AP&T

2024 ANNUAL REPORT

Photo Credit: AP&T Team

TECHNOLOGY THAT REACHES THROUGH TOUGH TERRAIN

Life in southeast Alaska is truly "nothing but net."

Photo Credit: Jeremy Barry of North Creative™

2024 CHARITABLE GIVING

A COMMITMENT TO COMMUNITY

On behalf of the Charitable Contributions Committee & Fund, AP&T is proud to announce the following funding disbursements in 2024:

Craig Parent Teacher Student Association
Craig, Alaska

Prince of Wales Island Food Bank
Craig, Alaska

Boys & Girls Club of Metlakatla
Metlakatla, Alaska

The Salvation Army
Haines, Alaska

Haines Little League
Haines, Alaska

Southeast Alaska Independent Living
Haines, Alaska

Juneau Arts & Humanities Council
Juneau, Alaska

Ketchikan Community Foundation
Ketchikan, Alaska

Craig Church of God
Craig, Alaska

Ketchikan Wellness Coalition
Ketchikan, Alaska

Haines Hot Shots
Haines, Alaska

Becky's Place Haven of Hope
Haines, Alaska

Helping Hands Food Bank
Tok, Alaska

First Presbyterian Church
Skagway, Alaska

Petersburg Little League
Petersburg, Alaska

$55,000 Grand Total

Learn how you can apply today at: **APTalaska.com/community-giving/**

2024 BUSINESS OF THE YEAR

AWARDED TO

ALASKA POWER & TELEPHONE COMPANY

FOR EXTRAORDINARY LEADERSHIP
AND INVESTMENT IN INNOVATIVE
PROJECTS IN SOUTHEAST ALASKA

PRESENTED BY
SOUTHEAST CONFERENCE

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CHAIR'S MESSAGE TO SHAREHOLDERS

Robert B. Engel
Chair / Independent Director

The pace at Alaska Power & Telephone has always been brisk, driven by the commitment and pride of our employee-owners to provide safe, affordable, and reliable energy, telecommunications, and broadband services to communities throughout Alaska. To say the pace of the Company accelerated in 2024 is a significant understatement, and quite frankly, it couldn't have come much later for a board and leadership team that has felt the sense of urgency for a transformation at AP&T.

Since I became Chair and have had the privilege to share an annual message with you, I have spoken of the headwinds, volatility, and uncertainties created by macro geopolitical, governmental, economic, monetary, and technological forces which have continued unabated. We can now add to that list the highest level of concern we have ever experienced around the continuation of vital governmental support for rural telecom and broadband providers such as AP&T. Our power, telecommunications and broadband businesses have had to respond to these headwinds and many more that are closer to home.

Beyond the specific and formidable challenges unique to operating in Alaska - including our specific service territory, small and stagnant community populations and difficult operating environments - we face the proliferation of ever-increasing competition for our telecommunications and broadband services from new technologies and government grants to new service providers. And, unique to AP&T are highly concentrated and unusually large ESOP repurchase obligations for terminated employees. These challenges must be met head-on through the decisive strategic leadership of our Board of Directors, the day-to-day vision and leadership of our CEO, the unwavering commitment of our employee-owners, the loyalty of the customers and communities we serve, our partnerships with key governmental agencies, and the support of our non-employee shareholders. I am proud to share that the entire team is doing a great job!

We are incredibly appreciative to all for their contributions. Yet, even with all stakeholders pulling in the same direction, it is far from enough to transform an operating and financial model that does not create the future value we desire for all our shareholders nor the future opportunities we desire for our employees. Transformation involves making changes to things that while not broken, require a new approach for a quickly evolving business, such as the appointment by the board of an independent trustee for the ESOP. We are especially grateful to Louisa James for her leadership as the ESOP Trustee Committee (ETC) Chair through this transition, as well as trustees Darren Belisle, Jason Custer, Steve Kramer, and Kyle Sorensen. We also want to sincerely thank Danny Gonce for his contributions as a director, whose prior experience as ETC Chair was invaluable for helping guide the board's governance of the ESOP and encourage establishing a committee to better educate our employees on the value of ownership. Just as we did in 2024 to welcome Bill Marks as our new CEO, we must continually and closely examine the pieces of the puzzle that are necessary to execute something very few companies have done successfully – create a new future through transformation while remaining true to their mission and values!

The creation of Sealink Networks, Inc., which will develop a campus-style cable landing station for subsea cables in Westport, Washington, and AP&T's ongoing majority ownership will change the face and reputation of AP&T in meaningfully positive ways, making us an even greater contributor to the future of Alaska, the communities we serve and beyond. AP&T is uniquely qualified and strongly positioned for this project, including an executive team and board of directors that have come together at the right time and in the right place to put us in a position to transform the future of AP&T and create that future value for our shareholders and opportunities for our employee-owners we all strive to deliver.

