ALASKA POWER & TELEPHONE

2014 ANNUAL REPORT

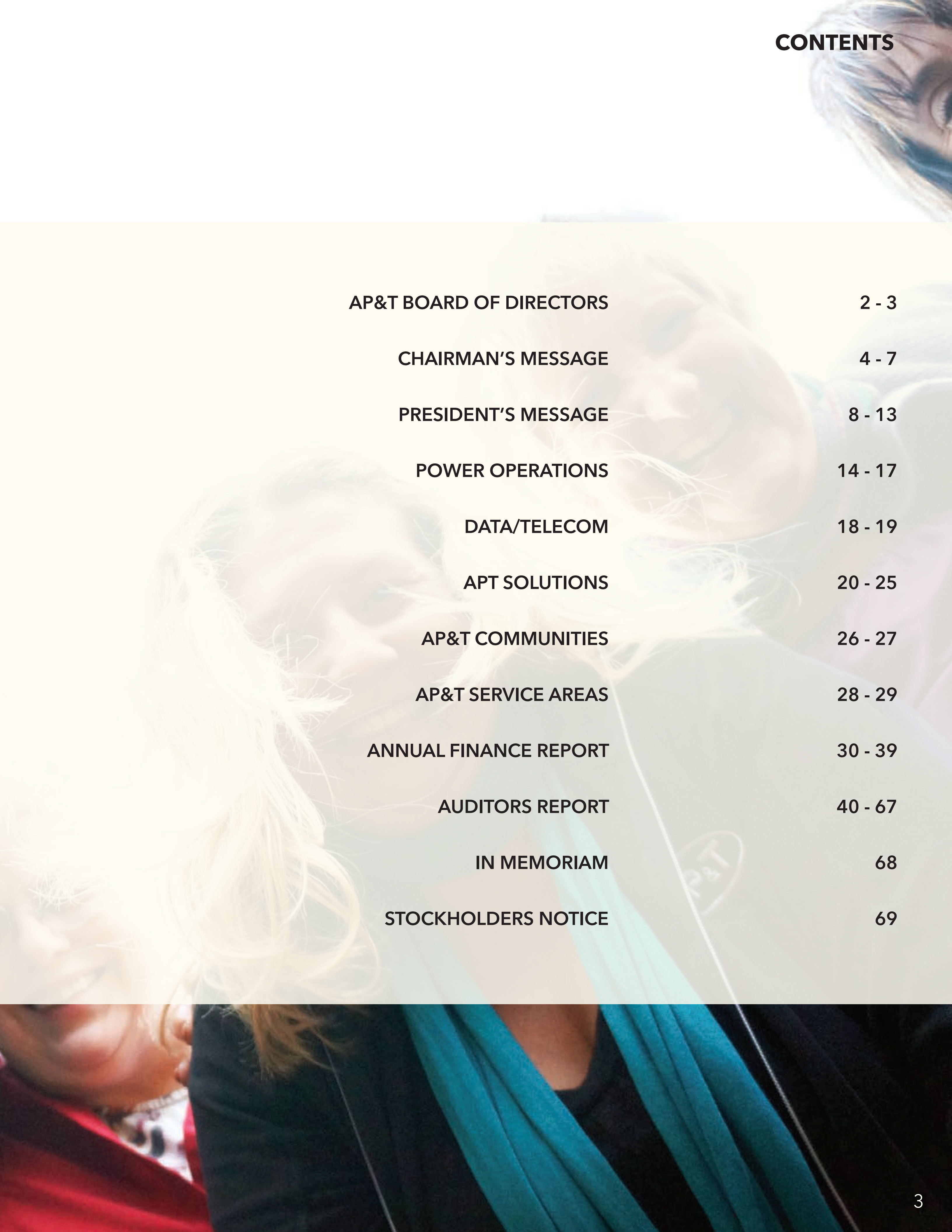
SHARED HORIZONS

MISSION

TO BE STRONG, GROWING, AND INNOVATIVE IN THE ENERGY AND COMMUNICATIONS INDUSTRIES

ON COVER: Golden sea grass and the Chilkat Range share a dramatic horizon at the mouth of the Chilkat River near Haines Alaska. Photo Credit: Michele Cornelius

ABOVE: With a shared sense of community, identity and purpose, AP&T Service personnel model the company's employee-owner culture with each customer interaction.



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Chairman of the Board, AP&T CEO Blackfoot Telephone Cooperative

Robert S. Grimm
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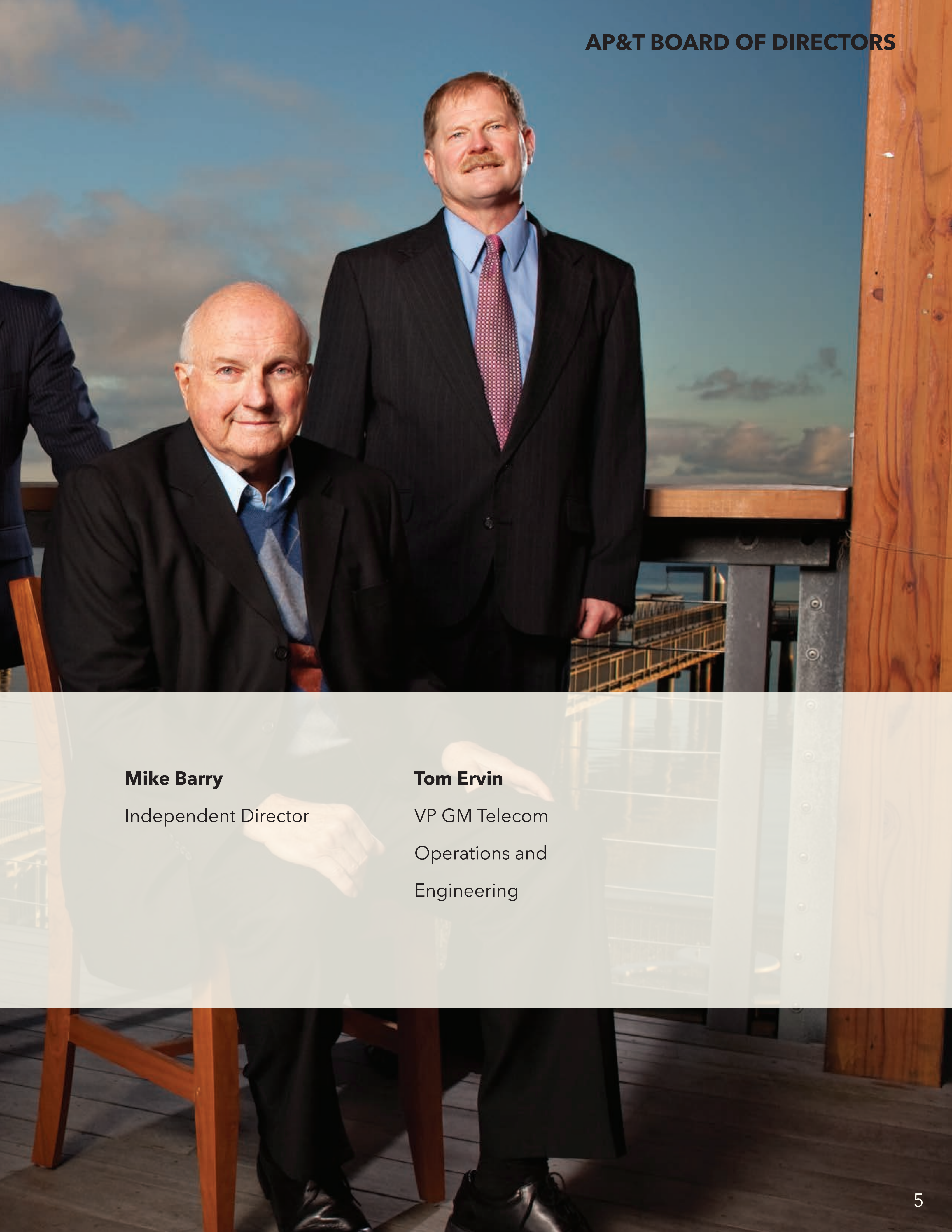


Mike Barry

Independent Director

Tom Ervin

VP GM Telecom Operations and Engineering

2 SHARED HORIZONS

One cannot traverse the vast service territory of Alaska Power & Telephone without being struck by the beauty of breathtaking vistas and horizons – our shared horizons.

PHOTO: The Alaska Range creates a spectacular horizon along the Alaska Highway near Tok, AK.

But at AP&T, our shared horizons speak of much more than the raw beauty of the great state we serve. They embody the connectedness we share with our customers, the communities we serve, our vital partners and our shareholders.

During 2014, AP&T continued its legacy of social responsibility and shared community values, partnering in community-building and people-empowering events across the state. Community clean sweeps, mobile health screening and the privilege of coming alongside our youth, as Big Brothers Big Sisters, represent just a few of the many opportunities AP&T embraces each year. Employee-owners, living and working in the towns and villages in which they serve, put feet to AP&T's message of community-mindedness, through their sense of shared values and optimism for the future.

The State of Alaska is striving to reach a collective goal of 50% of the state's energy needs being supplied from renewable sources by 2025. AP&T shares that vision, actively pursuing new hydro projects aligned with the state goal. This year we announced our partnership with Tanacross, Inc. and the Native Village of Tanacross to pursue the Yerrick Creek project, a 1.5 MW run-of-the-river, low-impact facility. We also filed our FERC preliminary permit application for a 25 MW hydro project at West Creek to serve the communities of Skagway and Haines, as well as the cruise ship load and growing energy needs of the Yukon Territory. AP&T will continue to seek partnership opportunities for hydro, wind and solar developments. Although total energy sales for 2014 were down 3.3% from 2013, AP&T's acquisition of Gustavus Electric will add

to overall demand and sales. Diligent pursuit of new generation projects will produce additional revenue opportunities, as well.

Regulated telecommunications services saw a decline of approximately 5% from 2013. This is not a new trend and due, in large part, to outmigration of customers and wireless substitution. However, 2014 saw AP&T continue to leverage the Southeast Alaska Microwave Network (SAMN) for consolidated EBITDA (earnings before interest, taxes, depreciation and amortization) growth. Of no less importance is the shared value and positive impact SAMN provides, helping anchor communities, business and families, who all rely on these services in more ways than ever before. Performance of the SAMN will allow AP&T to continue pursuit of both microwave and terrestrial expansion of its transport

