

Letter To Shareholders Continued:

Looking Ahead

Our path for 2005 is clear. We will grow the number of loyal customers by competing as an integrated telecom company.

We will continue to Enhance the Overall Customer Experience

Customers' needs define which products we deliver and we aim to provide the best quality products in the state. Our unique mix of assets in Alaska – statewide wireless and wireline – allows for functionally-integrated products and allows for tremendous growth in the industry's hottest areas – wireless and DSL. Alongside these high-demand services, ACS also serves our customers' local and long distance voice and data needs, encompassing all elements of the telecom wallet. Our goal to make it easier to do business with ACS has driven us to open additional retail outlets, extend our work hours, enhance our bills, cross-train our sales representatives and much more. We listen as customers tell us which products they need and how they would like to receive them.

We will be known as Alaska's Premier Wireless Provider

Record growth in our wireless subscriber base represents Alaskans' vote of support for the ACS CDMA network. Our CDMA 1xRTT and EV-DO (3G) network features the best voice quality, fewest dropped and blocked calls, and highest mobile data speeds in Alaska. In fact, our wireless data network is arguably the most advanced and complete anywhere in the country given our customers' typical travel patterns. Customers can take ACS wireless across the state and maintain their mobile voice and data

sessions. The strength of our wireless product allows us to attract new and win back former customers, each also a prime candidate for other ACS services.

We will Grow Within our Cost Structure

Our assets and our customer-centric focus allow us to achieve much growth from within. But even that growth comes with cost. Our approach toward profitable and efficient growth centers on process improvement initiatives that are standardizing practices and streamlining functions, which in turn release the funds necessary to support our growth in revenues. We reap additional benefit in that these same actions also improve the customer experience.

Our strategy to compete as an integrated telecommunications provider reflects what customers want, it differentiates us from our competitors and it represents a smart economic model for ACS. We will sharpen our market competitiveness as we continue to drive improved quality, as we deploy advanced technologies and as we contain costs. Throughout the company, we are confident in our ability to deliver on these objectives as we grow ACS.

I thank you for your support of Alaska Communications Systems.

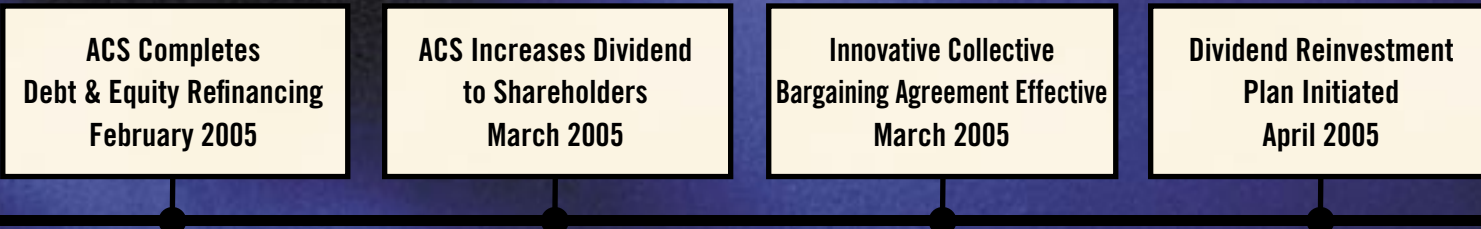
Sincerely,

Liane Pelletier



2004

Letter to Shareholders





“The ACS customer-driven approach has delivered superior products and services to a growing base of loyal customers.”