With thoughtful adherence to their fiduciary responsibility, the AP&T directors continue to advance good governance practices with an appreciation for safeguarding the best interests of our many varied stakeholders. Beyond that, they have given of themselves to join with Bill and our executive team to envision a future that few might have anticipated. There is much work in front of all of us, but the commitment and excitement are palpable and will continue to drive a furious pace at AP&T on behalf of all our stakeholders. We are grateful for the invaluable service that our employee-trustees have provided to the ESOP over our history and welcome their ongoing commitment to serve an important role as ambassadors of employee-owners with our employee-owners, as we welcome our new independent trustee, Argent, to provide the level of necessary expertise and support to our employee-owners, which is vital to a new AP&T.

We are moving forward into another year of service to our stakeholders, fortified by the opportunity to build an exceptionally strong financial position to support our strength of purpose and a resounding commitment to Alaska and the customers and communities we proudly serve.

A MESSAGE FROM THE CEO

William Marks,
President / CEO

It has been just over a year since taking the helm at Alaska Power & Telephone Company (AP&T). I was hired by the Board of Directors to assess and implement necessary changes to our business to ensure its long-term success. Quickly it became clear that AP&T has challenges that are especially acute for critical infrastructure providers in Alaska. In addition, we are experiencing heavy broadband competition from satellite providers that are eroding our business. Finally, there is significant uncertainty around continued government support that our business models depend upon, which we have little to no control over. Our company desperately needed to tackle these challenges head-on.

It is imperative that we focus on the issues where we can effect positive change and closely track the areas outside of our control. To that end, we have directed our attention towards cost-control through process change and efficiency, fighting the competition, and looking for new ways to create revenue and ensure the company's financial strength.

2024 was "the year of change" at AP&T. The company was in desperate need to update processes and is now tracking to become a more efficient and cost-effective operation. Change is always difficult, but it was especially hard for an organization that has fundamentally been operating the same way for the last six decades. Management worked tirelessly to communicate the need for implementing changes in an effort to create consensus and adoption by the employee-owners and customers. To measure the effectiveness of these new processes, we introduced Key Performance Indicators (KPIs) for each department that focused on important departmental elements and tied those KPIs to performance bonuses. We encouraged the organization to embrace the theme of "One AP&T." Historically, AP&T operated the power business unit separately from the telecom business unit. Today, through local management realignment, we operate as one company with more efficiency, which is critical in our remote operational environment.

AP&T and every other rural telecommunication company in the United States is feeling the impact of competition from Low Earth Orbit (LEO) satellite internet providers. Their economies of scale, loss-leader pricing, lower cost of operations due to an absence of technical and customer support, and global coverage footprint allows them to offer a very low-cost service in rural Alaska. LEO-based services cannot approach the performance characteristics of fiber and are inadequate for many use cases. Still, satellite providers are slowly eroding not only our consumer business, but also our enterprise business. We have implemented new and more competitive pricing plans to slow down the erosion.

Last year and continuing into 2025, the uncertainty surrounding government support programs for rural telephone and broadband service presents the highest risk to our company. Today, AP&T's customers receive the benefit of over $10 million per year in cost support from both State of Alaska and Federal programs. The Universal Service Fund (USF) is the largest source of support. The USF program collects a surcharge from urban and suburban broadband and telephone customers, then redistributes funds to rural providers to ensure customers receive similar levels of service with comparable pricing. As detailed in the corporate development report, the US Supreme Court is reviewing a split circuit court decision to determine whether the FCC's implementation of USF violates the non-delegation clause of the constitution. Needless-to-say, the loss of USF support would be devastating to AP&T, its customers, and every other rural carrier in the country. We have actively been voicing our concern to Alaska's U.S. Senators and Congressman and also the FCC, all of whom are in favor of keeping USF. It is also important to point out that many of our carrier customers (GCI and ACS) also rely on these support mechanisms and their loss would directly impact our carrier business.

It is difficult to find growth opportunities in our Alaska markets, which are experiencing long-term population decline. We also must focus on opportunities that align with our core competencies, which are power and fiber-backed broadband. With this in mind, AP&T announced in January its majority ownership interest in Sealink Networks, Inc. (SNI).

