

introduced, after much research into customer needs, a Pocket PC, which offers users the consistency, simplicity and security of their office desktop Microsoft-based computer in a device that fits in the palm of their hands. Life outside the office is as stress-free as it can be with a quality device, full office functionality, and a fast and reliable network, both in and outside of Alaska.

Results in 2005 included a 15% growth in wireless subscribers, growth faster than the market, so ACS gained share with its premier wireless capabilities.

Grow Within Our Cost Structure

ACS exceeded our financial goals in 2005. We funded top line growth by trimming costs everywhere, and in a *sustainable* manner, by driving efficiencies through Process Improvement. The Process Improvement teams are *central* to how we work and the results we deliver.

Throughout the year, ACS also exercised smart capital market moves by lowering and fixing interest rates on the majority of our debt and at the same time reducing total debt levels.

On the back of substantial operating progress and strategic refinancing in 2005, ACS again increased its annual dividend early in 2006 to what is now \$0.86 per share.

We are pleased that the performance of ACS created the conditions appropriate for our largest investor, Fox Paine & Company, to sell its holdings in a two-step process concluded in the first quarter of 2006. The sale diversified our stockholder base and increased the liquidity of the stock. We welcome our new investors and appreciate the confidence they demonstrate in the team at ACS.

We entered 2006 with strong cash flow, a strong balance sheet, an increased dividend, strong operating metrics and a team increasingly confident in its ability to deliver. Our work for the rest of this year, and always, centers on the understanding that loyal customers drive our results

Total Shareholder Return (TSR)			
	Stock	Dividend	TSR*
Q1 2005	\$10.05	\$0.200	19%
Q2 2005	\$9.91	\$0.200	20%
Q3 2005	\$11.44	\$0.200	40%
Q4 2005	\$10.16	\$0.200	27%
Q1 2006	\$12.13	\$0.215	52%

*assuming initial purchase of ACS stock on 12/31/04, quarter-end pricing and no reinvestment of dividends.

and that with our distinctive assets, we have the ability to deliver quality services at home, at work, on the road, and virtually anywhere in between.

Thank you for your support and I look forward to reporting to you on the progress realized in 2006.

Sincerely,

Liane Pelletier
President, CEO and Board Chair

Alaska Communications Systems

2005

Letter to Stockholders



Alaska Communications Systems

Corporate Headquarters

Alaska Communications Systems
600 Telephone Avenue, Anchorage, AK 99503

Telephone: 907.297.3000

NASDAQ: ALSK
Investors' Web Address: www.alsk.com
Corporate Web Address: www.acsalaska.com

WIRELESS

INTERNET

LOCAL

LONG DISTANCE

TELEVISION

ACS Building the Business through Customer Focus



Dear Fellow Stockholders:

It gives me great pleasure to share with you the achievements of 2005 at Alaska Communications Systems, specifically against the three goals laid out last year – to enhance the overall customer experience, to be known as Alaska’s premier wireless provider, and to grow within our cost structure.

Enhance the Overall Customer Experience

At ACS, it is all about growing the number of loyal ACS customers – those who choose ACS, buy more from ACS, and refer ACS to others. Loyal customers are profitable. We win loyal customers through competitive differentiation, quality customer experience and effective marketing, sales and service.

Competitive differentiation. ACS is the *only* statewide telecom provider in Alaska that owns the assets of local, long distance, wireless and Internet and therefore is the *only* company able to profitably combine and package products into valuable services for customers, who increasingly demand answers to their communications needs in an easy-to-use format. One expression of such packaging is **ON ACS**, launched mid-year 2005. **ON ACS** is a strategic program that encourages our customers to use more ACS services, and for that, ACS shares in the value created. It performs well in both acquiring and retaining our customers. The *first expression* of **ON ACS** offers free mobile-to-home and home-to-mobile calls for any and all members of a household who buy ACS residential service and ACS wireless service. It is a program so innovative that it earned a mention in the Wall Street Journal near its launch in 2005.

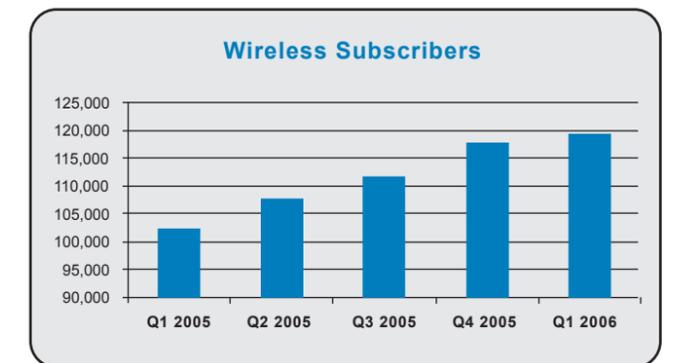
Quality customer experience. ACS understands that a company easy to do business with is the one that wins loyal customers. The company is transforming itself through a strategy of tightly *focused* Process Improvement, with the aim of delivering streamlined, simpler, error-free and efficient operations. We organized the Process Improvement initiative into ten process teams - most of them concentrated on our many interfaces with customers, all of them focused on quality. Even those teams tackling internal processes derive important benefits that

accrue to our customers. The transformation is entirely employee-driven, all resources deployed are internal, so that the knowledge developed and solutions deployed are completely retained and embraced by the organization.

Effective marketing, sales and service. The creativity and professionalism of our marketing distinguishes ACS in Alaska. The organization of our sales and service teams and their participation in Process Improvement, is a direct translation of our customer centric strategy, as front line employees are asked to *specialize* in a customer segment and are *cross trained* on all products. The Process Improvement initiatives are eliminating seams conventionally found between the service delivered by a call center representative and the service delivered by a field technician. The targeted experience for our customers is one-stop-shopping and one-and-done servicing.

Be Known as Alaska’s Premier Wireless Provider

At ACS, we understand that what matters to wireless users is network ubiquity, service reliability, voice clarity, data speeds and a range of high performing devices. ACS invested \$12 million in our CDMA network and more in our wireless customer functions during 2005, driven by these customer requirements.



Our daily measure of success is growth in retail relationships. From the first quarter of 2005 through the first quarter of 2006, we grew ACS’ retail relationships by over 7%, to 425,000.

ACS is the *only* statewide wireless provider that offers third-generation (3G) services. For ACS, which deploys CDMA technology, that means we offer the *fastest mobile data speeds possible*, and the *clearest voice quality possible*. 2005 was a major build year for ACS as we expanded our CDMA footprint to 75% of the population at year end, and extended reach for our customers into the Lower 49 through roaming agreements for *both voice and data*. As the Alaska footprint expanded we implemented a quality measurement program via ‘drive testing’ to assure we deliver the most reliable service. Drive test results *prove* ACS has the fewest dropped calls when measured against competitors in the state; high end users value such differentiation. To bring alive the richness of the data capabilities embedded in the ACS network, we

“ACS understands that a company easy to do business with is the one that wins loyal customers.”

Liane Pelletier
President, CEO and Board Chair