Third Quarter 2016 Earnings Results

November 2016

alaska COMMUNICATIONS®

Participants

Anand Vadapalli: President and Chief Executive Officer

Laurie Butcher: Senior Vice President of Finance

Leonard Steinberg: General Counsel

Tiffany Dunn: 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, 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, 5 and 9 of our earnings press release. Adjusted EBITDA, and 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.

Q3 2016 Highlights and Business Overview

Anand Vadapalli: President and Chief Executive Officer

Operational highlights

- Delivered strong year over year performance to our business plan:
  - Total wireline revenues up 3.2% for the quarter and up 3.6% year to date, driven by
    - Business and wholesale up 8.3% for the quarter and 9.6% year to date
    - Broadband revenues up 14.0% for the quarter and 11.3% year to date
  - Adjusted EBITDA up 10.2% for the quarter, and 15.8% year to date
  - FCF for 2016 adjusted upward to $8M driven primarily by efficiencies in our capital program

- Product launch highlights:
  - Upgraded Business Internet portfolio differentiated by strong service levels and upload speeds critical for cloud enablement
  - Cloud Business Office: a compelling small business bundle consisting of hosted voice over internet,
    Office 365 in the cloud, and Business Internet
  - Cloud audio conferencing solutions for business

CAF II Order for Alaska

- Connect America Fund Phase II (CAF II) Order
  - Federal Communications Commission (FCC) released on October 31, 2016
  - Applicable for Price Cap carriers
  - Alaska Communications is the only price cap carrier in the State of Alaska

- Order generally consistent with expectations:
  - $19.7M per year for next 10 years, at current level of frozen support
    - Total **~31,500** locations in unserved and partially served census blocks
    - Includes **~26,000** new unserved locations to be provisioned with broadband (minimum of 10Mbps down / 1Mbps up)

- Detailed review of the order underway and further details on the implementation to be shared in future calls

