



3rd Quarter 2014 Earnings Results

November 2014



Participants

Anand Vadapalli: President and Chief Executive Officer

Wayne Graham: Chief Financial Officer

Leonard Steinberg: General Counsel

Laurie Butcher: Vice President of Finance

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 for the fiscal year ended December 31, 2013, 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."

Q3 2014 Highlights and Operational Overview

Anand Vadapalli: President and Chief Executive Officer

A Strong Value Proposition

EXCEPTIONAL MARKET OPPORTUNITY

- \$1.9B and growing telecom & IT services market
- Gaining share in 2 player broadband market
- Solid performance and large opportunity in fragmented IT market



SUSTAINABLE COMPETITIVE ADVANTAGE

- Well-schooled team understands customers' business needs
- Network quality provides secure and reliable solutions
- IT services complement broadband solutions



ATTRACTIVE INCREMENTAL RETURNS ON CAPITAL

- Selling into network creates high incremental margins
- 20%+ IRRs on invested capital



A Management Team With A Strong Track Record

TOP-LINE GROWTH

- Consistent performance
- Industry leading growth



MARGIN EXPANSION

- Managing costs with systems & process improvement
- Combined with top-line growth fuels margin expansion



DELEVERAGING

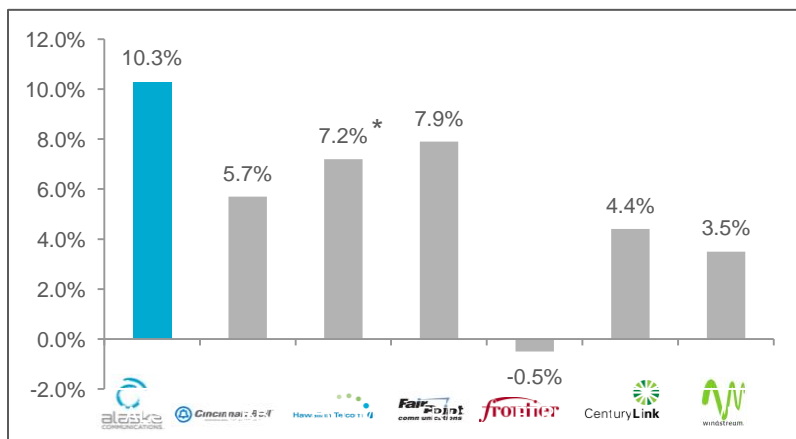
- Free cash flow dedicated to debt repayment
- Stellar record of debt pay down ahead of schedule



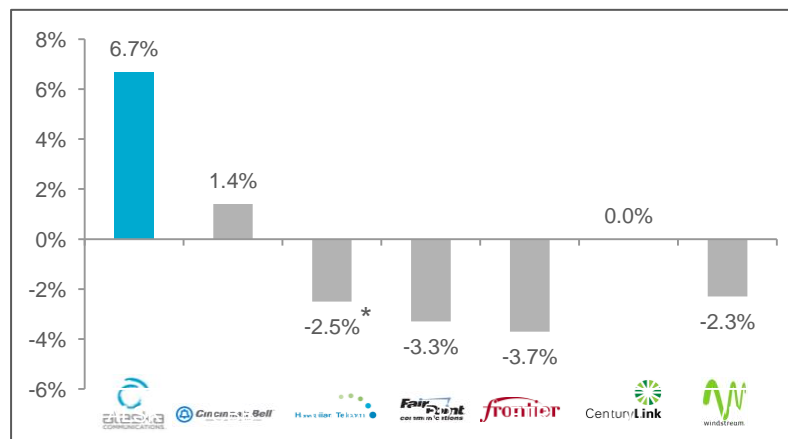
Industry Leading Performance Continues

- ✓ 6.7% growth in Total Service and Other Revenues
- ✓ 10.3% increase in Total Broadband Revenue
- ✓ Adjusted EBITDA margin expands to 31.9%
- ✓ Solid momentum = increasing 2014 Revenues and Adjusted EBITDA guidance

**TOTAL BROADBAND REVENUE GROWTH
Q3 2014**



**TOTAL SERVICE AND OTHER REVENUE
GROWTH – Q3 2014**



* Q2 data for Hawaiian Telcom (Q3 numbers were unavailable at the time of reporting)

Operating Highlights for the Quarter



Anchorage School District contract enables fiber into 92 schools



Additional bandwidth available at low incremental cost



IT services growth continues to exceed our expectations



Launched 50mbp broadband speeds to consumers



Extending into select neighborhoods by leveraging fiber builds



Discontinued lower bandwidth sales, benefitting margins



Deployed technology to improve utilization of our skilled employees



Completed automated customer feedback survey tool for every interaction

Gaining Market Share: Select customer wins

- State of Alaska:

