2^{nd} Quarter 2018 Earnings Results

August 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 and computation 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. 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 Performance and Outlook

- Strong quarterly performance positions for good full year results
  - Growth in core business lines drive total revenue growth
  - Rural health care program funding increase mitigates uncertainty of revenue and cash flows
- Business and Wholesale
  - Solid sales funnel and strong execution result in exceeding sales targets
  - Arctic fiber network drives revenues in rural Alaska
  - 5G backhaul contracts increase metro fiber densification
- Consumer
  - Additional Fixed Wireless technology trials upcoming in urban markets
  - Fixed Wireless for CAF II is operational, with ~9,000 total service locations in 2018, including ~2,000 Fixed Wireless locations
- Network and IT Capabilities
  - Recent customer contract will fund terrestrial fiber expansion for our landing station in Oregon
  - Strong customer demand drives expanded satellite deployment

Diverse revenue streams and the strength of our core business, supported by continued improvements in the Alaskan economy, to drive performance

Review of Second Quarter 2018 Results

Laurie Butcher, SVP Finance

Q2 and 1H 2018 Financial Performance

TOTAL REVENUE GROWTH

Q2

($ in M)	Q2 2018	Q2 2017	YoY % Increase/ Decrease
Business and Wholesale	$37.5	$36.6	2.4%
Consumer	$9.5	$9.3	2.1%
Regulatory	$12.6	$12.7	(0.2%)
Total Revenue	$59.6	$58.5	1.8%

1H

($ in M)	1H 2018	1H 2017	YoY % Increase/ Decrease
Business and Wholesale	$71.2	$71.1	0.1%
Consumer	$18.8	$18.6	1.3%
Regulatory	$25.5	$25.5	(0.2%)
Total Revenue	$115.6	$115.3	0.2%

Performing to Plan and Reaffirming Guidance

($ in M)	1H 2018 Results	2018 Guidance
Total Revenue	$115.6	$225 - $230
Adjusted EBITDA[1]	$31.3	$55 - $58
Net Capital Spending	$17.1	$33 - $35
Adjusted Free Cash Flow [1,2]	$5.9	$5 - $8

($ in M)	6/30/18	12/31/17
Total Debt	$180.2	$186.0
Net Debt[3]	$174.7	$177.2
Cash	$12.2	$16.2

1 Reconciliations of non-GAAP measures to the nearest GAAP measures can be found in the Appendix. 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 Net Debt includes the addition of debt discounts and debt issuance costs to total debt, and subtracts only cash and cash equivalents.

Business Plan Drives Shareholder Value

Operating Performance

Business & Wholesale and Consumer drive top-line growth and Adj. EBITDA/FCF performance

Technology Innovation

Investments in advanced hybrid fiber / FiWi / WiFi 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 and net loss attributable to non-controlling interest and expenses.

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 outflows of $2.0 million for the six-month period of 2018).

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 June 30, 2018 and 2017.

Reconciliation of Non-GAAP Measures
Adjusted EBITDA

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net income (loss)	$ 3,402	$ (2,830)	$ 5,471	$ (3,538)
Add (subtract):				
Interest expense	3,401	3,913	6,905	7,758
Loss on extinguishment of debt	-	5,158	-	7,434
Interest income	(24)	(7)	(38)	(14)
Depreciation and amortization	8,197	9,028	16,984	17,931
Other expense (income), net	91	154	(13)	308
Loss on the disposal of assets, net	44	14	41	33
Income tax expense (benefit)	1,418	(632)	1,306	(1,464)
Stock-based compensation	325	(29)	567	581
Net loss attributable to noncontrolling interest	40	32	72	64
Adjusted EBITDA	$ 16,894	$ 14,801	$ 31,295	$ 29,093

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Net cash provided by operating activities	$ 8,937	$ 11,767	$ 22,358	$ 17,065
Adjustments to reconcile net cash provided by operating activities to adjusted free cash flow:				
Capital expenditures	(8,401)	(5,374)	(17,081)	(10,522)
Amortization of deferred capacity revenue	983	870	1,930	1,717
Amortization of GCI capacity revenue	(516)	(516)	(1,027)	(1,027)
Amortization of debt issuance costs and debt discount	(333)	(512)	(689)	(1,537)
Interest expense	3,401	3,913	6,905	7,758
Interest paid	(3,810)	(6,059)	(7,251)	(7,595)
Interest income	(24)	(7)	(38)	(14)
Income taxes receivable (payable)	36	-	36	(574)
Income taxes (paid) refunded, net	(4)	(2)	(4)	572
Charge for uncollectible accounts	(555)	(1,544)	(1,092)	(1,633)
Other expense (income), net	91	154	(13)	308
Net loss attributable to noncontrolling interest	40	32	72	64
Other non-cash expense, net	(91)	(143)	(181)	(288)
Changes in operating assets and liabilities	4,409	271	2,007	6,227
Adjusted free cash flow	$ 4,163	$ 2,850	$ 5,932	$ 10,521

Reconciliation of Non-GAAP Measures
Adjusted Free Cash Flow

	Three Months Ended June 30,		Six Months Ended June 30,	
	2018	2017	2018	2017
Adjusted EBITDA	$ 16,894	$ 14,801	$ 31,295	$ 29,093
Less:				
Capital expenditures	(8,401)	(5,374)	(17,081)	(10,522)
Amortization of GCI capacity revenue	(516)	(516)	(1,027)	(1,027)
Income taxes (paid) refunded, net	(4)	(2)	(4)	572
Interest paid	(3,810)	(6,059)	(7,251)	(7,595)
Adjusted free cash flow*	$ 4,163	$ 2,850	$ 5,932	$ 10,521

* 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.