Review of Third Quarter 2016 Results

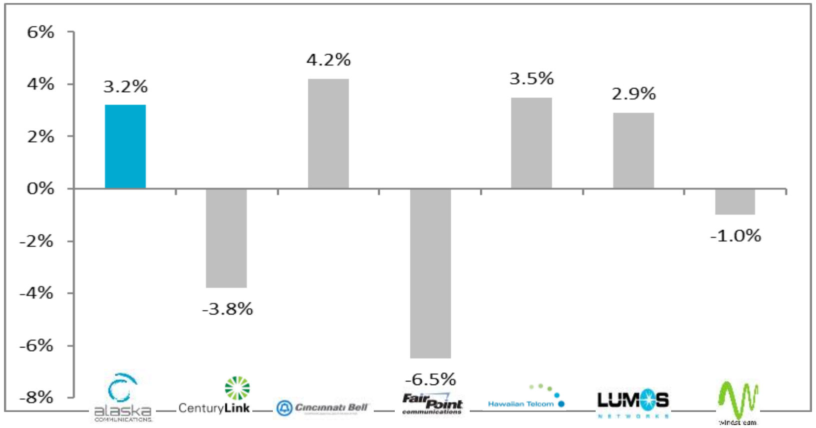
Laurie Butcher, SVP Finance

Q3 and YTD Q3 2016 Revenue Performance

TOTAL WIRELINE REVENUE GROWTH

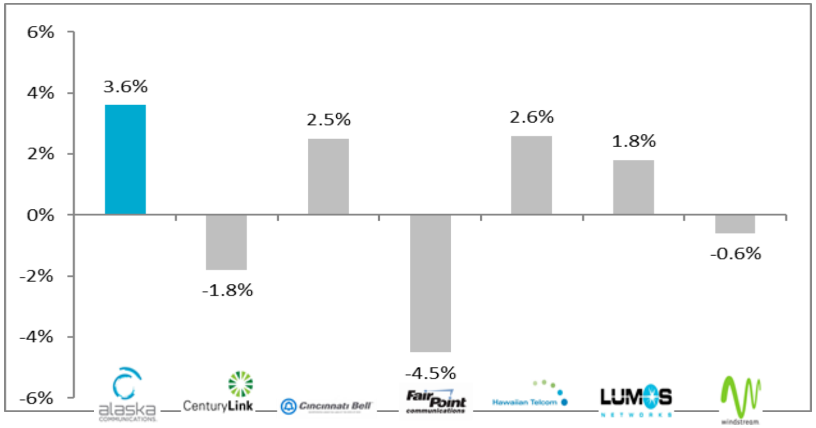
Q3 2016

($ in M)	Q3 2016	Q3 2015	% Increase/ Decrease
Business and Wholesale	$34.0	$31.4	8.3%
Consumer	$9.4	$10.0	(6.0%)
Regulatory	$13.1	$13.3	(1.9%)
Total Wireline Revenue	$56.5	$54.7	3.2%



YTD Q3 2016

($ in M)	YTD Q3 2016	YTD Q3 2015	% Increase/ Decrease
Business and Wholesale	$101.4	$92.6	9.6%
Consumer	$28.4	$30.4	(6.5%)
Regulatory	$39.2	$40.2	(2.5%)
Total Wireline Revenue	$169.1	$163.2	3.6%



Sources: Respective company public filings. Q2 data for Hawaiian Telcom, Lumos and Windstream (Q3 numbers were unavailable at the time of reporting)

Performing to Plan and Updating 2016 Guidance

($ in M)	9/30/16	12/31/15
Total Debt	$179.7	$188.7
Cash	$21.9	$36.0

($ in M)	YTD 2016 Results	2016 Guidance[1]
Total Wireline Revenue	$169.1	~$228
Adjusted EBITDA [2]	$41.8	~$59
Net Capital Spending	$22.4	~$32 (previously ~$35)
Free Cash Flow [2, 3]	$7.0	~$8 (previously ~$5)

1 Guidance as of November 2, 2016.

2 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. The company does not provide guidance for Net Income and Net Cash Provided By Operating Activities.

3 Quarterly 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 Free Cash Flow in one or more quarters.

Committed to Driving Shareholder Value

Top Line Growth

Cloud enablement drives growing demand for broadband
Continued gain in market share
Managed IT Services targets greater wallet share

Margin Expansion

LEAN creates organizational capacity
Customer service drives retention and acquisition

Shareholder Value

EBITDA and FCF growth drives shareholder value creation

Appendix

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Use of Non-GAAP Measures

The Company provides certain non-GAAP financial information, including Adjusted EBITDA, Free Cash Flow and Net Debt. Adjusted EBITDA and Free Cash Flow measure the Company's primary business activities without regard for the effects of special items and income tax structure. 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. 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 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 including the sale of our wireless operations, earnings from equity method investments, income taxes, Wireless Sale transaction and wind-down related costs, stock-based compensation, pension adjustments, 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 to mitigate the dilutive impact of additional share issuances for executive compensation. Distributions from AWN are included in Adjusted EBITDA.

Free cash flow 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 interest expense, significant non-cash revenue associated with our interconnection agreement with AWN and GCI, 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.

The Company does not provide reconciliations of guidance for Adjusted EBITDA to Net Income, and 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 realized and unrealized gains and losses on effective and ineffective hedges, 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 $1.7 million and $2.5 million in the nine-month periods of 2016 and 2015, respectively).

Adjusted EBITDA and 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 Free Cash Flow and reconciliation to Net Cash Provided by Operating Activities for the three and nine months ended September 30, 2016 and 2015.

