broadband: $6.5 million, up 1.2% with continued improvement expected in 2018
  - Regulatory: 23.0% of total revenue was $12.8 million, down 0.2% year over year

- Adjusted EBITDA[1] $14.4 million, compared to $14.3 million in Q1 2017
  - Driven by lower operating expenses and decreased labor costs

- Net capital spending $8.7 million compared to $5.1 million in Q1 2017
  - Increase related to completing prior year capital projects and IT system enhancements

- Adjusted Free Cash Flow[1, 2] $1.8 million compared to $7.7 million in Q1 2017
  - Decrease due to increased capital spend and timing of interest payments

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

2 Quarterly Adjusted 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 Adjusted Free Cash Flow in one or more quarters.

2018 Balance Sheet and Guidance

($ in M)	12/31/17	3/31/18
Total Debt	$186.0	$184.5
Cash	$16.2	$17.0

Full Year ($ in M)	2017 Actual	2018 Guidance
Total Revenue	$226.9	$225 - $230
Adjusted EBITDA[1]	$57.3	$55 - $58
Net Capital Spending	$32.9	$33 - $35
Adjusted Free Cash Flow[1]	$8.8	$5 - $8

On May 1, 2018, using restricted cash, the remaining $10 million of the 6.25% convertible notes were retired, further reducing total debt

[1] Full year 2017 Actual Adjusted EBITDA and Adjusted Free Cash Flow are each $0.6 million higher than previously reported due to the reclassification of defined benefit pension expense from selling, general and administrative expense to other income (expense) as required by a change in accounting standards.

Business Plan Drives Shareholder Value

Operating Performance

Enterprise & Carrier and Mass Market segmentation focus drives top-line growth and Adj. EBITDA/FCF performance

Technology Innovation

Investments in advanced hybrid fiber/fixed-wireless network combined with IT systems drives scalable operating model

Strategic Options

Explore strategic options to address scale and geographic diversification

Use of Non-GAAP Measures

The Company provides certain non-GAAP financial information, including Adjusted EBITDA, Adjusted Free Cash Flow and Net Debt. Adjusted EBITDA eliminates the effects of period to period changes in costs that are not directly attributable to the underlying performance of the Company's business operations and is used by Management and the Company's Board of Directors to evaluate current operating financial performance, analyze and evaluate strategic and operational decisions and better evaluate comparability between periods. Adjusted Free Cash Flow is used to assess the Company's ability to generate cash and plan for future operating and capital actions. Adjusted EBITDA and Adjusted Free Cash Flow are common measures utilized by our peers (other telecommunications companies) and we believe they provide useful information to investors and analysts about the Company's operating results, financial condition and cash flows. Net Debt provides Management and the Board of Directors with a measure of the Company's current leverage position.

Adjusted EBITDA is defined as net income (loss) before interest, loss on extinguishment of debt, depreciation and amortization, other income (expense), gain or loss on asset purchases or disposals, income taxes, stock-based compensation, net loss attributable to non-controlling interest and expenses under the Company's long term cash incentive plan ("LTCI"). LTCI expenses are considered part of an interim compensation structure, which ended in 2016, to mitigate the dilutive impact of additional share issuances for executive compensation.

Adjusted Free cash flow is a non-GAAP liquidity measure and is defined as Adjusted EBITDA, less recurring operating cash requirements which include capital expenditures, less cash income taxes refunded or paid, cash interest paid, and amortization of GCI capacity revenue. Amortization of deferred revenue associated with our interconnection agreement with GCI is excluded from Adjusted Free Cash Flow because no cash was received by the Company in connection with this agreement. Amortization of all other deferred revenue, including that associated with other IRU capacity arrangements, is included in Adjusted Free Cash Flow because cash was received by the Company, typically at contract inception, and it being amortized to revenue over the term of the relevant agreement.

The Company does not provide reconciliations of guidance for Adjusted EBITDA to Net Income, and Adjusted Free Cash Flow to Net Cash Provided by Operating Activities, in reliance on the unreasonable efforts exception provided under Item 10(e)(1)(i)(B) of Regulation S-K. The Company does not forecast certain items required to develop the comparable GAAP financial measures. These items are charges and benefits for uncollectible accounts, certain other non-cash expenses, unusual items typically excluded from Adjusted EBITDA and Free Cash Flow, and changes in operating assets and liabilities (generally the most significant of these items, representing cash inflows of $2.4 million for 2018 and cash outflows of $6.0 million for 2017).

Adjusted EBITDA and Adjusted Free Cash Flow are not GAAP measures and should not be considered a substitute for net income, net cash provided by operating activities, or net cash provided or used. Adjusted EBITDA as computed below is not consistent with the definition of Consolidated EBITDA referenced in our 2017 Senior Credit Facility, and other companies may not calculate Non-GAAP measures in the same manner we do.

The following tables provide the computation of Adjusted EBITDA and reconciliation to Net Income, and the computation of Adjusted Free Cash Flow and reconciliation to Net Cash Provided by Operating Activities for the three months ended March 31, 2018 and 2017.

Reconciliation of Non-GAAP Measures
Adjusted EBITDA

	Three Months Ended March 31,	
	2018	2017
Net income (loss)	$ 2,069	$ (708)
Add (subtract):		
Interest expense	3,504	3,845
Loss on extinguishment of debt	-	2,276
Interest income	(14)	(7)
Depreciation and amortization	8,787	8,903
Other (income) expense, net	(104)	154
(Gain) loss on the disposal of assets, net	(3)	19
Income tax benefit	(112)	(832)
Stock-based compensation	242	610
Net loss attributable to noncontrolling interest	32	32
Adjusted EBITDA	$ 14,401	$ 14,292

Reconciliation of Non-GAAP Measures
Cash from Operating Activities to Adjusted Free Cash Flow

	Three Months Ended March 31,	
	2018	2017
Net cash provided by operating activities	$ 13,421	$ 5,298
Adjustments to reconcile net cash provided by operating activities to adjusted free cash flow:		
Capital expenditures	(8,680)	(5,148)
Amortization of deferred capacity revenue	947	847
Amortization of GCI capacity revenue	(511)	(511)
Amortization of debt issuance costs and debt discount	(356)	(1,025)
Interest expense	3,504	3,845
Interest paid	(3,441)	(1,536)
Interest income	(14)	(7)
Income taxes (payable) receivable	-	(574)
Income taxes refunded, net	-	574
Charge for uncollectible accounts	(537)	(89)
Other (income) expense, net	(104)	154
Net loss attributable to noncontrolling interest	32	32
Other non-cash expense, net	(90)	(145)
Changes in operating assets and liabilities	(2,402)	5,956
Adjusted free cash flow	$ 1,769	$ 7,671

Reconciliation of Non-GAAP Measures
Adjusted Free Cash Flow

	Three Months Ended March 31,	
	2018	**2017**
Adjusted EBITDA	$ 14,401	$ 14,292
Less:		
Capital expenditures	(8,680)	(5,148)
Amortization of GCI capacity revenue	(511)	(511)
Income taxes refunded, net	-	574
Interest paid	(3,441)	(1,536)
Adjusted free cash flow*	$ 1,769	$ 7,671

* Quarterly Adjusted Free Cash Flow fluctuates and should not be viewed as an indicator of annual performance. Onetime events, seasonality of capital spend and the timing of interest payments may result in negative Adjusted Free Cash Flow in one or more quarters.