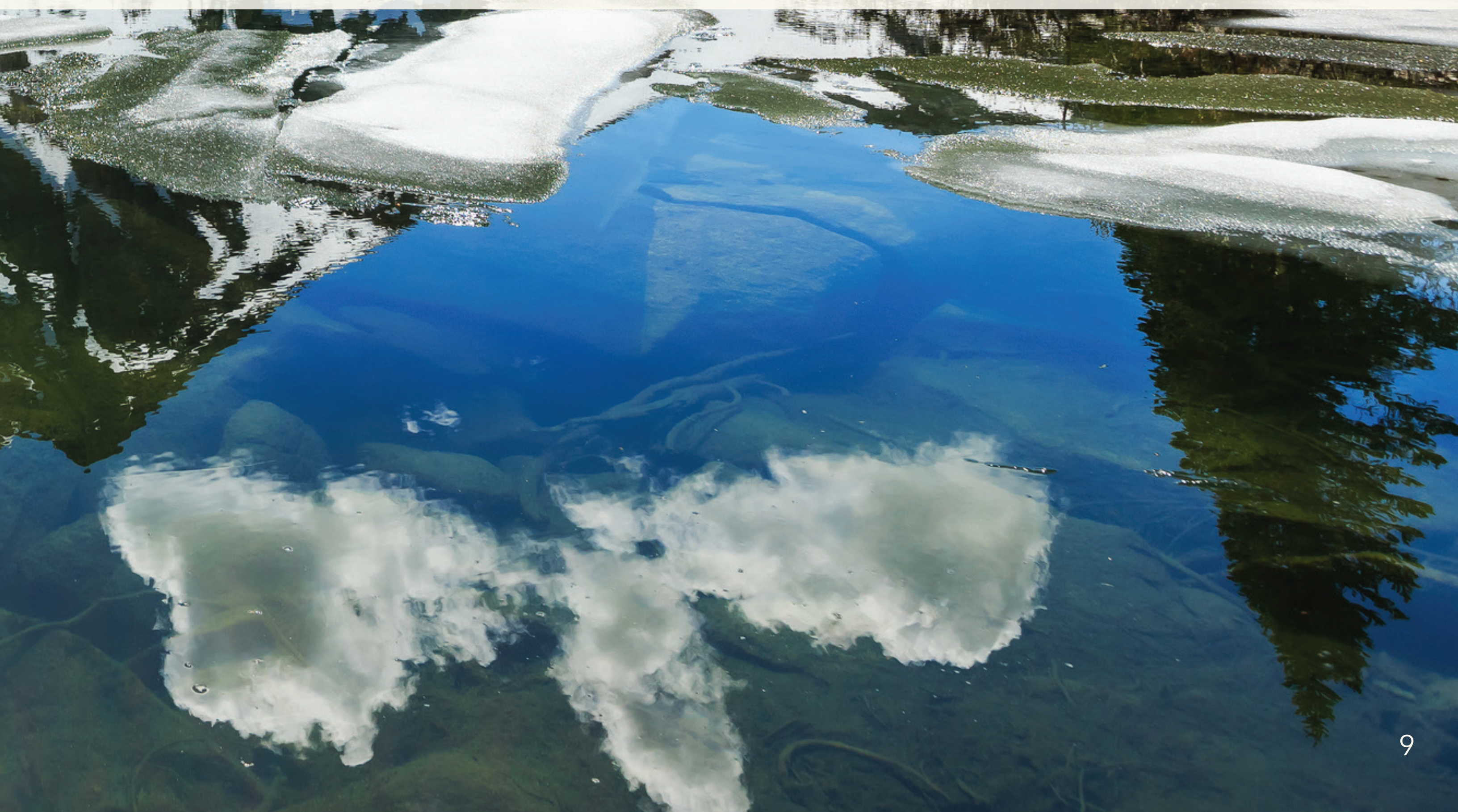
PHOTO: Upper Dewey Lake early spring near Skagway.

network and revenues. Consumer demand for broadband continues to expand exponentially, resulting in ever-increasing demand for transport services. Similar to the energy sector, AP&T continues to seek shared opportunities with strategic partners to expand our broadband and transport services.

Shareholder value continues to drive the energy and telecom activities of AP&T. While the share valuation received last year remained flat at $28.11 per share, 2014 earnings per share were $2.10 based on average outstanding shares of 1.32 million. This compares to $1.04 per share for 2013. Moreover, shareholders were paid a dividend of $0.431 per share, an increase of 37% over 2013. Reinstatement and growth of AP&T's dividend policy marks a return to stability and core growth opportunities.

The shared horizons of AP&T's shareholders, board of directors and employee-owners, with the communities and people we serve, are some of our most valuable assets. We look with optimism toward our continued work together to fulfill our mission of being a strong, growing and innovative leader in the energy and communications industries.

Bill Squires
Chairman
Alaska Power & Telephone Company



3 SHARED HORIZONS & BEYOND

President's Message to Shareholders for 2014

The year 2014 marked AP&T's 57th year of profitable operations, successfully providing regulated energy and telecommunications services, as well as unregulated broadband and transport services, to 40 rural Alaskan communities. AP&T's ongoing tenure of prosperity is attributable to our employee-owners' dedication, and our company's ability to recognize and seize opportunities to produce new revenue and benefits. Through new partnerships – shared horizons – AP&T continues to actively strengthen our ability to lead and create shareholder value.

I am pleased to report the following to our Board of

Operating Income by Segment	2010	2011	2012	2013	2014
Electric Power	5,975	5,633	4,909	3,096	3,830
Telecommunications	2,763	2,022	2,059	1,469	2,071
Non-Regulated Operations	(445)	1,450	2,105	2,558	3,590
Total Operating Income	$8,293	$9,105	$9,073	$7,123	$9,491

$ Expressed in thousands

Directors, private shareholders and 125 hardworking, talented employee-owners:

- AP&T realized gross revenue of $44 million; an increase of 2.2% over 2013.
- Operating expense decreased by 1.5%, resulting in a 33% increase in operating income.
- EBITDA increased 26.7%; from $13.3 million, in 2013, to $16.8 million in 2014.
- During 2014, a change in accounting standards allowed your company to begin amortizing goodwill accumulated on our books since 1990; a non-cash expense of $1.8 million. This resulted in net income of $2.8 million.
- Basic earnings per share equaled $2.10, during 2014. AP&T paid $574,000 in dividends to shareholders; approximately $0.44 per share, and an increase over 2013.
- Book value of AP&T shares increased to $28.75 per share.

While I'm pleased with these financial results, it's imperative we examine AP&T's segmented operating income, which discloses important industry trends on your company's horizon.

This five-year review (seen above) of operating income growth demonstrates the increasing importance of our non-regulated business lines, in particular, our Southeast Alaska Microwave Network and fiber. Meanwhile, our electric power segment continues to experience declining gross revenue; an industry-wide trend not unique to AP&T. Disruptive market forces, such as energy efficiency, demand-side management, and customer use of distributed generation all exert downward pressure on energy sales.

While presently challenging, these trends will catalyze industry evolution. AP&T must follow-up our successful 2014 rate case with pro-active efforts to achieve regulatory authorization for continued rate relief. As demand declines, we must continue building upon our recent success in lowering operating expenses and achieving cost-savings. Like other progressive utilities, AP&T must pursue de-coupled rates and transition from a commodity-based model to a fixed-recovery mechanism more appropriate for fixed costs. We must identify and leverage opportunities to strengthen shareholder value amidst trends of industry consolidation. Since AP&T's well-being depends upon that of our customers, we are devoted to doing all we can to support new job creation and economic growth, within lagging rural economies. We must continue to identify, finance, construct and operate new renewable energy resources. In addition to enhancing value and profitability for our shareholders, renewable energy projects displace community dependence upon imported fuel, "home-sourcing" energy purchases and retaining more wealth within the communities we serve.

I am confident these six steps will allow us to fine-tune our vision, positioning AP&T to capture more opportunities, moving us ahead of others within the evolutionary processes. We plan to make the disruptive market forces work in our favor.

Years ago, AP&T leadership foresaw regulatory and technological changes within the telecom sector, and took swift action. Telecom was transitioning quickly from voice to data services (including voice). It was only a matter of time before regulations would change to accommodate new technology and end-user needs. In 2002, AP&T took an aggressive stance on depreciating central office equipment, in anticipation of the FCC limiting/capping recovery of investment and costs. By 2010, we found ourselves having fully recovered our investment in central office equipment, just before new regulations imposing limits were handed down in 2011. Today, AP&T finds ourself in a perfect position to leverage our existing copper plant for broadband services and build out fiber in the local loop, as demand warrants.

Success sometimes requires we set our gaze "beyond the horizon." It demands we combine vision, persistent optimism and patience to capture potential opportunities, not yet be fully defined. Such was the case in 1997, with our acquisi-

PHOTO: Joe Vanderzanden is one of AP&T's newest employee-owners, taking care of customer needs in Gustavus.

tion of Communications Unlimited. Among key assets were four operating mountaintop sites and the talented personnel, who maintained them–a foundation for our vision of an expanded regional network. Circa 2000, we foresaw trunk- in 2001-2002, momentum began to shift back toward a microwave-based path, during 2005 and 2006. The fruit of our

ed radio technology dwindling, and cell phone technology emerging to take its place. Paging, a mainstay of our prior business, would be replaced by cell phone texting. While markets clearly indicated a shift in technologies, offered by our newest acquisition, was on the horizon, our vision of providing broadband transport had yet to be realized. During this timeframe, data transport was in short supply and relatively expensive. Rural Alaska's Internet market was young, and AP&T was among the handful to make it available. In 2000, we participated in a consortium to purchase telephone assets of GTE Alaska. As a result, we began providing POTS and Internet in Haines, Petersburg, Wrangell and Metlakatla. After unsuccessful attempts to survey a microwave path in 2000, and a fiber network

PHOTO: Gustavus lineman, Don Duke prepares an underground power service extension to a customer premise.

network engineering staff's perseverance and diligence was to be realized with the 2007 completion of Kasaan Mountain, the first new site in what would be become the Southeast Alaska Microwave Network (SAMN).

Today, the SAMN spans the length of SE Alaska. It forms a literal digital backbone, supporting the rapidly expanding needs of business, education, government and Alaskan households. The diversity of our business lines brings the challenge of anticipating and responding to changing technology and market conditions. As discussed above, AP&T navigated these disruptive market forces, and has solid plans to do it again and again. As we continue to adapt, so shall we continue to capture additional opportunities along the way, fulfilling our mission to be a strong, growing, innovative leader in the energy and communications industries.

AP&T is a great success story. While we experienced major missteps and dumb luck along the way, the results and success we achieved would not have happened without a shared vision, our eyes fixed on the horizon. The keys to our success were a supportive Board of Directors, experienced management, and a group of talented and dedicated employee-owners. Once the plan was developed, champions within the leadership team made it happen.

Over the last 57 years, AP&T has been fortunate to have had talented individuals willing to lead with optimistic patience, who possessed the skills required to execute a forever-evolving plan in a cost-effective manner. As our early pioneers retire, we continue to nurture our employee-owner culture and leadership, while balancing customer needs and shareholder value. Therein we can be sure AP&T's continued legacy of success will remain intact to broaden the shared horizons of our future.

Respectfully submitted,

Robert S. Grimm

President CEO

Alaska Power & Telephone

4 POWER OPERATIONS

For nearly 60 years, Alaska Power Company has shared horizons with the communities of rural Alaska.

In 2014, APC passed two major milestones. The first was the completion of line construction on the NPOW (North Prince of Wales) Intertie. Crews finished the final 12 miles of 35kv transmission power line connecting the community of Naukati to the island-wide grid, being supplied by Black Bear Hydro and South Fork Hydro. The final leg to Naukati was energized in January 2015. This was a $6.2 million grant-funded project that began in 2009 to add another 46 miles of line to APC's island-wide grid.

Our other 2014 milestone was the acquisition of the Gustavus Electric Company. This added the small Falls Creek 800kW hydro plant called and also a fairly new diesel generation, built by the State of Alaska. The hydro plant supplied the majority of the communities' power annually, using the diesel plant in the winter to supplement demand, when water levels become low. We added 549 power customers and approximately 1,700,000 kWh of sales to our customer base.

Companywide, power sales for APC declined in 2014; -3.1% compared to 2013. The Tok region continued to struggle with decreased sales; -9.7% due to warmer winter temperatures and the implementation of energy-saving appliances and fixtures. Due to these same factors, all of our Alaska locations saw declines, over the past two years.

PHOTO: In partnership with the native village of Tanacross & Tanacross Inc., Yerrick Creek Hydro is the promise of new renewable generation on the horizon for interior communities near Tok.

The declines on POW Island were less severe, due to increasing activity on the fisheries side by its largest customer, Silver Bay Seafoods, LLC. The seafood processor only operates seasonally, June through September, but purchases more power during that four-month window than the other large customer, Viking Lumber, does in 10-months. We are looking forward to an even larger salmon run, in 2015, and hope to see the increase on the power sales side, as well.

The efforts to finalize a Power Sales Agreement, with Haida Energy, has reached the approval stage with the Regulatory Commission of Alaska. Once the PSA is approved, we can begin construction of the Reynolds Creek project in the fall of 2015.

PHOTO: A shared commitment to displace fossil-fuel generation with clean renewable hydro power, saw AP&T crews complete the final leg of the North Prince of Wales Intertie in 2014.

Work will begin on the transmission line to Tok's Yerrick Creek Hydro, during the spring of 2015. About $900,000 of remaining grant funds will be utilized to build about five miles of line, as well as replace the ant-infested poles in that section of line. Completion is expected by August 2015.