Today, Alaska connects to the lower 48 and the rest of the world through four aging subsea fibers that have less than five years of expected life before failure. Our company is perfectly situated, geographically and strategically, to build a new subsea fiber system that will replace these aging systems. We formed SNI to build a new subsea fiber cable from our existing cable landing site in Ketchikan, AK to Westport, WA, thus creating a new link for all of Alaska's existing and aging subsea fiber systems. Also in Westport, WA, we will provide the first and only cable landing stations on the outer coast of Washington for hyper-scalers coming from Asia. Finally, we will provide terrestrial backhaul for these systems to the I-5 corridor and the west coast fiber optic grid that will provide a new route and important connectivity for the next 25-30 years. This opportunity aligns perfectly with our core competencies: subsea and terrestrial fiber installation and operation; beach landing and cable landing station construction; and highly resilient small-scale power generation. AP&T is an industry leader in all these categories. Our newly installed subsea fiber system along with the cable landing stations and backhaul will assure a continued high quality of service to communities we serve in Alaska and provide a significant economic contribution to AP&T for decades to come.

Our goals for 2025 are to continue to become better and more efficient; fight the competition, and forge ahead in SNI's endeavors so we can position ourselves for financial sustainability and enduring shareholder returns. AP&T has incredible employee-owners that make our company a great place to work and a profitable company for its shareholders.

INTRODUCING SEALINK NETWORKS, INC.

Sealink Networks' 'Project Trident' is going to be the first project to ever open up the outer coast of Washington State with landing site infrastructure to support subsea fiber optic cables in the Pacific. This project is not only a hallmark opportunity for AP&T but is a hallmark project for the City of Westport, Grays Harbor County, the State of Washington, as well as the region and the customers that this infrastructure will serve. Some of the biggest company names developing subsea fiber optic cable infrastructure in the Asia-Pacific and Alaska-Pacific markets are actively pursuing how they can land cables with Sealink Networks. And with the strong support of local, state and federal agencies, as well as the customers we will serve, we are excited to usher in a new era of digital communications infrastructure in the Pacific Northwest and beyond.

AP&T was able to identify Westport, Washington and the creation of Sealink Networks as an opportunity due to the proactive planning of the next Alaska-Lower 48 subsea cable system, which is a critical link for the State of Alaska, as well as being timely and necessary to replace current aging infrastructure. AP&T has seen an opportunity to lead the effort in developing the next cable to the lower 48 to ensure broadband resilience for the State of Alaska into the future. We are uniquely positioned with our new southeast Alaska fiber infrastructure to support such a cable from our existing Ketchikan landing to Sealink's Westport landing location. This pairing of initiatives is extremely complimentary and will allow AP&T to elevate itself to the forefront of the Alaska and regional telecommunications market.

HUMAN RESOURCES

Christina Hamlin,
VP / Chief Human Resource Officer

Over the past several years AP&T has experienced a significant surge of retirements, with many employees having dedicated 20, 30, 40+ years to the company. These individuals have invaluable institutional knowledge, and it became essential that we evaluate and strategize succession planning. To effectively reorganize AP&T, we focused on decluttering, establishing clear workflows, automating tasks, creating, documenting procedures, and utilizing management tools to streamline operations and improve efficiency. With a clear goal of aligning authority and responsibility, we embarked on this transformative journey.

Transitioning AP&T involved guiding individuals, teams, and the entire organization from the current state to the desired future state; this required planning, communication, and support, with efforts to minimize disruption and maximize employee engagement.

There is no doubt that change management is tough. Our plan was a thoughtful approach. We implemented change through careful planning and reinforced the changes throughout the company, in our business strategy, processes, structures, and behaviors.

We identified how we operate within the constraints of current business operations with a keen eye on the future of AP&T. To enhance workflow, we merged departments with overlapping functions, fostered collaboration, and established clear communication channels to streamline processes and improve efficiency.

Prince of Wales Island. AP&T's employee-owners get to live, work, and play in one of the most beautiful locations in America.

The real heroes of 2024 are the employee-owners.

AP&T leadership continues to engage employees by hosting monthly "All-Hands Employee-Owners" meetings. We also hold "Town Hall" meetings within each operation. By offering continuous two-way communication, maintaining transparency, and encouraging open dialogue, we successfully engaged our employees and continue to receive their active involvement.

In 2024, we conducted two employee surveys to gather feedback on our performance. This initiative will continue into 2025 as part of our ongoing efforts to engage with our employee-owners and improve AP&T's operations.

Empowering our employees is important to the leadership of the company and recognizing the individual and team contributions is paramount. With many retirements came opportunities. Employees are filling vacancies, advancing their careers, developing new skills, and obtaining upward mobility.

Over the past 66 years, time and time again, AP&T employee-owners have come through during periods of transition – this past year was no different.

