



2nd Quarter 2017 Earnings Results

August 2017



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. 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, 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 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 2017 Highlights and Business Overview

Anand Vadapalli: President and Chief Executive Officer

Steady Progress Continues toward our Business Plan

- Operating performance
 - Total revenues increased 4.0% for the quarter and 2.4% year to date
 - Total broadband revenue growth of 13.9% for the quarter and 12.5% year to date
 - Business and wholesale revenues grew 8.1% for the quarter and 5.5% year to date
 - Adjusted EBITDA increased 4.4% for the quarter and 3.0% year to date

- Network developments continue to create growth opportunities
 - Deployed pilot projects for fixed wireless broadband service
 - Positioning to enter new markets on the North Slope
 - Developing satellite capabilities to complement terrestrial network

- Shawn O'Donnell appointed to Board of Directors – broad experience in the sector

Review of Second Quarter 2017 Results

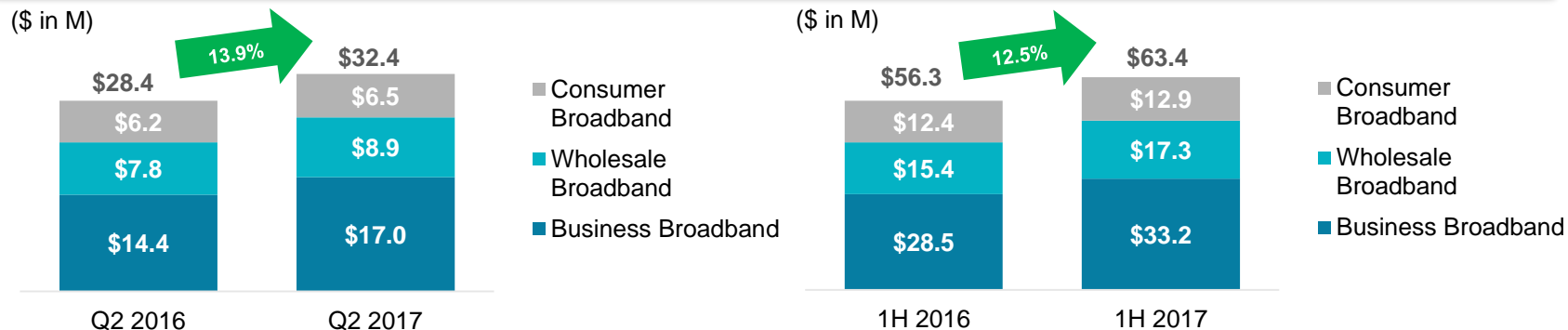
Laurie Butcher, SVP Finance

Q2 and 1H 2017 Revenue Performance

TOTAL REVENUE GROWTH

Q2				1H			
(\$ in M)	Q2 2017	Q2 2016	YoY % Increase/Decrease	(\$ in M)	1H 2017	1H 2016	YoY % Increase/Decrease
Business and Wholesale	\$36.6	\$33.9	8.1%	Business and Wholesale	\$71.1	\$67.4	5.5%
Consumer	\$9.3	\$9.5	(2.4%)	Consumer	\$18.6	\$19.0	(2.2%)
Regulatory	\$12.7	\$12.9	(1.8%)	Regulatory	\$25.5	\$26.2	(2.4%)
Total Revenue	\$58.5	\$56.3	4.0%	Total Revenue	\$115.3	\$112.6	2.4%

Total Broadband Revenue comprises 55% of Total Revenue for the Quarter and YTD



Performing to Plan and Reaffirming 2017 Guidance

(\$ in M)	1H 2017 Results	2017 Guidance
Total Revenue	\$115.3	\$229 - \$235
Adjusted EBITDA ¹	\$28.8	\$59 - \$61
Net Capital Spending	\$10.5	\$35 - \$38
Adjusted Free Cash Flow ^{1,2}	\$10.2	\$4 - \$7

(\$ in M)	6/30/17	12/31/16
Total Debt	\$187.7	\$179.6
Cash ³	\$13.0	\$21.2

- 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. Events including seasonality of capital spend and the timing of interest payments, may result in negative Adjusted Free Cash Flow in one or more quarters.
- 3 Change in cash reflects the utilization of cash in the refinancing transactions and other changes in working capital.