Despite the challenges of declining load these past two years, we are hopeful we have turned the corner and, along with community partners who share our vision, will begin to see modest growth again in 2015.

Greg Mickelson
VP Power Operations
Alaska Power & Telephone

PHOTO: Greg Mickelson, VP Power Operations oversees the Company's 25 generation sites statewide.

5 DATA / TELECOM

Includes Regulated and Non-Regulated Telecom Activities

There is a shared vision of telecom for the future. Governments, native organizations, utilities, commercial enterprises and residential customers all agree: Broadband must be fast, reliable and everywhere, even in the most remote locations. Wireless service must be just as reliable and connectivity should be fast, easy and safe. Voice services are now relegated to a minor status - and clarity, while important, takes a back seat to mobility.

AP&T had that vision years ago. We could see the future and worked toward fulfilling those now-shared dreams, today's reality. In 2014, AP&T completed the second phase of our plan to increase network transport capacity from 450 MB to more than 1 GB. We also completed a plan to leverage the existing regulated plant to provide theoretical broadband speeds of 24 MBPS. AP&T continues to repurpose vacated copper pairs to provide higher-capacity Ethernet services, in addition to ongoing deployment of fiber optic facilities, inclusive of Passive Optical Networks (PONs), in the local loop. In 2014, AP&T increased our capacity between Juneau and Seattle, allowing additional value for existing broadband tiers. By increasing access speeds and providing an expanded menu of options, AP&T gives customers the ability to better align their usage with the company's Internet service offerings.

AP&T successfully worked with other carriers to meet the needs of high-capacity Internet users, schools and telemedicine providers. AP&T's shared vision for the future provides for the essential services required by our customers, all while adding to shareholder value.

Alaska Power & Telephone's employee-owners have worked hard to grow their network and associated revenues. Total non-regulated communications revenues grew by 14.5%, to $8 million in 2014. The growth came in sales to Internet customers (both high-capacity and residential), wholesale transport

PHOTO: AP&T field tech Joe Guyselman makes a call from the communications hut on SAMN's Lindenberg Peak confirming installation of 2014 upgrades at the site.

sales to other network providers (wireless and long haul companies), and space and power services to various users.

AP&T will continue to leverage our uniquely-positioned industry assets to capture market share and add value for customers, business partners and shareholders alike.

Michael Garrett

COO - VP Telcom Operations

Alaska Power & Telephone

6 BUSINESS DEVELOPMENT

2014 Shareholders Report
Investing in Alaska:
America's Vast Horizon of Untapped Renewable Energy

Jason Custer – Business Development Director

Alaska's renewable energy potential includes 40% of the total U.S. river hydropower, 90% of total U.S. tidal energy potential, and the largest terrestrial and offshore wind potential in America. Even so, Alaska still has the lowest levels of private investment in electrical infrastructure, and the highest energy costs in the U.S. These factors create outstanding business potential, which AP&T continues to capitalize on, through innovation, strategic partnership, and the ingenuity and experience of our employee-owners.

New Renewables on Our Horizon

With the successful acquisition of Gustavus Electric Company in 2014, AP&T added its seventh hydropower project to its clean energy portfolio – the 800 kW Falls Creek project. We continue to seek opportunities for growth through strategic acquisitions, particularly when we can provide ratepayers with more affordable service, through increased efficiency and development of new renewables.

In 2014, AP&T and its partner, Haida Corporation, received approval for a 53-year low-interest loan, from the Alaska Energy Authority, for the Reynolds Creek hydropower project. Reynolds Creek is scheduled for construction by AP&T beginning in Q3 2015, pending regulatory approvals. In addition to eliminating most remaining diesel generation on Prince of Wales Island, Reynolds Creek will provide a surplus of clean energy to support future community growth, and development of the rare earth and precious metals mines proposed for the island.

Meanwhile, completion of the Naukati intertie in 2014 is providing many of Prince of Wales' northern residents with

PHOTO: Eagle manager David Helmer holds one of the solar panels that in 2015 will become Alaska's largest investor-owned utility array in the State.

more affordable renewable energy for the first time, and creating new economic opportunity.

Renewable energy is coming to Tok. AP&T, Tanacross Inc., and the Native Village of Tanacross are pooling strengths and assets to develop the 1.5 MW Yerrick Creek hydropower project, which will displace 50% of the Tok region's diesel generation. Initial construction of transmission has begun. Our entities are engaged in completing Yerrick Creek's financing package, with an aggressive, yet realistic, goal of 2017 commercial operation Agencies and communities across Alaska are looking to this innovative collaboration between a utility (AP&T), native corporation, and tribe, as a replicable model for development of clean energy on other Alaska Native lands.

With the 2015 completion of our new utility-scale solar array in the remote community of Eagle, AP&T will gain the distinction of owning the largest investor-owned solar installation

PHOTO: Partnering with Education in our communities via the Alaska E-Rate program, AP&T helps schools and libraries to obtain affordable broadband.

producing electricity in Alaska. Solar technology will remain a development focus for our company into the future.

AP&T is partnering with the Southern Southeast Regional Aquaculture Association (SSRAA) to support development of the 124 kW Neck Lake hydro project for the community of Whale Pass. We have also initiated effort on the 1.5 MW Clearwater Creek project, which will further reduce Tok's diesel generation, plus support future community and economic growth.

Over the last two years, AP&T has added a substantial array of early-phase opportunities to our development pipeline. We will continue to seek out investors, developers, utilities, and tribes interested in sharing the risks/rewards involved in pursuing the development of new assets

Connecting Opportunity

Mining remains the greatest hope for economic growth in the communities we serve. Despite a global depression in metals prices, exploration projects on Prince of Wales Island, and near Haines and Tetlin, have shown significant advances. AP&T stands ready, willing and able to serve these loads, as mines achieve commercial operation.

In 2014, AP&T participated in formation of the Lynn Canal Transmission Corporation – a new initiative to interconnect the existing Kensington precious metals mine to the nearby community of Juneau.

AP&T's proposed 77.4 MW Soule River hydropower project has the potential to sell energy internationally to northwest British Columbia, which is experiencing explosive growth in its mining, marine and liquefied natural gas sectors. We continue to work through U.S. and Canadian agency requirements, and anticipate completing Soule's FERC license application in 2016.

AP&T has been collaborating, with the Yukon Government and the State of Alaska, in an initiative to study the creation of an international transmission interconnection between Yukon Territory and our Lynn Canal service area. This interconnection would create new opportunities for current and future assets to provide clean energy to serve Yukon utilities and industrial loads, such as our proposed 25 MW West Creek hydro project.

Exporting Our Expertise

Alaska Power & Telephone continues to provide engineering and technical services on a contractual basis. Our 2014 efforts on Juneau

Hydropower's 20 MW Sweetheart Lake project culminated in a FERC license application. This year also brought a number of key milestones on Kootznoowoo's Thayer Creek project, including selection of a design optimized to serve the diesel-dependent community. We continue to selectively seek clients we can assist in realizing their energy development goals.

Alaska's Rapidly Changing Market Conditions

Although part of the U.S., Alaska's energy sector is a "frontier market." It offers high risks but higher rewards, to developers who understand how to navigate Alaska's unique and ever-changing investment environment.

The U.S. Forest Service is undergoing an amendment to the Tongass National Forest Plan, which proposes changes to dramatically increase access to develop renewables in southeast Alaska. State regulators and legislators are considering significant reforms to Alaska's severely outdated regulatory regime, which may create a more competitive investment environment for independent power producers and private developers. Collapsed oil prices have limited the State of Alaska's ability to invest in infrastructure, sharply increasing demand and opportunity for private investment. The transfer of 70,000 acres of formerly federal lands to Sealaska Corporation may combine with plans by the USFS to increase access to second-growth timber. This would help sustain viable timber and forest products manufacturing industries far into the future. AP&T's involvement in these issues, and others, provides us with unique insight into rapidly emerging opportunities, which we are eager to leverage to the advantage of our development partners.

Jason Custer
Business Development Director
Alaska Power & Telephone

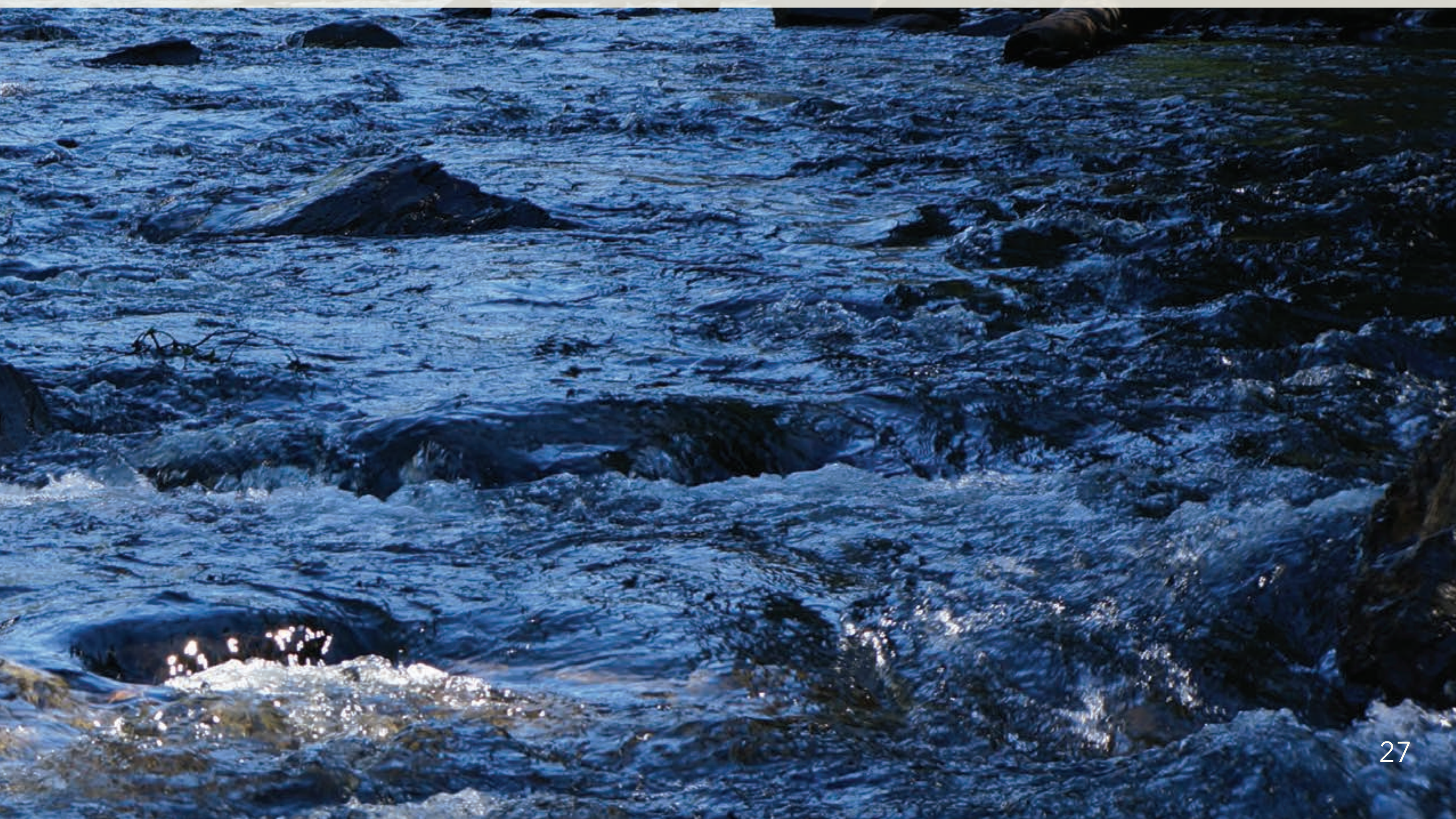


PHOTO: AP&T added its seventh hydropower project to its clean energy portfolio with the acquisition of The Falls Creek Hydro facility in 2014.

7 COMMUNITIES SHARING

Listed below is a sampling of community events and groups with whom AP&T was privileged to partner in 2014. While it does not begin to quantify the countless hours of service and funding donated to numerous social, educational and faith-based organizations, it does quantify our commitment to walking-out who we are.

