4th Quarter and Year End 2018 Earnings Results

March 2019

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 Performance and 2019 Outlook

Anand Vadapalli: President and Chief Executive Officer

ALSK Shareholder Value Creation

Business Performance

✓Robust 2018 results and strong business outlook

✓Balance sheet strength creates runway and capacity

Strategic Actions

✓Evaluating strategic alternatives top priority for Board

Solid 2018 Performance at or above Guidance

- FY2018 total revenue of $232.5M up 2.5% YoY
  - Above guidance of $225M - $230M
  - Led by larger Enterprise and Carrier customers
  - Wholesale broadband and Managed IT underpin 3.9% increase in Business & Wholesale
  - Growth revenues now at 59% of total revenues

- FY2018 Adjusted EBITDA of $60.2M up 4.9% YoY
  - Above guidance of $55M - $58M
  - Led by revenue performance with continued attention to cost management

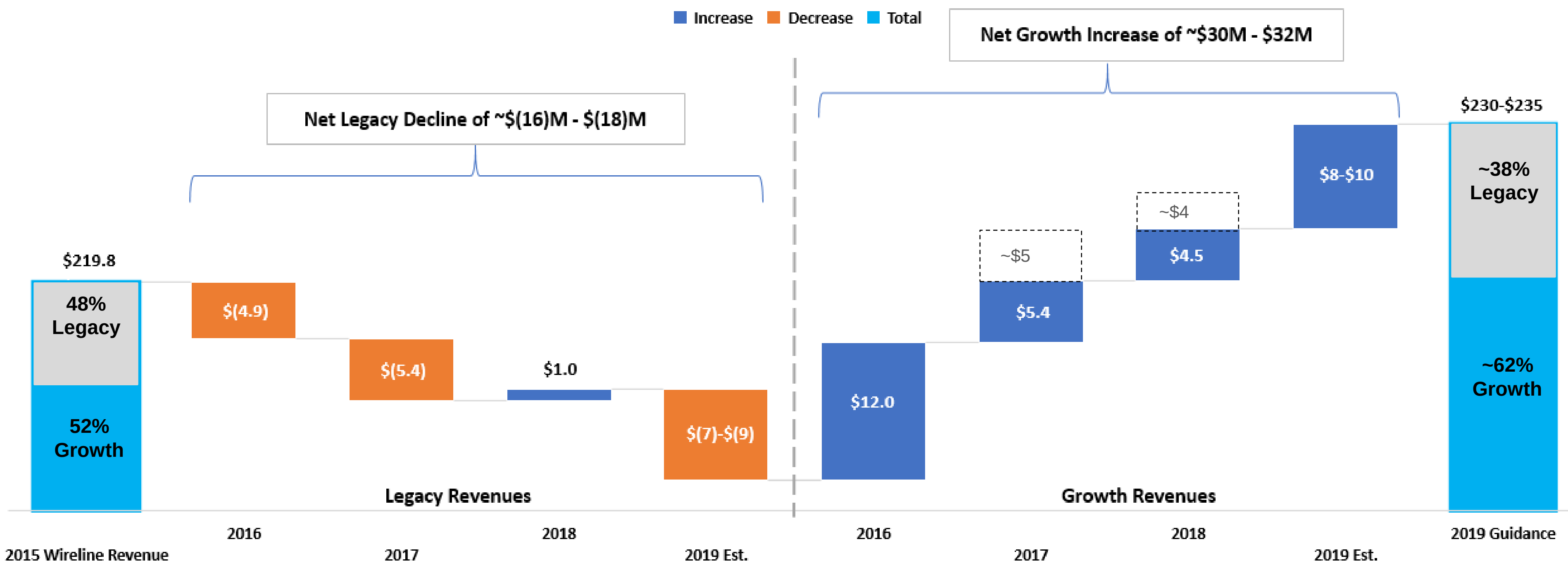
- Capital expenditures of $38M
  - Mid point of guidance of $37M - $39M
  - Will support robust growth revenues in 2019 and beyond

- Adjusted free cash flow of $7.2M
  - At higher end of guidance of $5M - $8M
  - Led by EBITDA performance mitigating increased CapEx

Network and Customer Service as Differentiators

Investment in C-Band Satellite Transponder	• Enabled one of the largest wins in 2018 – Kuspuk School District • 15+ sites turned up in 2018 with improved profitability
Software Defined Networking	• Stood up SD-WAN infrastructure using Juniper technology • Enabled 2 key wins in 2018 in oil field services and social services sectors
Arctic Markets	• Using partner company fiber network to Deadhorse, Nome, Kotzebue, Utqiagvik, Wainwright and Point Hope • Local fiber deployment in 2 markets
Optical Transport Network	• Additional capacity on Northstar and L48 long-haul route to reduce COGS • Grooming existing capacity to maximize utilization
Fixed Wireless Access & Fiber-fed Multi Dwelling Units	• FWA ~6,000 homes passed at end of 2018 including ~3,000 CAF II locations • MDU ~3,000 homes covered at end of 2018 – substantially on military bases
Moving Mass Market to Online Customer Service	• ~80% of bills, ~74% of orders, ~50% of support incidents now online