Liane Pelletier

President, CEO and Board Chair

Board Chair

Liane Pelletier

Board of Directors

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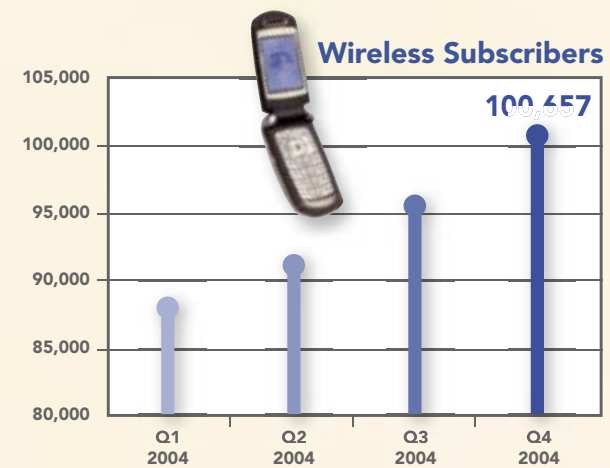
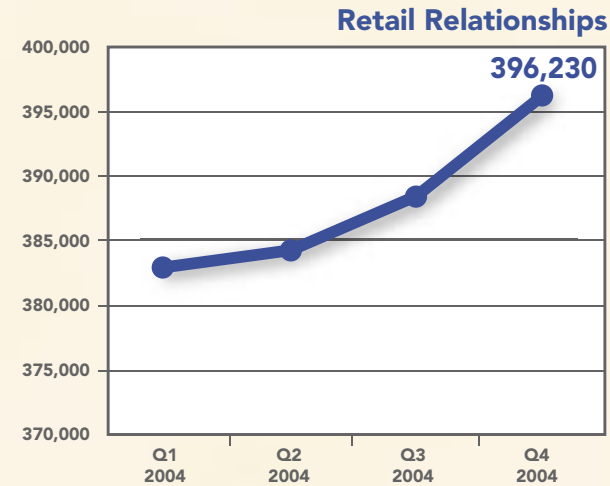
Dear Fellow ACS Shareholder:

2004 marked a year of significant progress for Alaska Communications Systems. Our execution centered on a customer-focused business model, which clearly drove benefits for customers, Alaskan communities, employees and shareholders. Our commitment to delivering a quality customer experience is the daily expression of ACS’ competitive growth strategy.

During 2004, we translated this growth strategy into an operating model. We operate as “One ACS” rather than a collection of product-centric divisions. We have leaders in the business who are distinctly focused on individuals, on enterprises and on other telecom carriers. These leaders are streamlining how we do business, enhancing our customers’ experience and reducing our costs of operation.

Our goal has been and is to grow the number of loyal ACS customers within each segment, and in 2004 we made great progress. In terms of retail relationships established, by year-end we had grown to approximately 400,000 and reached a milestone of 100,000 wireless subscribers. These retail relationships allow us to grow our share of wallet through cross-selling, bundles and highly differentiated integrated offerings. Today, few of our customers purchase all of their telecommunications services from ACS, yet ACS has its own statewide local, long distance, internet and wireless networks to serve them. As a result, we enjoy a wonderful organic and efficient growth model.

These customers are also our neighbors and we recognize our responsibility to the communities we serve – after all, “Alaska” is our first name. ACS and its employees contribute their financial support, time and commitment



to many organizations, events and civic activities throughout Alaska. Through our civic work and our daily work, our investment in leading edge communications services enables Alaskans to grow and prosper.

ACS employees have both embraced and benefited from the transformation taking place at ACS. As one example, in March 2005, the members of our local union, IBEW Local 1547, approved an extension of the collective bargaining agreement through 2009. This new agreement affirms our

employees’ confidence in the company as the union members elected to take ACS common stock in lieu of cash cost-of-living increases in future years. In fact, the confidence of all segments of the employee base is evident as we saw a 40%+ increase in Employee Stock Purchase Plan participation from the beginning of 2004 to date.

We face the future with the strongest balance sheet in our history. Earlier this year ACS concluded a series of capital market activities, which reduced borrowing costs, lowered our debt-to-equity ratio and resulted in a much broader base of shareholders including many new institutional investors. We initiated a cash dividend policy in October 2004, with the first quarterly cash dividend of \$0.185 per share paid in January 2005. The successful financial restructuring and our continued ability to generate cash from operations enabled a subsequent increase in the quarterly cash dividend to \$0.20 per share.