Haines Big Brothers & Sisters
High School Academics &
Sports throughout Alaska
Local Chambers of Commerce
The Great Tok Weed-Out
Skagway Clean Sweep
Boy Scout Adopt-A-Mile
Litter Patrol
POW Marathon
Tok Hockey Club
SE Alaska State Fair
Alcan 200
Founders Day Metlakatla
Head Start
KMA Kennel (Heidi Sutter)

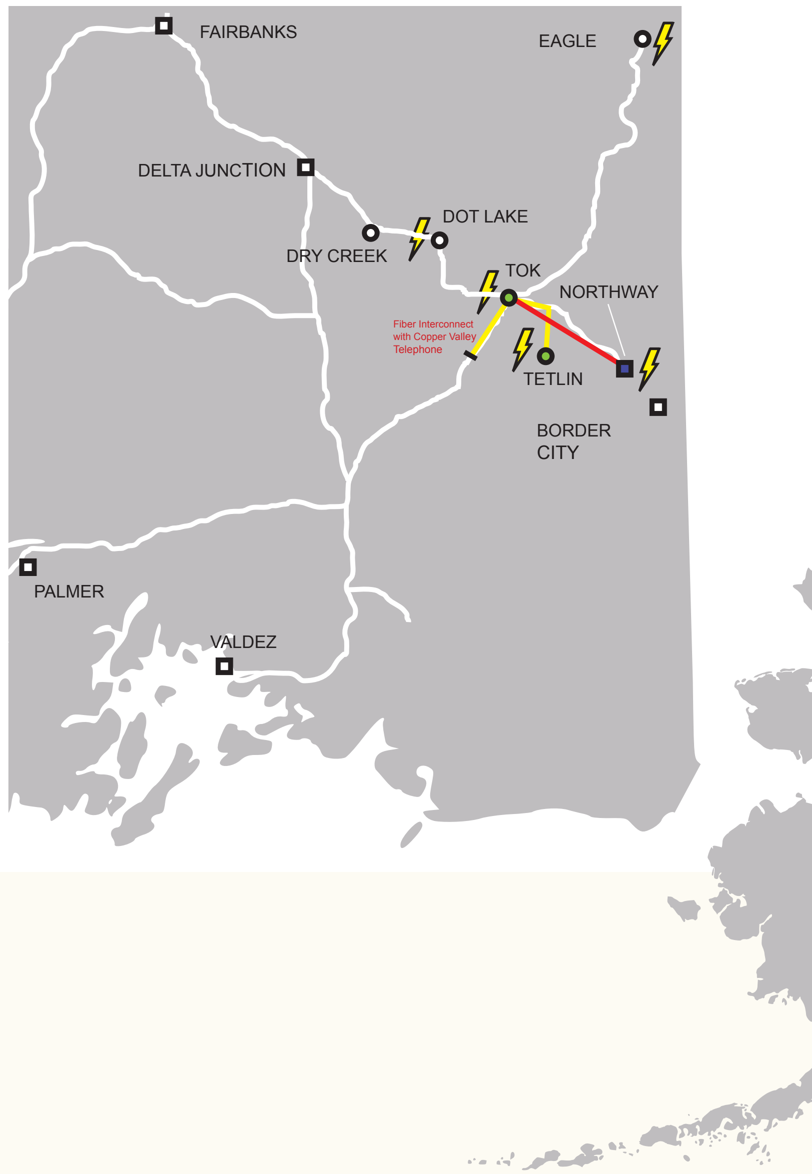
AMC Relay For Life
SEARHC Mobile Mammography
Beat The Odds Petersburg
Domestic Violence Dinner
POW
Buckwheat Ski Classic
Gustavus Pre-School
Jefferson Community School
Volunteer Fire Departments'
CHARR Educational Fund
Alaska Telephone Association
Educational Scholarships
Stikine Sportsman Scholarship
Haines King Salmon Derby
Ketchikan Salmon Derby

Wrangell Salmon Derby
Hydaburg Salmon Derby
KHNS Radio
KINY Radio
KSTK Radio
Local Little League Chapters
Local Health Fairs
Friends of Recycling
Haines Pre-School
Craig Waverunners
Tok Youth Hockey
Wrangell Golf Club
Skagway & Wrangell 4th of July

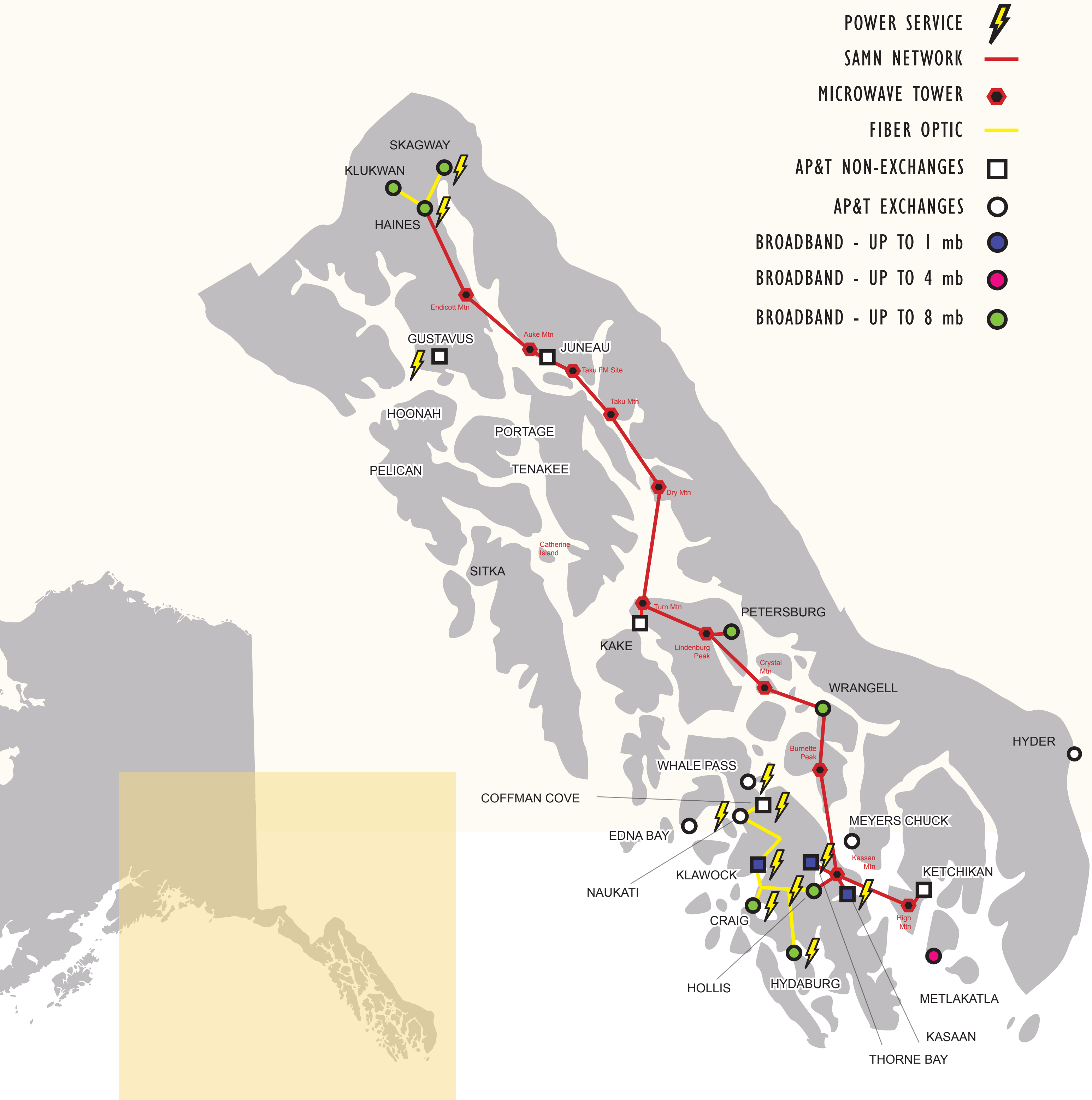
PHOTO: AP&T's acquisition of the Gustavus Power Company coincided with the community's Centennial celebration, allowing us the opportunity to come alongside and celebrate the shared horizon of our future together.

AP&T, "Employee Owned – Community Minded"

	DATE OF SERVICE	SERVICE CENTER	WIRELESS	TELECOM	POWER
SKAGWAY	1957	•	•	•	•
TOK	1960	•	•	•	•
CRAIG	1962	•	•	•	•
PORT TOWNSEND (Corporate)	1964	•			
HYDABURG	1965		•	•	•
TANACROSS	1973			•	•
DOT LAKE	1978			•	•
TETLIN	1986			•	•
HOLLIS	1990			•	•
BETTLES & EVANSVILLE	1991	•		•	•
DRY CREEK	1991			•	
CHISTOCHINA	1991				•
NAUKATI	1992			•	•
WHALE PASS	1992			•	•
MENTASTA LAKE	1992				•
MEYERS CHUCK	1992			•	
COFFMAN COVE	1992		•		•
EDNA BAY	1993			•	
JIM RIVER CAMP	1993			•	
EAGLE & EAGLE VILLAGE	1993	•		•	•
HEALY LAKE	1994			•	•
NORTHWAY & NORTHWAY VILLAGE	1995				•
ALATNA & ALLAKAKET	1995			•	•
CHISANA	1996			•	
HAINES (TEL 2000)	1997	•	•	•	•
KETCHIKAN	1997	•	•		
METLAKATLA (TEL 2000)	1997	•	•	•	
PETERSBURG (TEL 2000)	1997	•	•	•	
WRANGELL (TEL 2000)	1997	•	•	•	
THORNE BAY	1998		•		•
KLAWOCK	1999	•	•		•
HYDER	2000			•	
KLUKWAN	2000			•	
ANCHORAGE	2000	•			
KASAAN	2001		•		•
SLANA	2005				•
LUTAK	2007			•	•
GUSTAVUS	2014				•



AP&T SERVICE AREA MAP



8 ANNUAL FINANCE REPORT

Management's Discussion and Analysis of Financial Condition and Results of Operations

PHOTO: The place where everybody knows your name, in Gustavus anyway, is the social hub of activity where one can fill up with fuel and all the latest news at "The Dray" in Gustavus, AK.

Company Overview

Alaska Power & Telephone Company was established in 1957. Through its subsidiaries, it provides regulated electric and telephone service to a combined total of 40 communities. AP&T also has non-regulated operations, which include a microwave communication network, as well as offering internet, broadband, long distance and engineering services.

The most exciting tangible expression of 2014's shared horizon opportunities arrived with the addition of the community of Gustavus to our service area. This bolstered the Company's renewable energy portfolio, through the associated Falls Creek hydroelectric project. AP&T also completed a major upgrade to the radios in its microwave network, alleviating several bottlenecks and allowing it to continue providing quality service to its customers.

AP&T generated a total of $44 million in revenue, during 2014, an increase of 2.2%. Operating expenses decreased by 1.5%, resulting in a 33% increase in operating income of $9.5 million. A change in accounting standards enabled the Company to begin amortizing goodwill, on its books since the 1990s. Consequently, the Company recorded $1.8 million in amortization expense, during the year, resulting in net income of $2.8 million. Basic earnings per share for the year was $2.10, based on a weighted-average of 1.32 million common shares outstanding. Total assets were $124.8 million, an increase of 3.5%. Total debt, including long-term leases, was $60.9 million, a 2.9% ($1.7 million) increase by the end of the year. Shareholders' equity increased by 3.9% ($1.4 million) to a total of $37.6 million, after distributing $574,400 of its earnings to shareholders in the form of dividends.