Growth Revenue Increasingly Dominant – Expected to be ~62% of Total Revenue in 2019



Growth Revenues: Consumer broadband, Business broadband, Equipment Sales, Wholesale broadband and Managed IT Services
Legacy Revenues: Consumer voice and other, Business voice and other, Wholesale voice and other, Access and High Cost Support
Impact of Rural Health Care

Growth Revenue Performance Back on Track

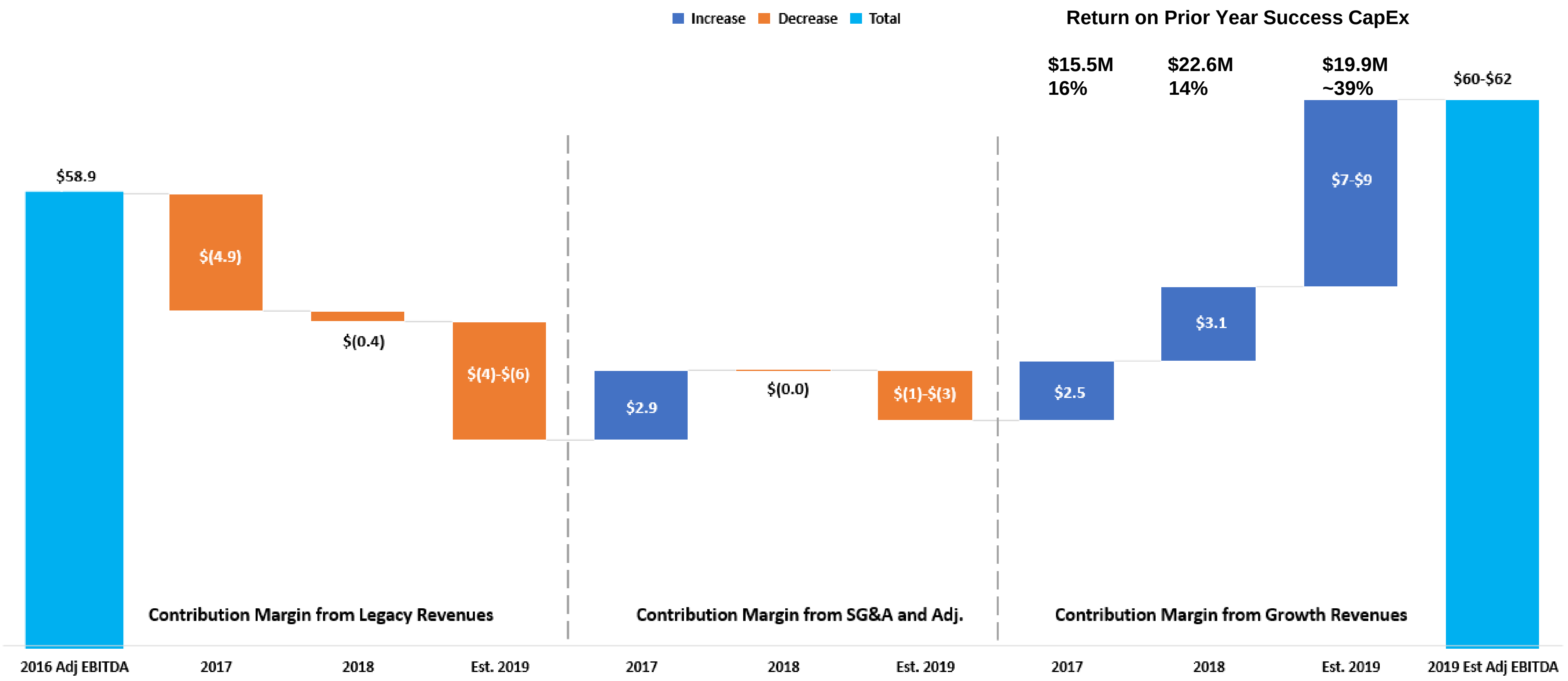
- Growth revenues expected to be ~62% of total revenues in 2019:
  - Tied to investments in fiber
  - Closer to ~71% of total revenues when combined with stable CAF II revenues

- 2017 and 2018 growth revenue performance lower than norm:
  - Impacted by adjustments to Rural Health Care program changes