The real heroes of 2024 are the employee-owners dedicated to their work, to each other, and to the company's bright future. Thank you for fostering a positive atmosphere and a thriving, productive environment.

TELECOM DIVISION

Zachary Layman, Executive VP / COO Telecom

The telecom division experienced another year of significant construction across Alaska as we work together to transform our infrastructure from copper to fiber. Despite facing typical challenges, 2024 was marked by significant milestones and strategic accomplishments, demonstrating our unwavering commitment to local communities and excellence in the services we provide.

Community Infrastructure and Broadband

2024 saw the completion of fiber to the home (FTTH) buildouts in Coffman Cove and Tetlin, upgrading these communities to 100% fiber-fed service. It is rewarding to see all the hard work culminate in communities being well served today, and fully prepared for the future of broadband. These fiber networks can deliver bandwidth beyond our current imagination and eliminate the digital disadvantage often faced by rural America.

FTTH projects were started or continued in the following communities:

- Craig
- Petersburg
- Haines
- Tok
- Klawock (ReConnect SEALink South Project)
- Wrangell

Local crews did a fantastic job staying focused on construction throughout the year, working hard to keep projects moving forward as much as the weather would allow. A relatively mild winter in southeast Alaska allowed construction to continue most of the winter, despite plenty of wind, rain and snow. Our crews deserve our thanks for their ongoing hard work in those conditions.

Competition

AP&T has reduced customer churn with new broadband tiers introduced at the beginning of the year, along with increased sales and marketing activity in coordination with ongoing fiber. However, competitive pressures continue to pose challenges.

AP&T crews work hard to build and maintain southeast Alaska's premier fiber-fed network.

In contrast to other telecom providers, AP&T often stands out as the only option with local employees who can provide customer service and on-site technical support. This is especially important for the most vulnerable members of our served communities. The company is dedicated to maintaining local employees who, in turn, support other community services. We are deeply grateful to our loyal customers who recognize the value of our local crews and continue to support AP&T.

AP&T's employees work tirelessly each day to improve our products and engage more effectively with customers. AP&T reviews service offerings regularly and has various ongoing sales and marketing initiatives.

> *We are deeply grateful to our loyal customers who recognize the value of our local crews and continue to support AP&T.*

Regulatory Impacts on the Telecom Operation

AP&T's inclusion in the Alaska Connect Fund (ACF), discussed in the Corporate Development report, will play a significant role in supporting the company's efforts to build and maintain an up-to-date network in the communities we serve. We plan to connect more than 95% of the homes in the communities we serve with fiber.

We continue to invest in our infrastructure as FTTH is essential to providing the levels of service that our customers demand, which cannot be provided by other technologies. Ongoing support from the Universal Service Fund (USF) is crucial to AP&T's ability to continue investing in and maintaining these networks, which bring critical broadband infrastructure to rural Alaska.

USF support is essential for both wireline and wireless carriers purchasing transport from AP&T, as well as the schools, libraries, and healthcare facilities in our communities. Our USF support ensures that we can maintain high-capacity, reliable networks and provide affordable service to the communities we serve.

Key Strategic Accomplishment

The telecom division's most significant achievement in 2024 was the successful completion of the SEALink South subsea cable project in early November, an initiative funded in part by USDA. This approximately 101-mile project utilized an existing beach landing in Coffman Cove and established new cable landings in Hollis and Ketchikan, with terrestrial fiber extending from the landing sites to the respective central offices. Local community buildouts included in the grant are progressing well in Klawock, with Craig and Hollis following closely. The subsea portion of this project completes a new fiber optic cable between Juneau and Ketchikan, providing critical redundancy to Prince of Wales Island and all other communities along its route, including Ketchikan and Juneau. The cable was temporarily activated in December 2024 with limited bandwidth. The remaining transport equipment was received in early 2024, and full activation, which will provide redundant 100 Gbps of transport between Ketchikan and Juneau, is expected in the first quarter of 2025. This project epitomizes what makes AP&T a remarkable company. Employees across the organization worked tirelessly on project design, permitting, procurement, scheduling, and implementation. The dedication and talent of local crews hanging, burying, and splicing fiber while collaborating with a variety of excellent contractors for permitting, surveying, beach landing buildouts, subsea cable installation, and other critical tasks, was truly inspiring. Agency support and cooperation during pre-construction processes were also crucial to completing this project in 2024. We are excited to see how this new cable will be used to serve Alaska in the coming decades.

AP&T continues to adapt and grow in the ever-changing telecom industry. This is a testament to the resilience and innovation of AP&T's hard-working employee-owners, and we are thrilled to be leading the way in transforming broadband infrastructure in remote Alaska.

"We are thrilled to be leading the way in transforming broadband infrastructure in remote Alaska."