Operations by Segment

Electric Operations – Total 2014 sales for electric operations were 63.7 GWh, a 3.3% decrease from 2013 results. Power operations produced gross revenues of $19.6 million, a $642,000 reduction from the previous year. Hydroelectric resources provided 77.7% of all generation, an increase of 7.4% from the previous year. Total operating expenses for the year decreased by $1.5 million (10.4%), the combined result of a lower cost of fuel, as well as a 21% decrease in the consumption of fuel used to generate power. Operating income for the year was $3.8 million, an increase of $734,000 (23.7%). During 2014, the Company received final regulatory approval of its rate case, resulting in a total increase of 11.18%. An interim, and refundable, rate increase of 6% was implemented at the beginning of 2014; the remainder went into effect January 2015.

Telecommunications Operations – Gross revenues for regulated telecommunications operations were $14.3 million for 2014, a 5% ($762,000) decrease from 2013 results. The decrease was due to the ongoing effects of a Federal Communications Commission regulations change and a continued migration from traditional wireline to wireless services. Operating expenses for the year decreased by 2.2% ($216,000) to a total of $9.6 million. Deprecation declined, by $1.1 million, to $2.7 million, as the Company more closely aligned its investment in plant to the returns being generated. As a result, 2014 operating income provided by regulated telecommunications was $2.1 million, an increase of 41% ($602,000).

Non-regulated Operations – Consisting of AP&T Wireless, AP&T Long Distance, and engineering services, non-regulated operations continue to grow. Gross revenues increased by $2.3 million (30.5%), during 2014, to a total of $10.1 million. Combined operating expenses for the segment were $5.5 million, an increase of 29.5% ($1.2 million). Operating income increased by 40.3% to $3.6 million. AP&T Wireless experienced a 36.1% ($878,000) increase in operating income to a total of $3.3 million. Engineering services provided operating income of $251,000 and Long Distance services provided an additional $26,000 during 2014.

Other Income and Expense

The Company reviews its investments on a regular basis. When evidence indicates the Company will not recover its full investment based on expected future cash flows, an impairment is recorded in the current year. As a result of this process, in 2013, the Company recorded an impairment on its investment in the preferred shares of Hydro West Holdings of $2.3 million. In 2014, the Company again evaluated its investment in Hydro West Holdings and found that no further impairment exists.

The Company receives patronage based dividends from CoBank, its primary lender, and Northwest Farm Credit Services, which participated with CoBank in several of the Company's recent financings. CoBank bases its patronage on 1% of the Company's average outstanding loan balances, returning 75% to the Company in cash; – the remainder increasing the equity invest-

PHOTO: An evening glow washes the horizon of the Salmon River nestled quietly at the entrance to Glacier Bay National Park near Gustavus.

PHOTO: Always with a view toward AP&T's financial horizon is Chad A. Haggar, CPA, Chief Financial Officer, VP and Treasurer.

ment in CoBank. Northwest Farm Credit Services bases its patronage to AP&T at 0.65% of the average outstanding loan balances, which is remitted to the Company through CoBank. The Company recorded patronage dividends of $455,000 and $566,000 for the years ending 2014 and 2013, respectively.

Through the various acquisitions of power-related assets, during 1995 through 1997, and telecommunications assets during 1999, the Company recorded $9.2 million of goodwill. Since then, the Company has continuously tested the underlying assets for impairment and found that none exists. Recent accounting standard changes have allowed the option to amortize goodwill. Accordingly, management has elected to amortize power-related assets over a period of 10 years and telecommunication assets over five years. As a result, the Company recorded $1.8 million in 2014 amortization expense

Provision for Income Taxes

Income before tax was $4.1 million and $1.4 million for the years 2014 and 2013, respectively. The effective tax rate was 33.4% ($1.4 million) for 2014 compared to 22.5% ($404,000) in 2013. Net income for 2014 was $2.8 million, or $2.10 per share, compared to $1.4 million, $1.04 per share, for 2013.

Financial Condition

The Company's investment in gross plant in service increased by 5.5% ($9.7 million) to $186.3 million; $3 million of which related to the acquisition of assets in Gustavus. Net property, plant and equipment increased by 2.4% to a total of $83.6 million, during 2014, from $81.6 million the prior year. Depreciation exceeded capital expenditures, as the Company attempted to alleviate upward pressure on rates. Working capital increased by 53% to $6.2 million, a result of the Company securing financing for acquisitions in Gustavus and Southeast Network upgrades.

Interest-bearing liabilities, including leases, at year end 2014 were $60.8 million, an increase of 2.9% ($1.8 million). Repurchase of common stock from employee stock ownership plan participants led to a decrease in both shares outstanding and additional paid-in capital of $938,000, while retained earnings raised $2.2 million of additional equity. An additional $143,000 adjustment to "other comprehensive loss" was recorded to reflect the improving fair market value of the interest rate swap that became effective August 2013. In total, stockholders' equity increased by 3.9%

($1.4 million) during 2014. The Company's equity, as a percentage of total capital, increased by 0.6%, to 38.18%, during 2014.

Liquidity and Capital Resources

Operating Activities – Cash flows provided by 2014 operating activities were $10.7 million, a 7% ($800,000) reduction from the previous year. The decrease in cash was primarily caused by increased customer accounts receivable and income taxes recoverable.

Investing Activities – Cash used in acquiring property, plant and equipment to support ongoing operations, during 2014, was $4.9 million, down from $7.4 million the prior year. The Company used an additional $2.4 million of cash to acquire existing infrastructure. Net cash used for 2014 investing activities totaled $7 million, compared to $8 million for 2013.

Financing Activities – A total of $1 million of cash was used for financing activities throughout 2014, compared to $3.8 million used during 2013. The Company raised $5 million, in 2014, through the issuance of long-term debt. During 2014, $4.3 million was used to retire long-term debt, compared to $3.4 million the previous year. Net transactions in the Company's stock used $939,000 of cash throughout 2014 versus $30,000 in 2013. Cash used for payment of dividends increased by $153,000 (28%) to a total of $574,000.

Issues, Risks and Challenges

There will always be risks and challenges facing a business, which include the effects and uncertainties of future events, some of which have been identified and described below.

- The continuing unstable economic environment in Alaska could have a negative impact and restrict growth opportunities there.
- Our continued reliance on government subsidies to our regulated electric and telecommunications customers, to help them pay rates that reflect a fair return to the Company, could be affected by legislative or regulatory changes.
- Recent changes in telecommunications regulation continue to have negative effects on projected results for the Company.
- If the Company fails to uphold the financial covenants of its Master Loan Agreement with CoBank, events could cause a default in the terms of the agreements and would

adversely affect the Company's future.

- We face risks related to our operations through unexpected changes in compliance regulations; political, legal and economic instability; seasonal factors that would affect hydrology; and unforeseen adverse tax consequences– all of which could have adverse effects on the Company's long-term financial projections.

Robert S. Grimm
CEO, President

Michael Garrett,
Chief Operating Officer,
Executive Vice President

Chad A. Haggar, CPA
Chief Financial Officer, VP,
Treasurer

PHOTO: Keeping her island community connected, Metlakatla Technician Kathy Brendible rises to the occasion in her "office" with a view.

FINANCIAL STATEMENTS - 5 YEAR SUMMARY

$ Expressed in thousands except per share data

OPERATING RESULTS	2010	2011	2012	2013	2014
INCOME - ELECTRIC	$ 5,975	$ 5,633	$ 4,909	$ 3,096	$ 3,830
INCOME - TELECOM	$ 2,763	$ 2,022	$ 2,059	$ 1,469	$ 2,071
INCOME - NON REGULATED OPERATIONS	$ (445)	$ 1,450	$ 2,105	$ 2,558	$ 3,590
TOTAL OPERATING INCOME	$ 8,293	$ 9,105	$ 9,073	$ 7,123	$ 9,491
OPERATING MARGIN	21.1%	21.9%	21.4%	16.5%	21.5%
NET INCOME	$ 2,846	$ 3,338	$ 3,425	$ 1,390	$ 2,781
EBITDA[1]	$ 16,830	$ 16,677	$ 16,611	$ 13,251	$ 16,492
CASH FLOW FROM OPERATIONS	$ 10,515	$ 12,826	$ 13,087	$ 11,450	$ 10,655
EARNINGS (LOSS) PER SHARE - BASIC	1.91	2.22	2.41	1.04	2.10

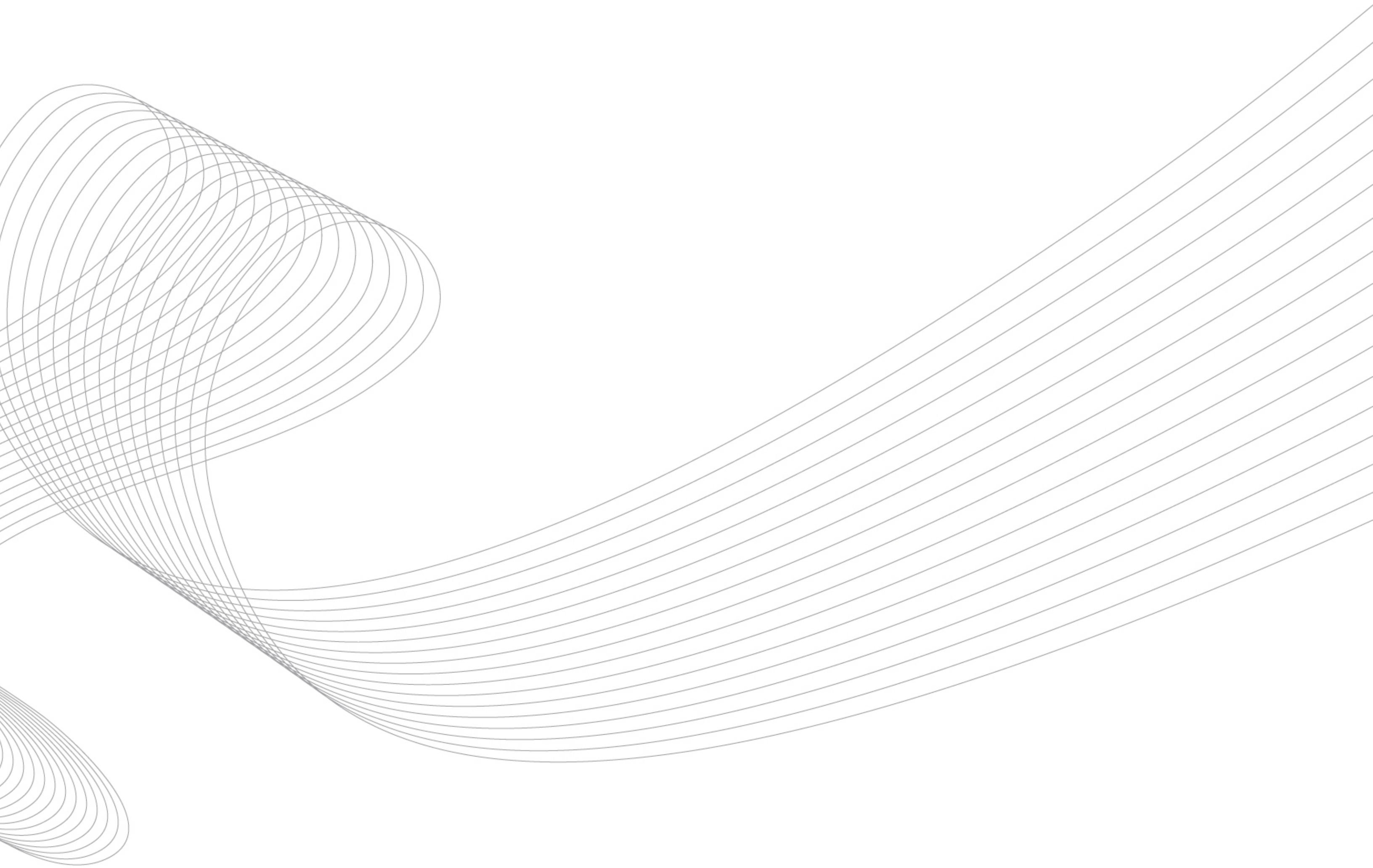
[1] EBITDA is the acronym for: Earnings before Interest Taxes, Depreciation and Amortization, a common financial measure used to determine a company's cash from operation activites.