- 2019 swings back to a meaningful step-up in growth revenues:
  - Comparable to prior years, driven by strength in various large enterprise and carrier customer verticals

- Legacy revenues trend lines remain predictable:
  - Tied to legacy copper networks
  - Voice connections will continue to decline, revenue mitigated by pricing actions where sustainable
  - High Cost Support, aka CAF II, revenues flat through 2025
  - Access revenues
    - Reduction in 2019 tied to program restructuring
    - Reverting to a more normal downward trajectory starting 2020

Adj. EBITDA Expansion as Margin Contribution from Growth Revenue Outpaces Margin Decline from Legacy Revenue



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Success Capital: Fuels EBITDA Performance

- Trajectory of growth revenues increase directly tied to EBITDA expansion
- Success capital enables growth revenues and associated margin contribution
- Investment in fiber provide the growth: Fiber investments started a decade ago and will accelerate
- Returns on success capital in mid-teens for 2017 and 2018
  - Tied to lower growth revenue performance from RHC impacts
- Returns on success capital expected to be closer to 40% for 2019
  - Reflecting the anticipated trajectory of growth revenues

Growth Drivers for 2019 and Beyond

Strong market opportunity	• Overall market estimated at ~$1.6B, half telecom and half managed IT • About $250M of telecom market near net i.e., within 1 mile of our fiber
5G Wireless Backhaul	• National carrier relationship • High density metro fiber starting in Anchorage
Federal	• National security investments are strong in Alaska • Second phase of a multi-phase opportunity contracted in 2018
Oil and Gas	• Leveraging the relationship with the largest producer with the largest reserves and acreage in Alaska*
State & Local Government and Education	• Emphasis on budget reductions creates technology and related services opportunities
Financial Strength	• Refinancing creates capacity and runway to invest in the operating plan

* Source: https://static.conocophillips.com/files/resources/alaska-analyst-investor-tour-presentation.pdf

Review of Fourth Quarter 2018 Results

Laurie Butcher, SVP Finance

Q4 and Year-End 2018 Financial Performance

TOTAL REVENUE GROWTH

Q4 Year over Year

($ in M)	Q4 2018	Q4 2017	YoY % Increase/ Decrease
Business and Wholesale	$37.0	$33.1	11.8%
Consumer	$9.2	$9.2	0%
Regulatory	$12.5	$12.6	(1.1%)
Total Revenue	$58.7	$54.9	6.8%

Year-end Year over Year

($ in M)	YE 2018	YE 2017	YoY % Increase/ Decrease
Business and Wholesale	$144.6	$139.1	3.9%
Consumer	$37.3	$37.1	0.5%
Regulatory	$50.6	$50.7	(0.2%)
Total Revenue	$232.5	$226.9	2.5%

- Business and Wholesale revenue growth of 3.9% was tempered by $3.8M decline in Rural Health Care revenue resulting in Business and wholesale broadband growth of 1.7% for the year
- Consumer broadband grew 2.8% for the year

Performance Summary

Operating Statement ($ in M)	2018 Results	2018 Guidance
Total Revenue	$232.5	$225 - $230
Adjusted EBITDA[1]	$60.2	$55 - $58
Net Capital Spending	$38.0	$37 - $39
Adjusted Free Cash Flow [1]	$7.2	$5 - $8

Balance Sheet ($ in M)	12/31/18	12/31/17
Total Cash[2]	$15.0	$16.2
Total Debt	$170.3	$186.0
Net Debt[3]	$161.2	$177.2

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 Total cash includes cash and cash equivalents as well as restricted cash.

3 Net Debt includes the addition of debt discounts and debt issuance costs to total debt, and subtracts only cash and cash equivalents.

Optimizing the Balance Sheet

- Refinanced credit agreement securing
  - $180M Single Term Loan
    - Reduced interest rate of LIBOR+4.5%
    - Extended maturity 2 years to 2024
  - $20M Revolving Credit Facility
    - Increased amount at LIBOR+4.5%
    - Customary covenants, including 2 key financial ratios: Net leverage coverage ratio beginning at 3.50:1.00 with step downs and fixed charges coverage ratio of 1.10:1.00
  - $25M new Delayed Draw Term Loan
    - LIBOR+4.5%, available for 24 months for success-based capital projects, including a project in process with a strategic customer
  - Net debt available increased to $225M, $180M drawn at closing

- Key benefits
  - Retired high cost A2 tranche and favorably repriced interest rate
  - Reset amortization levels and delayed payments 2 quarters
  - Extended term loan by two years
  - Created flexible capacity between Revolver and Delayed Draw Term Loan
  - Reset key covenants while widening the thresholds
  - Created an initial specified distribution basket of $5M for dividends or share buybacks