 - Multi site, statewide, high bandwidth core broadband network*

 - Won based on network quality, team strength & responsiveness and competitive pricing

- Federal Agency:

 - MEF 2.0 compliant Layer 2 Ethernet Private LAN (L2EPLAN)*

 - Won based on long standing relationships at multiple levels, a strong technical solution and collaborative work with customer

- Alaska Native Corporation:

 - IT contract for network management and systems administration*

 - Won based on the ease, cost effectiveness and service quality of outsourcing

Review of Third Quarter 2014 Results

Wayne Graham, Chief Financial Officer

Q3 2014 Revenue Performance

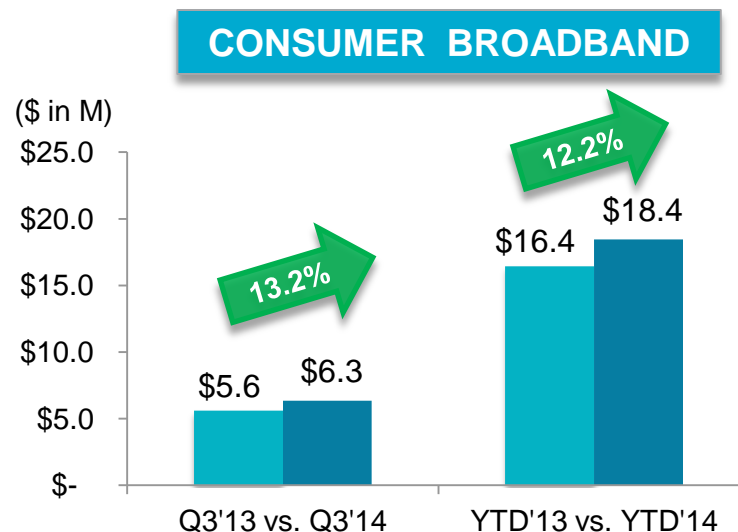
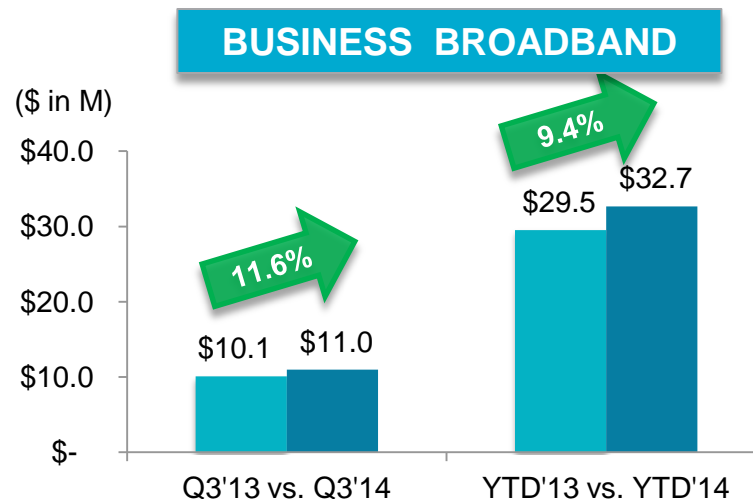
STRONG SERVICE AND OTHER REVENUE GROWTH

(\$ in M)	Q3 2014	Q3 2013	% Increase
Business and Wholesale	\$28.0	\$25.1	11.6%
Consumer	\$10.4	\$10.2	2.1%
Other	\$15.0	\$14.8	1.4%
Total Service and Other Revenue	\$53.4	\$50.1	6.7%

(\$ in M)	YTD 2014	YTD 2013	% Increase
Business and Wholesale	\$82.1	\$75.1	9.4%
Consumer	\$31.0	\$30.5	1.6%
Other	\$48.5	\$43.1	12.5%
Total Service and Other Revenue	\$161.6	\$148.7	8.7%

Superior Broadband Revenue Growth Continues

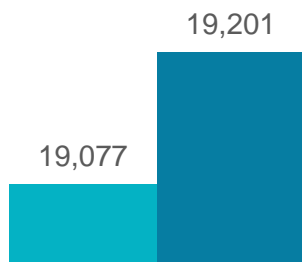
REVENUE INCREASES	Q314 YOY	YTD YOY
Total Business & Wholesale	11.6%	9.4%
Business & Wholesale Broadband	8.8%	10.7%
Total Consumer	2.1%	1.6%
Consumer Broadband	13.2%	12.2%
Total Broadband	10.3%	11.2%