FINANCIAL STATEMENTS - 5 YEAR SUMMARY - KEY RATIOS

$ Expressed in thousands except per share data

FINANCIAL POSITION	2010	2011	2012	2013	2014
TOTAL CAPITALIZATION	$107,493	$102,817	$ 96,348	$ 95,310	$ 98,459
WEIGHTED-AVERAGE SHARES OUTSTANDING	1,491,950	1,500,195	1,419,656	1,341,585	1,324,625
BOOK VALUE PER SHARE - BASIC	$ 23.46	$ 23.49	$ 25.22	$ 26.98	$ 28.75
SHARE PRICE (PER VALUATION)	$ 18.58	$ 21.13	$ 28.10	$ 28.11	$ TBD

KEY RATIOS					
CASH FROM OPERATIONS / REVENUE	26.7%	30.8%	30.9%	26.6%	24.2%
DEBT / CAPITALIZATION	67.19%	65.79%	64.87%	62.04%	61.82%
EQUITY / CAPITALIZATION	32.81%	34.21%	35.13%	37.96%	38.18%
RETURN ON ASSETS	2.24%	2.62%	2.79%	1.15%	2.23%
RETURN ON EQUITY	8.07%	9.49%	10.12%	3.84%	7.40%



Report of Independent Auditors and
Consolidated Financial Statements for

Alaska Power & Telephone Company and Subsidiaries

December 31, 2014 and 2013

MOSS-ADAMS LLP

Certified Public Accountants | Business Consultants

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REPORT OF INDEPENDENT AUDITORS

The Board of Directors
Alaska Power & Telephone Company

Report on the Financial Statements
We have audited the accompanying consolidated financial statements of Alaska Power & Telephone Company (Company) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate for the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

REPORT OF INDEPENDENT AUDITORS
(continued)

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Alaska Power & Telephone Company and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Moss Adams LLP

Spokane, Washington
April 10, 2015

ALASKA POWER & TELEPHONE COMPANY
CONSOLIDATED BALANCE SHEETS

ASSETS

	December 31, 2014	December 31, 2013
PROPERTY, PLANT, AND EQUIPMENT		
Electric	$ 104,611,930	$ 98,987,261
Telecommunications	81,595,771	77,463,655
Nonutility	135,055	135,055
	186,342,756	176,585,971
Less accumulated depreciation and amortization	106,839,528	99,367,860
	79,503,228	77,218,111
Utility plant under construction	4,074,023	4,364,097
Total property, plant, and equipment	83,577,251	81,582,208
OTHER ASSETS		
Investments	10,772,212	10,641,121
Goodwill, net of amortization	7,473,922	9,266,403
Rate stabilization asset	5,078,487	5,239,506
Other assets	1,915,070	1,652,787
Total other assets	25,239,691	26,799,817
CURRENT ASSETS		
Cash and cash equivalents	5,349,026	2,790,891
Receivables, less allowance for doubtful accounts of $35,484 in 2014 and $35,119 in 2013	6,950,540	6,052,732
Securities available for sale	2,798	212,798
Inventory and other current assets	3,122,590	3,083,335
Income tax refunds receivable	564,972	69,868
Total current assets	15,989,926	12,209,624
Total assets	$ 124,806,868	$ 120,591,649

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2014	December 31, 2013
STOCKHOLDERS' EQUITY		
Common stock, $1 par value, 10,000,000 shares authorized 1,307,665 and 1,341,064 shares issued and outstanding in 2014 and 2013, respectively	$ 1,307,665	$ 1,341,064
Additional paid-in capital	4,254,297	5,159,738
Retained earnings	35,650,926	33,443,955
Accumulated other comprehensive loss	(3,621,367)	(3,764,182)
Total stockholders' equity	37,591,521	36,180,575
LONG-TERM DEBT, less current portion		
Goat Lake Hydro, Inc. note payable	10,183,333	11,050,000
Other long-term debt	44,840,384	43,851,092
Total long-term debt	55,023,717	54,901,092
FINANCE LEASES	628,414	-
INTEREST RATE SWAP	5,995,641	6,232,087
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes	14,984,371	14,227,209
Other deferred credits	755,739	869,192
Total other liabilities and deferred credits	15,740,110	15,096,401
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities	4,466,542	3,841,897
Deferred income taxes	145,155	111,386
Current portion of finance leases	399,645	-
Current portion of long-term debt	4,816,123	4,228,211
Total current liabilities	9,827,465	8,181,494
Total liabilities and stockholders' equity	$ 124,806,868	$ 120,591,649

ALASKA POWER & TELEPHONE COMPANY
CONSOLIDATED STATEMENTS OF INCOME

	Years Ended December 31, 2014	2013
REVENUE		
Electric	$ 19,613,847	$ 20,256,346
Telecommunications	14,344,012	15,105,588
Other nonregulated	10,108,765	7,748,360
	44,066,624	43,110,294
EXPENSES		
Electric	12,569,941	14,030,788
Telecommunications	9,616,927	9,833,246
Other nonregulated	5,521,621	4,264,304
Operations and maintenance expense	27,708,489	28,128,338
Depreciation and amortization expense	6,867,409	7,858,912
	34,575,898	35,987,250
Income from operations	9,490,726	7,123,044
OTHER INCOME (EXPENSE)		
Loss from asset impairment	-	(2,334,160)
Gain from disposal of assets	201	3,571
Dividend income	455,340	566,024
Amortization of goodwill	(1,792,481)	-
Miscellaneous	(24,438)	33,471
Total other income	(1,361,378)	(1,731,094)
Interest income	4,043	3,296
Interest expense	(3,959,014)	(3,601,573)
Net interest expense	(3,954,971)	(3,598,277)
Income before income taxes	4,174,377	1,793,673
Provision for income taxes	(1,393,007)	(403,861)
Net income	$ 2,781,370	$ 1,389,812
Basic and diluted earnings per share	$ 2.10	$ 1.04
Weighted-average basic and diluted shares outstanding	1,324,625	1,341,585

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Years Ended December 31, 2014	2013
Net income	$ 2,781,370	$ 1,389,812
Other comprehensive income before tax		
Gain from fair value adjustment to interest rate swap	236,446	2,541,557
Income tax expense related to fair value adjustment to interest rate swap liability	(93,631)	(1,006,457)
Comprehensive income	$ 2,924,185	$ 2,924,912

See accompanying notes.

ALASKA POWER & TELEPHONE COMPANY
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance at December 31, 2012	$ 1,342,104	$ 5,187,913	$ 32,616,615	$ (5,299,282)	$ 33,847,350
Net income	-	-	1,389,812	-	1,389,812
Sale of common stock	21,634	586,271	-	-	607,905
Repurchase of common stock	(22,674)	(614,446)	-	-	(637,120)
Fair value adjustment to interest rate swap, net of tax	-	-	-	1,535,100	1,535,100
Dividends paid to shareholders	-	-	(562,472)	-	(562,472)
Balance at December 31, 2013	1,341,064	5,159,738	33,443,955	(3,764,182)	36,180,575
Net income	-	-	2,781,370	-	2,781,370
Sale of common stock	22,099	599,095	-	-	621,194
Repurchase of common stock	(55,498)	(1,504,536)	-	-	(1,560,034)
Fair value adjustment to interest rate swap, net of tax	-	-	-	142,815	142,815
Dividends paid to shareholders	-	-	(574,399)	-	(574,399)
Balance at December 31, 2014	$ 1,307,665	$ 4,254,297	$ 35,650,926	$ (3,621,367)	$ 37,591,521

See accompanying notes.

	Years Ended December 31, 2014	2013
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 2,781,370	$ 1,389,812
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	8,731,503	7,858,912
Asset impairment	-	2,334,160
(Gain) loss from disposal of assets	(201)	(3,571)
Noncash patronage dividends	(129,117)	(135,250)
Deferred income tax benefit (provision)	663,531	(340,577)
Accretion of rate stabilization asset	161,019	146,324
Changes in assets and liabilities		
Receivables	(824,400)	(570,848)
Income taxes	(495,104)	(541,653)
Other assets and liabilities	(237,087)	1,312,990
Net cash from operating activities	10,651,514	11,450,299
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant, and equipment, net	(4,903,185)	(7,424,443)
Reimbursable construction projects	-	(486,331)
Investment in affiliate	(1,974)	(64,333)
Proceeds from sale of available for sale securities	210,000	-
Acquisition by purchase of assets	(2,400,177)	-
Net cash from investing activities	(7,095,336)	(7,975,107)

ALASKA POWER & TELEPHONE COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2014	2013
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	$ 5,018,265	$ -
Payments on long-term debt	(4,307,728)	(3,371,441)
Payments on finance leases	(195,341)	-
Proceeds from sale of common stock	621,194	607,905
Repurchase of common stock	(1,560,034)	(637,120)
Dividends	(574,399)	(421,660)
Net cash from financing activities	(998,043)	(3,822,316)
NET CHANGE IN CASH AND CASH EQUIVALENTS	2,558,135	(347,124)
CASH AND CASH EQUIVALENTS, beginning of the year	2,790,891	3,138,015
CASH AND CASH EQUIVALENTS, end of the year	$ 5,349,026	$ 2,790,891
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest expense	$ 3,927,763	$ 3,583,271
Income taxes	$ 1,075,000	$ 1,147,486
NONCASH INVESTING AND FINANCING ACTIVITIES		
Unrealized gain on interest rate swap, net of tax	$ 142,815	$ 1,535,100
Acquisition of equipment from finance leases	$ 1,223,400	$ -
Net assets acquired	$ 2,935,632	$ -
Working capital adjustment	(535,455)	-
Net cash paid	$ 2,400,177	$ -

See accompanying notes.

Note 1 – The Company and Summary of Significant Accounting Policies

Description of entity – Alaska Power & Telephone Company and its subsidiaries (AP&T or Company) supply electric and telephone service to several communities in the state of Alaska. AP&T is subject to regulation by the Regulatory Commission of Alaska (RCA), the Federal Communications Commission (FCC), and the Federal Energy Regulatory Commission (Commissions) with respect to rates for service and maintenance of its accounting records. AP&T's accounting policies conform to accounting principles generally accepted in the United States of America as applied to regulated public utilities and are in accordance with the accounting requirements and rate-making practices of the Commissions.

Consolidation – The accompanying consolidated financial statements include the accounts of AP&T and its wholly-owned energy subsidiaries, Alaska Power Company, BBL Hydro, Inc., and Goat Lake Hydro, Inc.; its wholly-owned telecommunications subsidiaries, Alaska Telephone Company, AP&T Long Distance, Inc., AP&T Wireless, Inc., Bettles Telephone, Inc., and North Country Telephone, Inc. All material intercompany balances and transactions have been eliminated in consolidation.

Business combinations – The Company applies authoritative guidance on accounting for business combinations. The guidance establishes principles and requirements for determining how an enterprise recognizes and measures the fair value of acquired assets and assumed liabilities acquired in a business combination, including noncontrolling interests, contingent consideration, and certain acquired contingent liabilities. The guidance also requires acquisition-related transaction and restructuring costs be expensed as incurred rather than capitalized as a component of the business combination.

Accounting estimates – The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates include depreciation, interstate access revenue settlements, the fair value of goodwill, the fair value of the interest rate swap, unbilled revenue, and deferred income taxes. Actual results could differ from those estimates.

Cash and cash equivalents – All highly liquid investments with original maturities of 90 days or less are carried at cost plus accrued interest, which approximates fair value, and are considered to be cash equivalents. All other investments not considered to be cash equivalents are separately categorized as investments or securities available for sale.

Concentration of risks – At various times throughout the year, the cash balances deposited in local institutions exceed federally insured limits. A possible loss exists for those amounts in excess of the federally insured limits. AP&T minimizes this risk by utilizing numerous financial institutions for deposits of cash funds.

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

Comprehensive income – Accounting principles require that recognized revenues, expenses, gains, and losses be included in net income. In addition, certain changes in assets and liabilities, such as unrealized gains and losses on available for sale securities and changes in the fair market value of interest rate swaps, are reported as a separate component of equity. These items, along with net income, are components of comprehensive income, which is reported in a separate consolidated statement of comprehensive income.