2019 Performance Guidance

Operating Statement ($ in M)	2018 Actuals	2019 Guidance
Total Revenue	$232.5	$230 - $235
Adjusted EBITDA[1]	$60.2	$60 - $62
Net Capital Spending	$38.0	$40 - $42
Adjusted Free Cash Flow[1]	$7.2	$10 - $12

- Net capital spending guidance includes $7M-$8M for 5G wireless backhaul opportunity, which was anticipated when DDTL capacity was created
- Adjusted FCF guidance includes $5M of anticipated AMT tax refund

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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 expense and income, loss on extinguishment of debt, depreciation and amortization, other income and expense, gain or loss on asset purchases or disposals, provision for income taxes, stock-based compensation, and net loss attributable to noncontrolling interest.

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, amortization of GCI capacity revenue and cash receipts and payments, deferred costs and amortized revenue and expense associated with certain prefunded special projects as defined in the 2019 Senior Credit Facility. 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 is being recognized as revenue over the term of the relevant agreement. Items associated with certain prefunded special projects as defined in the 2019 Senior Credit Facility are excluded from Adjusted Free Cash Flow primarily due to the magnitude and timing of the cash receipts relative to the subsequent recognition of revenue and expense.

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 $9.9 million in the twelve-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 and twelve months ended December 31, 2018 and 2017.

Reconciliation of Non-GAAP Measures
Adjusted EBITDA

	Three Months Ended December 31,		Twelve Months Ended December 31,		
	2018	**2017**	**2018**	**2017**	**2016**
Net income (loss)	$ 1,712	$ (2,976)	$ 8,988	$ (6,230)	$ 2,253
Add (subtract):					
Interest expense	3,238	3,525	13,429	14,860	15,447
Loss on extinguishment of debt	-	-	-	7,527	336
Interest income	(82)	(7)	(156)	(34)	(26)
Depreciation and amortization	8,572	9,193	33,908	36,317	34,690
Other expense (income), net	56	154	(23)	615	662
Loss (gain) on the disposal of assets, net	69	(23)	125	50	321
Income tax (benefit) expense	(39)	4,470	2,041	2,584	1,499
Stock-based compensation	548	667	1,757	1,509	2,830
Long-term cash incentives	-	-	-	-	764
Net loss attributable to noncontrolling interest	8	29	92	129	133
Adjusted EBITDA	$ 14,082	$ 15,032	$ 60,161	$ 57,327	$ 58,909

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

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Net cash provided by operating activities	$ 9,316	$ 4,718	$ 56,195	$ 30,406
Adjustments to reconcile net cash provided by operating activities to adjusted free cash flow:				
Capital expenditures	(12,525)	(8,891)	(37,957)	(32,945)
Milestone payments received for special projects	-	-	1,850	-
Deferred cost of sales for special projects	(500)	-	(500)	-
Amortization of deferred capacity revenue	1,101	911	4,098	3,512
Amortization of GCI capacity revenue	(522)	(523)	(2,071)	(2,072)
Amortization of debt issuance costs and debt discount	(331)	(412)	(1,353)	(2,363)
Interest expense	3,238	3,525	13,429	14,860
Interest paid	(3,531)	(3,630)	(14,254)	(14,504)
Interest income	(82)	(7)	(156)	(34)
Income taxes receivable	692	8,629	729	8,052
Income taxes refunded (paid), net	1	322	(3)	946
Charge for uncollectible accounts	(374)	(1,015)	(2,745)	(3,577)
Other expense (income), net	56	154	(23)	615
Net loss attributable to noncontrolling interest	8	29	92	129
Other non-cash expense, net	(57)	(145)	(225)	(575)
Changes in operating assets and liabilities	515	(1,355)	(9,880)	6,302
Adjusted free cash flow	$ (2,995)	$ 2,310	$ 7,226	$ 8,752

Reconciliation of Non-GAAP Measures
Adjusted Free Cash Flow

	Three Months Ended December 31,		Twelve Months Ended December 31,	
	2018	2017	2018	2017
Adjusted EBITDA	$ 14,082	$ 15,032	$ 60,161	$ 57,327
Less:				
Capital expenditures	(12,525)	(8,891)	(37,957)	(32,945)
Amortization of GCI capacity revenue	(522)	(523)	(2,071)	(2,072)
Income taxes refunded (paid), net	1	322	(3)	946
Interest paid	(3,531)	(3,630)	(14,254)	(14,504)
	(2,495)	2,310	5,876	8,752
Impact of special projects:				
Milestone payments received for special projects	-	-	1,850	-
Deferred cost of sales for special projects	(500)	-	(500)	-
	(500)	-	1,350	-
Adjusted free cash flow*	$ (2,995)	$ 2,310	$ 7,226	$ 8,752

* 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.