Reconciliation of Non-GAAP Measures
Adjusted EBITDA

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Net income	$ 320	$ 1,202	$ 656	$ 12,559
Add (subtract):				
Interest expense	3,869	4,077	11,590	15,753
Loss on extinguishment of debt	-	2,250	336	4,878
Interest income	(7)	(14)	(18)	(56)
Depreciation and amortization	8,748	8,475	25,908	25,491
Loss (gain) on disposal of assets, net	132	(6,978)	284	(46,364)
Earnings from equity method investments	-	-	-	(3,056)
AWN distributions received/receivable, net	-	-	-	765
Income tax (benefit) expense	(82)	663	217	9,982
Stock-based compensation	700	619	2,147	1,898
Long-term cash incentives	180	714	585	1,356
Pension adjustment	(41)	210	-	210
Net loss attributable to noncontrolling interest	34	37	101	56
Wireless sale transaction-related and wind down costs	-	1,321	-	12,629
Adjusted EBITDA	$ 13,853	$ 12,576	$ 41,806	$ 36,101

Reconciliation of Non-GAAP Measures
Free Cash Flow

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Adjusted EBITDA	$ 13,853	$ 12,576	$ 41,806	$ 36,101
Less:				
Capital expenditures excluding acquisition price of North Slope fiber network	(8,689)	(12,083)	(22,351)	(27,216)
Milestone billings for fiber build project for a carrier customer	-	-	-	2,500
Net capital expenditures	(8,689)	(12,083)	(22,351)	(24,716)
Purchase of North Slope fiber network				
Acquisition price	-	-	-	(11,000)
(Paid) less: 50% due in 2016	-	-	(5,500)	5,500
Proceeds on sale of fiber to joint venture partner	-	-	2,650	2,650
Less: other cash proceeds	-	-	-	400
Net North Slope purchase	-	-	(2,850)	(2,450)
Amortization of GCI/AWN capacity revenue	(522)	(520)	(1,547)	(1,649)
Interest paid	(1,653)	(2,179)	(8,012)	(11,120)
Free cash flow	$ 2,989	$ (2,206)	$ 7,046	$ (3,834)

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2016	2015	2016	2015
Net cash provided by operating activities	$ 9,478	$ 13,746	$ 28,415	$ 5,500
Adjustments to reconcile net cash provided by operating activities to free cash flow:				
Capital expenditures excluding acquisition price of North Slope fiber network	(8,689)	(12,083)	(22,351)	(27,216)
Milestone billings for fiber build project for a carrier customer	-	-	-	2,500
Purchase of North Slope fiber network:				
Acquisition price	-	-	-	(11,000)
(Paid) less: 50% due in 2016	-	-	(5,500)	5,500
Proceeds on sale of fiber to joint venture partner	-	-	2,650	2,650
Other cash proceeds	-	-	-	400
Amortization of deferred capacity revenue	862	693	2,564	2,162
Amortization of GCI/AWN capacity revenue	(522)	(520)	(1,547)	(1,649)
Interest expense	3,869	4,077	11,590	15,753
Amortization of debt issuance costs and debt discount	(1,014)	(1,019)	(3,035)	(3,062)
Interest paid	(1,653)	(2,179)	(8,012)	(11,120)
Interest income	(7)	(14)	(18)	(56)
Unrealized gain on ineffective hedge	-	278	-	820
Amortization of ineffective hedge	-	-	-	(1,970)
Income tax (benefit) expense	(82)	663	217	9,982
Income taxes receivable (payable)	130	6,302	852	(1,736)
Deferred income tax expense	(48)	(6,965)	(543)	(3,571)
Charge for uncollectible accounts	(89)	(66)	(166)	(1,385)
Cash distribution from equity method investments	-	-	-	(3,056)
Long-term cash incentives	180	714	585	1,356
Pension adjustment	(41)	210	-	210
Net loss attributable to noncontrolling interest	34	37	101	56
Wireless sale transaction-related and wind down costs	-	1,321	-	12,629
AWN distributions received/receivable, net	-	-	-	765
Other non-cash expense, net	(52)	(274)	(466)	(817)
Changes in operating assets and liabilities	633	(7,127)	1,710	2,521
Free cash flow	$ 2,989	$ (2,206)	$ 7,046	$ (3,834)

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