Valuation of accounts receivable – Accounts receivable are stated at the amount management expects to collect on outstanding balances. AP&T reviews the collectability of accounts receivable annually based upon an analysis of outstanding receivables, historical collection information, and existing economic conditions. Receivables from power and telecommunications subscribers are due 30 days after issuance of the subscriber bill. Receivables from other customers are typically outstanding 30 to 60 days before payment is received. Management provides for probable uncollectible amounts through a charge to earnings and a credit to a valuation allowance based on its assessment of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. Management believes it has established adequate reserves for any risk associated with these receivables.

Securities available for sale – Securities not classified as held to maturity or trading are classified as available for sale. Available for sale securities are stated at fair value with any material unrealized gains and losses, net of deferred taxes, reported as a separate component of stockholders' equity. Unrealized gains and losses were not material in 2014 or 2013. Quoted prices in active markets are available for all of the Company's securities available for sale.

Fuel, supplies, and other inventory – Fuel, supplies, and other inventory are valued at the lower of average cost or market. Cost is determined on a first-in, first-out basis. The supplies and other inventory are primarily held for use in construction projects including repairs and maintenance of AP&T's delivery systems.

Property, plant, equipment, and depreciation – Property, plant, and equipment are stated at cost. Regulated plant includes assets that are jointly used for regulated and nonregulated activities. The cost of additions to and replacements of property, plant, and equipment are capitalized. This cost includes direct material, labor, and similar items and charges for such indirect costs as engineering, supervision, payroll taxes, and pension benefits. AP&T capitalizes, as an additional cost of utility plant, an allowance for funds used during construction (AFUDC), which represents the allowed cost of capital used to finance a portion of construction work in progress for projects of more than one year in duration. AFUDC consists of debt and equity components that, when capitalized, are credited as noncash items to other income and interest charges. There was no AFUDC recorded in 2014 or 2013.

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

Property, plant, equipment, and depreciation (continued) – The cost of current repairs and maintenance is charged to expense, while the cost of betterment is capitalized. The original cost of property, plant, and equipment together with removal cost, less salvage, is charged to accumulated depreciation at such times as assets are retired and removed from service. For financial statement purposes, depreciation is computed on the straight-line method using rates based on average service lives. For income tax purposes, AP&T computes depreciation using accelerated methods where permitted.

Leased assets – Where substantially all of the risks and rewards incidental to ownership of a leased asset have been transferred to the Company (finance lease), the asset is treated as if it had been purchased outright. The amount initially recognized as an asset is the lower of the fair value of the leased property and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability. Lease payments are analyzed between capital and interest. The interest element is charged to the consolidated statement of income over the period of the lease and is calculated so that it represents a constant proportion of the lease liability. The capital element reduces the balance owed to the lessor.

Where substantially all of the risks and rewards incidental to ownership are not transferred to the Company (an operating lease), the total rentals payable under the lease are charged to the consolidated statement of income on a straight-line basis over the lease term. The aggregate benefit of lease incentives is recognized as a reduction of the rental expense over the lease term on a straight-line basis.

Goodwill – In 1999, AP&T purchased certain telecommunications properties of GTE Alaska and in 1995 through 1997 purchased the power assets of three service areas in Alaska from existing power providers. The excess of the purchase price over the assets acquired has been recorded as goodwill in the amount of $8,550,741 for the telecommunications properties and $715,662 for the power properties. AP&T adopted Accounting Standards Update (ASU) 2014-02, *Intangibles - Goodwill and Other (Topic 350) - Accounting for Goodwill,* for the year ended December 31, 2014. Under this guidance, goodwill is tested for impairment by management when a triggering event occurs that indicates the fair value of the reporting unit is less than its carrying amount. In addition, under this standard, management has elected to amortize goodwill on a straight-line basis over a period of five years for goodwill related to telecommunications properties and ten years for goodwill related to power properties. Management has reviewed events and circumstances that may be considered a triggering event, and determined no such event occurred during 2014. Total amortization expense related to goodwill for the years ended December 31, 2014 and 2013, was $1,792,481.

Goodwill is included in other assets on the consolidated balance sheets. As of December 31, 2014, the carrying amount of goodwill was $7,473,922, which included accumulated amortization of $1,792,481. As of December 31 2013, the carrying amount of goodwill was $9,266,403.

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

Preliminary survey and investigation costs – AP&T defers costs incurred for the preliminary survey and investigation of proposed construction projects in accordance with the rules of the Commissions. These deferred costs are capitalized into utility plant when the preliminary survey and investigation projects are completed or are charged to expense in the period that a proposed project is abandoned.

Income taxes – Deferred taxes are provided on an asset and liability method whereby deferred tax assets are recognized for deductible temporary differences and deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the reported amounts of assets and liabilities and their tax basis. Deferred tax assets relate primarily to asset impairment deductions on the books. Deferred tax liabilities relate primarily to the use of accelerated depreciation for income tax purposes. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

The Company records uncertain tax positions if the likelihood the position will be sustained upon examination is less than 50%. As of December 31, 2014 and 2013, the Company had no accrued amounts related to uncertain tax positions. The Company is no longer subject to U.S. federal or state and local income tax examinations by tax authorities for years before 2011.

Other deferred credits – Other deferred credits consist of customer advances for construction, grant funded projects, and other deferred revenue. Customer advances for construction of additions to the electric distribution systems are recorded as a liability and are amortized through discounted service billings to the customer over a 60-month period. At the end of the amortization period, any remaining balance is recorded as a reduction of the respective utility plant accounts. Customer advances for construction were $492,929 and $539,521 at December 31, 2014 and 2013, respectively.

Revenue recognition – Electric – AP&T utilizes cycle billing and records revenue billed to its customers when the meters are read each month. In addition, AP&T recognizes unbilled revenue from electric power delivered, but not yet billed.

Revenue recognition – Telecommunications – AP&T's local wireline rates and access revenues (revenues earned for originating and terminating long distance calls) are determined by rates approved by regulators. Other sources of revenues, such as Internet, equipment sales, wireless, and long distance resale are not rate regulated. Pending and future regulatory actions may have a significant impact on AP&T's future operations and financial condition.

Monthly service fees derived from local wireline, data services, and wireless are billed one month in advance, but recognized in the month that service is provided.

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

Revenue recognition – Telecommunications (continued) – Usage sensitive revenues such as long distance and other wireless services are generally billed as a per-minute charge.

AP&T also receives significant universal service support revenue based on the higher costs of providing rural telecommunications service. These revenues are included in interstate access revenues and are based on AP&T's relative level of operating expense and plant investment. The interstate program is governed by the FCC and administered by the Universal Service Administrative Company (USAC).

Telecommunications operating revenues include settlements based on AP&T's participation in the interstate revenue pools administered by the National Exchange Carrier Association (NECA) and regulated by the FCC. These revenues are determined by annually prepared separations and interstate access cost studies. Revenues for the current year are based on estimates prior to the submission of the cost study reporting actual results of operations. Additionally, the studies are subject to a 24-month pool adjustment period and final review and acceptance by the pool administrators. There was an insignificant revenue impact for 2014 and 2013 for adjustments related to prior year differences between the recorded estimates and actual revenues. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2014 and 2013.

Additionally, telecommunications operating revenues include revenues received from intrastate revenue pools administrated by the Alaska Exchange Carriers Association that are based on AP&T's relative cost of providing intrastate access service. These revenues are based on projections submitted periodically and intrastate access cost studies that are submitted every two years. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2014 or 2013.

Earnings per share – AP&T has calculated its basic earnings per share based on the weighted-average number of shares of common stock outstanding. Diluted earnings per share reflect the impact of the dilution caused by outstanding stock options using the treasury stock method. There was no dilutive effect of any outstanding stock options in 2014 or 2013. Weighted-average shares outstanding for purposes of calculating basic and diluted earnings per share were 1,324,625 in 2014 and 1,341,585 in 2013.

Taxes imposed by governmental authorities – The Company's customers are subject to taxes assessed by various governmental authorities on many different types of revenue transactions with the Company. These specific taxes are charged to and collected from the Company's customers and subsequently remitted to the appropriate taxing authority. The taxes are accounted for on a net basis and excluded from revenues.

Advertising costs – AP&T expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2014 and 2013, were $134,537 and $126,632, respectively.

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

Fair value measurements – Fair value represents the price that would be received to sell an asset or transfer a liability in an orderly transaction between market participants at the measurement date. The Company follows the following fair value hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The fair value measurement guidance is applicable to the Company in the following areas:

- Goodwill impairment testing
- Securities available for sale
- Interest rate swaps

The Company's investment in securities available for sale and interest rate swaps are classified as Level 1 in the above hierarchy at December 31, 2014 and 2013.

The following methods were used to estimate the fair value of all other financial instruments recognized in the accompanying balance sheets:

Cash and cash equivalents – The carrying amounts approximate fair value because of the short maturity of those instruments.

Long-term debt – The fair value of AP&T's long-term debt is estimated by discounting the future cash flows of the various instruments at rates currently available to AP&T for similar debt instruments of comparable maturities.

The carrying amount of long-term debt approximates the estimated fair value at December 31, 2014 and 2013, due to the low interest rate environment and the current rates for AP&T's long-term debt obligations.

Note 1 – The Company and Summary of Significant Accounting Policies (continued)

Subsequent events – Subsequent events are events or transactions that occur after the balance sheet date but before the financial statements are available to be issued. The Company recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the balance sheet, including the estimates inherent in the process of preparing the financial statements. The Company's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the balance sheet but arose after the balance sheet date and before the financial statements are available to be issued.

The Company has evaluated subsequent events through April 10, 2015, which is the date the financial statements were available to be issued.

Note 2 – Rate Stabilization Asset

The Company defers certain costs that would otherwise be charged to expense, if it is probable future rates will permit the recovery of such costs. In September 2000, the Company received approval from the Commissions to defer the billing of a portion of the allowable annual costs as defined by the power sales agreement in place between Alaska Power Company and Goat Lake Hydro. Such amounts are deferred as a regulatory asset and will be billed in future years when the Company's allowable annual costs decline below certain levels. Management projects the deferred amounts will be recovered through additional billings through 2020.

Note 3 –Lease Agreements

Operating leases – AP&T leases a portion of its office space and a portion of its utility plant under noncancellable leases. Rent expense on the noncancellable leases was $256,043 and $243,578 for 2014 and 2013, respectively. Certain leases include renewal provisions at AP&T's option. Minimum rental commitments under noncancellable operating leases are as follows:

2015	$ 218,503
2016	190,253
2017	174,583
2018	153,104
2019	79,551

Additional cancellable lease agreements have been secured for the use of the land for hydroelectric operations. The term of the agreements extend for the life of the hydroelectric license of 50 years. Total Company rent expense was $717,820 in 2014 and $699,515 in 2013.

Note 3 –Lease Agreements (continued)

Finance leases – AP&T leases certain equipment under finance leases. The lease arrangements require monthly payments through 2017.

AP&T has included these leases in property, plant, and equipment as follows:

	2014
Telecommunications central office assets	$ 1,223,400
Accumulated depreciation	(10,289)
	$ 1,213,111

The following is a schedule by year of future minimum lease payments under the finance leases, together with the present value of net minimum lease payments at year end 2014.