Business Plan Drives Shareholder Value



**Operating
Performance**

Adjusted FCF growth driven by top line growth

**Capital
Allocation**

Prudent balance between investing for growth vs.
returning cash to shareholders

**Strategic
Actions**

Explore strategic actions to drive scale and 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, gain or loss on asset purchases or disposals, earnings from equity method investments, income taxes, stock-based compensation, pension adjustments, net loss attributable to non-controlling interest and expenses under the Company's long term cash incentive plan ("LTCl"). LTCl 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, net of cash received for a fiber build for a carrier customer, less cash income taxes refunded or paid, cash interest paid, amortization of GCI capacity revenue, and cash receipts and payments associated with the purchase of the North Slope fiber network and establishment of our joint venture with Quintillion Holdings Limited. 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 outflows of \$6.2 million in the six-month period of 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 2015 Senior Credit Agreements, 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 and six months ended June 30, 2017.

Reconciliation of Non-GAAP Measures Adjusted EBITDA to Net (Loss) Income

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net (loss) income	\$ (2,830)	\$ 283	\$ (3,538)	\$ 336
Add (subtract):				
Interest expense	3,913	3,852	7,758	7,721
Loss on extinguishment of debt	5,158	-	7,434	336
Interest income	(7)	(6)	(14)	(11)
Depreciation and amortization	9,028	8,640	17,931	17,160
Loss on disposal of assets, net	14	128	33	152
Income tax (benefit) expense	(632)	236	(1,464)	299
Stock-based compensation	(29)	642	581	1,447
Long-term cash incentives	-	194	-	405
Pension adjustment	-	20	-	41
Net loss attributable to noncontrolling interest	32	34	64	67
Adjusted EBITDA	<u>\$ 14,647</u>	<u>\$ 14,023</u>	<u>\$ 28,785</u>	<u>\$ 27,953</u>

Reconciliation of Non-GAAP Measures

Cash from Operating Activities to Adjusted Free Cash Flow

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Net cash provided by operating activities	\$ 11,767	\$ 8,705	\$ 17,065	\$ 18,886
Adjustments to reconcile net cash provided by operating activities to adjusted free cash flow:				
Capital expenditures	(5,374)	(8,487)	(10,522)	(13,662)
Payment for North Slope fiber network	-	(5,500)	-	(5,500)
Proceeds on sale of fiber to joint venture partner	-	-	-	2,650
Amortization of deferred capacity revenue	870	855	1,717	1,702
Amortization of GCI capacity revenue	(516)	(516)	(1,027)	(1,025)
Amortization of debt issuance costs and debt discount	(512)	(1,005)	(1,537)	(2,021)
Interest expense	3,913	3,852	7,758	7,721
Interest paid	(6,059)	(4,562)	(7,595)	(6,359)
Interest income	(7)	(6)	(14)	(11)
Income tax (benefit) expense	(632)	236	(1,464)	299
Income taxes (payable) receivable	-	(8)	(574)	722
Income taxes (paid) refunded, net	(2)	-	572	(577)
Deferred income tax benefit (expense)	634	(228)	1,466	(495)
Tax deficiencies from share-based payments	-	-	-	51
Charge for uncollectible accounts	(1,544)	(209)	(1,633)	(77)
Long-term cash incentives	-	194	-	405
Pension adjustment	-	20	-	41
Net loss attributable to noncontrolling interest	32	34	64	67
Other non-cash expense, net	(143)	(197)	(288)	(414)
Changes in operating assets and liabilities	269	1,780	6,225	1,077
Adjusted free cash flow	<u>\$ 2,696</u>	<u>\$ (5,042)</u>	<u>\$ 10,213</u>	<u>\$ 3,480</u>

Adjusted Free Cash Flow

	Three Months Ended June 30,		Six Months Ended June 30,	
	2017	2016	2017	2016
Adjusted EBITDA	\$ 14,647	\$ 14,023	\$ 28,785	\$ 27,953
Less:				
Capital expenditures	(5,374)	(8,487)	(10,522)	(13,662)
Payment for North Slope fiber network	-	(5,500)	-	(5,500)
Proceeds on sale of fiber to joint venture partner	-	-	-	2,650
Amortization of GCI capacity revenue	(516)	(516)	(1,027)	(1,025)
Income taxes (paid) refunded, net	(2)	-	572	(577)
Interest paid	(6,059)	(4,562)	(7,595)	(6,359)
Adjusted free cash flow*	<u>\$ 2,696</u>	<u>\$ (5,042)</u>	<u>\$ 10,213</u>	<u>\$ 3,480</u>

* 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.