Q3 2014 Connections and ARPU

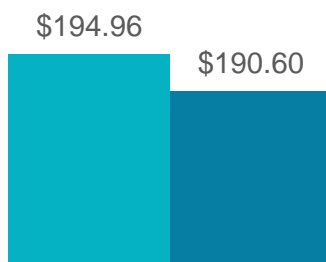
BUSINESS BROADBAND

CONNECTIONS



Q2'14 vs. Q3'14

ARPU

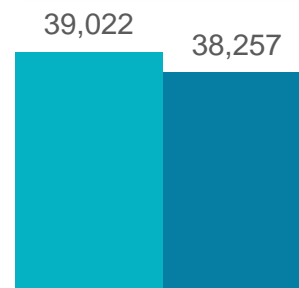


Q2'14 vs. Q3'14

- Demand for higher bandwidth speeds continues to grow, which will drive ARPU.
- Connections grew 0.6%.
- ARPU was affected by customer credits in the quarter.

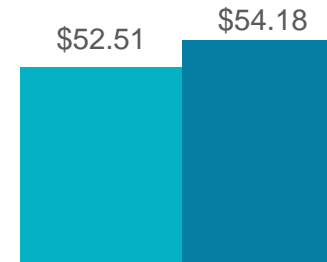
CONSUMER BROADBAND

CONNECTIONS



Q2'14 vs. Q3'14

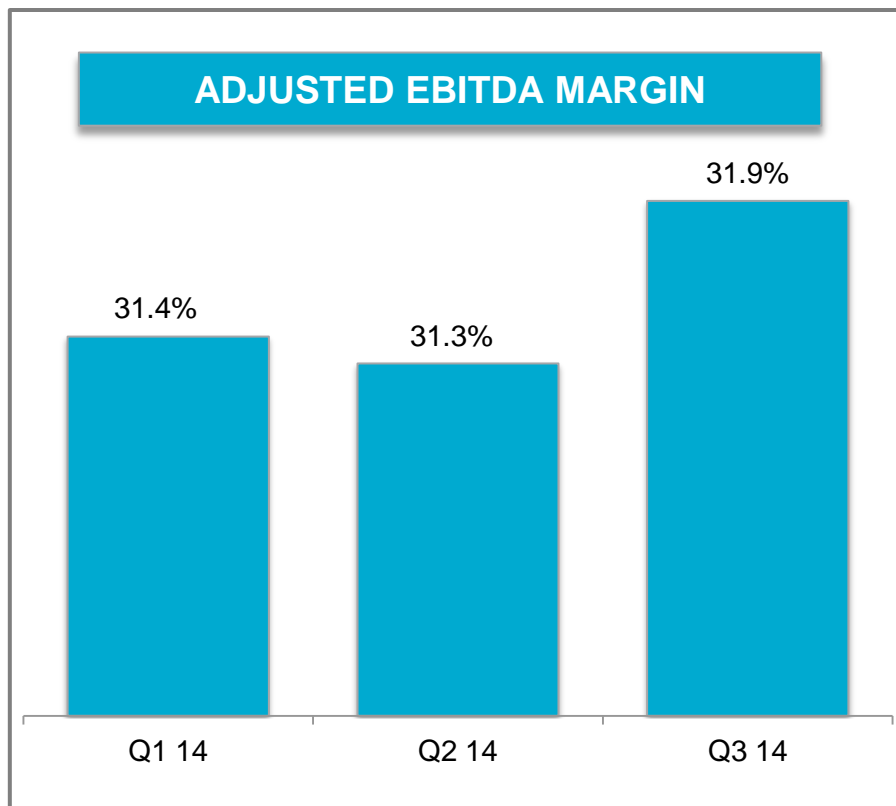
ARPU



Q2'14 vs. Q3'14

- Offering 50mpb in select neighborhoods, discontinuing low bandwidth speeds, which will improve margin and Adjusted EBITDA.
- Connection decrease reflects transition.
- ARPU grew 3.2%.

Driving Adjusted EBITDA Margin Expansion



- Selling into our network generates high incremental margins and attractive returns on invested capital.
- Adjusted EBITDA margin improvement is based on focused cost management.

Updating Guidance

(\$ in M)	9/30/14 YTD	8/6/14 Guidance	11/6/14 Guidance
Total Revenue	\$237	\$310	\$315
Adjusted EBITDA	\$70	\$90	\$92
Free Cash Flow	\$13	\$20	\$20
Capital Expenditures	\$34	\$40-\$45	\$40-\$45

(\$ in M)	9/30/14	12/31/13	11/6/14 Guidance
Total Debt	\$435	\$456	Targeting Leverage Ratio 4.4X
Cash	\$29	\$43	

Our Outlook: Strong Performance and Value Creation

WINNING IN THE MARKET WITH OUR OPERATING MODEL DRIVES SHAREHOLDER VALUE