2015	$ 429,539
2016	429,539
2017	250,565
Total minimum lease payments	1,109,643
Less amount representing interest	(81,584)
Present value of net minimum lease payments	$ 1,028,059

Note 4 – Property, Plant, and Equipment

Property, plant, and equipment consist of the following assets at December 31:

	2014	2013	Depreciation Rate
Electric			
Hydroelectric	$ 28,757,632	$ 26,573,965	2%
Other generation	19,641,679	19,103,246	4% to 8%
Transmission and distribution	40,604,362	38,265,704	2.5% to 4%
Other	14,357,872	13,877,105	2.5% to 20%
Land	821,068	821,068	---
Utility plant acquisition adjustment	429,317	346,173	6%
	104,611,930	98,987,261	
Telecommunications			
General support assets	10,926,701	10,568,120	2.5% to 20%
Central office assets	29,399,291	27,128,212	8% to 14%
Cable and wire facilities	21,006,659	20,766,371	3 to 6%
Nonregulated investment	19,926,483	18,664,315	10% to 20%
Land	336,637	336,637	---
	81,595,771	77,463,655	
Nonutility			
Buildings	101,923	101,923	4%
Land	33,132	33,132	---
	135,055	135,055	
Total property, plant, and equipment	$ 186,342,756	$ 176,585,971	

Utility plant under construction includes all direct and indirect costs incurred during the construction of projects that were not complete and in service at the balance sheet date. The balance also includes approximately $2.5 million in construction costs related to Soule River Hydro, LLC (SRH). SRH is a project company formed to construct a hydroelectric facility on the Soule River in Alaska that was not operational as of December 31, 2014.

Note 5 – Investments

AP&T's investments consist of the following at December 31:

	2014	2013
Investment in CoBank	$ 4,156,876	$ 4,025,785
Investment in Ketchikan Electric Company, LLC	600,000	600,000
Investment in Hydro West Holdings, Inc.	5,346,000	5,346,000
Investment in Haida Energy, Inc.	609,336	609,336
Other	60,000	60,000
	$ 10,772,212	$ 10,641,121

CoBank – CoBank is organized similar to a cooperative and is owned by the customers it serves. As such, a portion of CoBank's earnings is returned to its customers based on their patronage with the bank. This investment is recorded on the cost method. Dividend income was reported in the amounts of $516,469 and $541,002 for 2014 and 2013, respectively, related to these earnings.

Ketchikan Electric Company LLC – AP&T owns a 50% share of Ketchikan Electric Company LLC (KEC) and accounts for the investment using the equity method. The principal purpose and business of KEC is to construct, own, operate, and manage a hydroelectric power system in the Ketchikan Gateway Borough. The investment represents capital contributions to KEC, as the Company is still in the development stage. There was no activity in 2014 or 2013.

Hydro West Holdings, Inc. – Hydro West Holdings, Inc. (Holdings) is a domestic holding company that owns interest in hydroelectric projects in Central America. The Company's investment consists of 7.6 million shares of nonvoting preferred stock in Holdings. The common and voting stock of Holdings is held by the individual stockholders of AP&T. The nonvoting preferred stock in Holdings entitles the Company to receive cumulative dividends at a rate of 8% per annum beginning in August 2013 and entitles the Company to distribution preference in the event of a liquidation.

The Company's investment in the preferred stock of Holdings is accounted for using the cost method. Management reviewed the carrying value of this investment by evaluating current events, future cash flows, and other circumstances and determined the carrying value exceeded the fair value. As a result, an impairment loss of $2,334,160 was recorded as other income in the accompanying statement of income to adjust the investment in Holdings to estimated fair value at December 31, 2013. No additional impairment loss was recorded at December 31, 2014.

Note 6 – Long-Term Debt

The Company's long-term debt consists of the following at December 31:

	2014	2013
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 15-year amortization with a fixed interest rate of 4.47%.	$ 11,050,000	$ 11,916,667
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 10-year amortization with a variable interest rate of 2.89% at December 31, 2014. Interest rate swap agreement below reduces exposure to interest rate fluctuations.	41,084,708	44,298,010
CoBank notes payable, secured by all assets of AP&T and its subsidiaries, due in quarterly installments and based on a 15-year amortization with a fixed interest rate of 4.35%.	4,916,667	-
Notes payable to state of Alaska, secured by certain electric assets, with interest rates ranging from 0.00% to 5.45%, maturing at various dates from 2019 through 2037.	2,777,506	2,889,752
Other term debt	10,959	24,874
	59,839,840	59,129,303
Less current portion	(4,816,123)	(4,228,211)
	$ 55,023,717	$ 54,901,092

Annual maturities for the five years beginning January 1, 2015, are $4,252,118, $4,225,039, $4,523,411, $4,841,509, and $5,188,421, respectively, and $36,809,342 thereafter.

Note 6 – Long-Term Debt (continued)

The Company uses variable-rate debt to finance its operations and these debt obligations expose the Company to variability in interest payments due to changes in interest rates. Management believes that it is prudent to limit the variability of a portion of its interest payments as well as the uncertainty associated with interest rates when its balloon payment with CoBank becomes due. To meet this objective, management periodically considers interest rate swap agreements to manage fluctuations in cash flows resulting from interest rate risk. These swaps change the variable-rate cash flow exposure on the debt obligations to fixed cash flows. The Company does not enter into derivative instruments for speculative purposes. Under the terms of the interest rate swaps, the Company receives variable interest rate payments and makes fixed interest rate payments, thereby creating the equivalent of fixed-rate debt. Changes in the fair value of interest rate swaps designated as hedging instruments that effectively offset the variability of cash flows associated with variable-rate debt obligations are reported in accumulated other comprehensive loss.

The Company has entered into an interest rate swap agreement on all of its variable rate long-term debt with CoBank. The interest rate swap became effective in August 2013 and amortizes over an additional ten-year term at 7.62% per annum. The fair value of the interest rate swap liability was $5,995,641 and $6,232,087 at December 31, 2014 and 2013, respectively, and is classified within Level 2 of the valuation hierarchy.

The loan agreements with CoBank contain provisions and restrictions pertaining to, among other things, limitations on additional debt, and defined amounts related to the Company's total debt to EBITDA, equity to assets ratio, and debt service coverage ratio.

The Company has a $3 million line of credit established with CoBank. There were no outstanding balances on the line of credit as of December 31, 2014 or 2013.

Note 7 – Income Taxes

The components of the consolidated provision for income taxes are as follows for the years ended December 31:

	2014	2013
Current	$ 695,707	$ 744,438
Deferred	697,300	(340,577)
	$ 1,393,007	$ 403,861

Note 7 – Income Taxes (continued)

Total tax expense differs from that computed at the statutory federal income tax rate due to the following:

	2014	2013
Income tax provision at federal rate of 34%	$ 1,419,077	$ 609,898
State income taxes, net of federal benefit	233,872	100,515
Permanent items	(194,752)	(157,974)
Other	(65,190)	(148,578)
Provision for income taxes	$ 1,393,007	$ 403,861

The components of the deferred tax (assets) and liabilities as of December 31 are as follows:

	2014	2013
Current deferred tax (asset) liability		
Allowance for bad debt	$ (14,052)	$ (14,836)
Accrued employee benefits	(224,369)	(237,783)
Prepaid expenses	383,576	364,005
Net current deferred tax liability	$ 145,155	$ 111,386
Noncurrent deferred tax (asset) liability		
Tax amortization and depreciation greater than book	$ 17,222,336	$ 16,492,765
Deferred revenues and expenses	1,894,187	1,960,227
Book vs. tax basis of investments	(1,757,878)	(1,757,878)
Fair value adjustment of interest rate swap liability	(2,374,274)	(2,467,905)
Net noncurrent deferred tax liability	$ 14,984,371	$ 14,227,209

Note 8 – Employee Stock Ownership Plan and Other Benefits

AP&T maintains an employee stock ownership plan (Plan). All employees expected to work at least 1,000 hours per year become eligible to participate in the Plan upon attaining the age of 18 and completing three months of service. Participants may elect to contribute from 1% to 80% of their wages to the Plan, subject to Internal Revenue Service maximums, which can be invested in the common stock of AP&T or into other investment accounts.

The Company makes a defined matching contribution to each eligible participant's account of 5% of the participant's wages payable in Company stock. The Company also makes a profit sharing contribution where 1.52% of the prior year's earnings before interest, taxes, depreciation, and amortization (EBITDA) is paid out to the qualified Plan participants in cash.

The Plan provides that participants' interests in employer-funded contributions become fully vested after the completion of three years of service. The Plan defines a year of service as the completion of not fewer than 1,000 hours of service within the calendar year.

In 2014, employer matching contributions and discretionary contributions were $472,014 and $104,236, respectively. In 2013, employer matching contributions and profit sharing contributions were $460,723 and $256,868, respectively.

Note 9 – Business Segment Information

AP&T's electric segment provides retail and wholesale electric service including both hydro electric and diesel generation facilities in rural portions of Alaska. AP&T's telecommunications segment provides local telephone service also in rural areas of Alaska. AP&T's reportable segments are strategic business units managed separately due to their different operating and regulatory environments. The "other nonregulated" category includes the parent company and segments below the quantitative threshold for separate disclosure.

2014 (all numbers in thousands)	Regulated Electric	Regulated Telecom	Other Nonregulated	Consolidated
Operating revenue	$ 19,614	$ 14,344	$ 10,109	$ 44,067
Depreciation and amortization	3,213	2,656	998	6,867
Operating income	3,830	2,071	3,590	9,491
Interest expense	653	-	3,306	3,959
Interest income	-	-	4	4
Total fixed assets	104,612	61,669	20,062	186,343
Capital expenditure	2,013	1,700	1,190	4,903

Note 9 – Business Segment Information (continued)

2013 (all numbers in thousands)	Regulated Electric	Regulated Telecom	Other Nonregulated	Consolidated
Operating revenue	$ 20,256	$ 15,106	$ 7,748	$ 43,110
Depreciation and amortization	3,130	3,803	926	7,859
Operating income	3,096	1,469	2,558	7,123
Interest expense	583	-	3,019	3,602
Interest income	-	-	3	3
Total fixed assets	98,987	58,799	18,800	176,586
Capital expenditure	2,034	1,465	3,925	7,424

Note 10 – Other Assets

Other assets consist of the following at December 31:

	2014	2013
Deferred loan origination fees	$ 620,643	$ 692,256
Miscellaneous regulatory assets - power	835,902	505,060
Other	458,525	455,471
	$ 1,915,070	$ 1,652,787

The deferred loan origination fees are related to the note payable to CoBank and are being amortized on a straight-line basis over the ten-year life of the note.

Note 11 – Asset Acquisition

Effective, August 22, 2014, the Company acquired certain assets of Gustavus Electric, Inc. (GEI) through an asset purchase agreement. The purpose of the acquisition was to provide the Company with additional power production and distribution facilities and to continue to operate the Fall Creek Hydroelectric Facility, which is an electrical generational utility that provides electric services to customers in the Gustavus, Alaska, area. The total consideration transferred was $2,935,632, which consisted of the following:

	Consideration Transferred to Prior Owners
Cash paid to prior owners	$ 2,400,177
Working capital adjustment	535,455
Total consideration transferred	$ 2,935,632

The transaction was accounted for as a business combination in accordance with Accounting Standards Codification 805, *Business Combinations*, which requires the basis of the assets acquired and liabilities assumed to be recorded at their respective fair values at the acquisition date with certain exceptions. The fair value determination of assets and liabilities recorded are those of management.

The following table summarizes the estimated fair values of the net assets acquired:

Accounts receivable	$ 73,408
Fuel, supplies, and other inventory	3,943
Electric plant under construction	2,963,042
Total identifiable assets	3,040,393
Customer advances for construction	50,042
Customer deposits and advance billings	4,719
Accrued taxes and expenses	50,000
Total identifiable liabilities	104,761
Net assets acquired	$ 2,935,632

IN MEMORIAM

Remembering the Life and Contributions of
JIM ODER
1958 – 2015

NOTICE TO STOCKHOLDERS

Notice To Stockholders:

The annual meeting will be held on Thursday, May 21, 2015 at Fort Worden Commons, 201 Battery Way, Port Townsend, Washington at 10:00am; with the Board of Directors Meeting following.

This annual report was produced by: Mark McCready, Scott Stenehjem, Jessie Elizabeth, and Sandy Hershelman

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Disclaimer:

The narrative descriptions of the Company's activities within this annual report contain certain forward-looking statements that involve risks and uncertainties. When used in this annual report, the words "anticipates," "believes," "estimates," "expects," and similar expressions are intended to identify such forward-looking statements. The Company's actual results, performance or achievements could differ materially from the results expressed in or implied by these forward-looking statements.

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