AP&T employees are glad to reach new heights to provide exceptional service to the customers who depend upon us.

AP&T continues to rely upon helicopter-based operations to construct and maintain critical infrastructure in Alaska's most remote and difficult-to-reach locations.

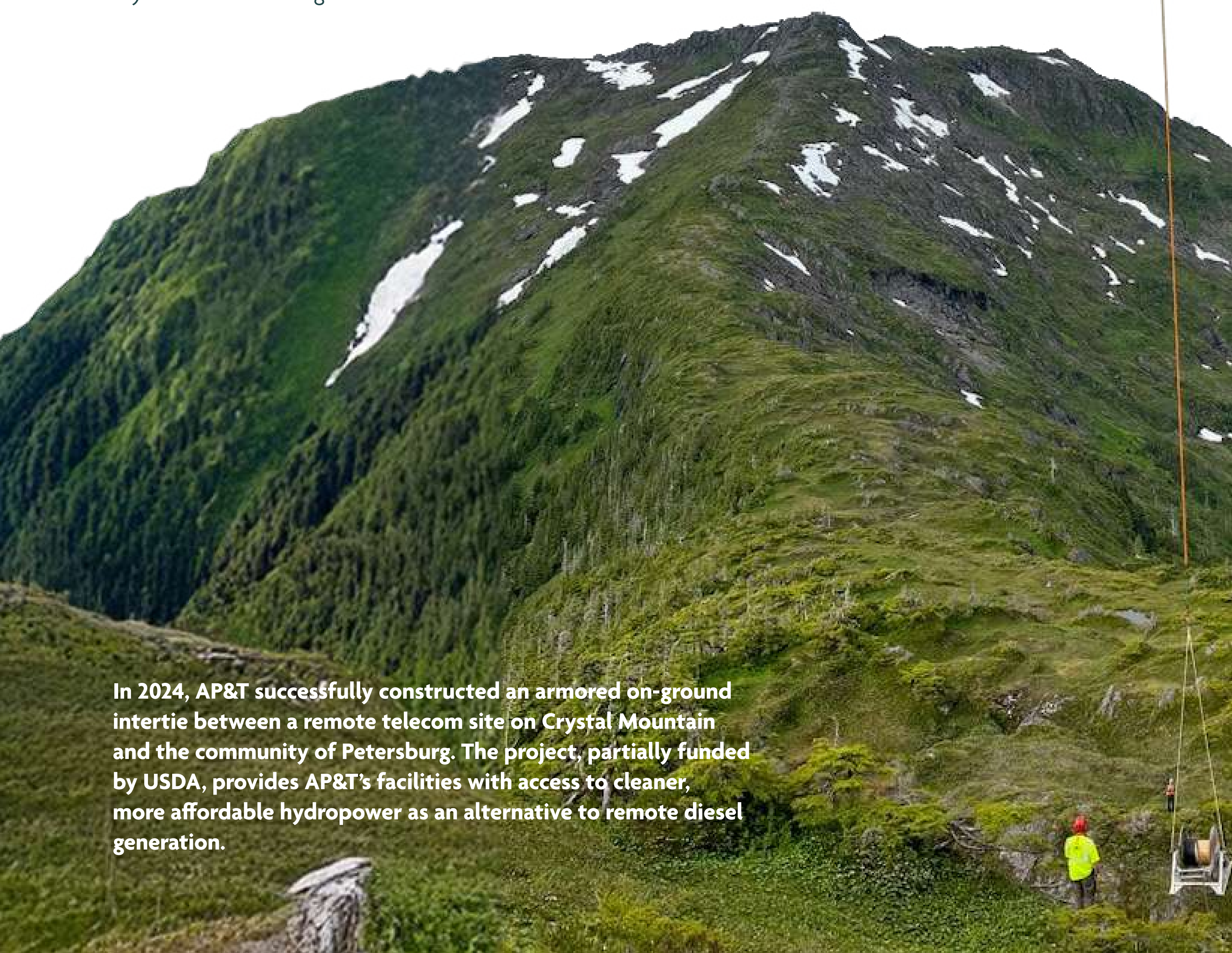
Photo Credit: AP&T Team

POWER DIVISION

Jeffrey Rice,
Executive VP / COO Energy

As usual, our beautiful and rugged state provided our employees and leaders with challenges to overcome.

In the summer of 2024, we experienced a drought in our Prince of Wales Island area requiring increasing diesel use. Throughout August the POW electrical system was almost completely on diesel power. This stretched our operations crews as they worked to fuel and deal with engine breakdowns in a situation with very little room for error. It highlighted that our load and hydro capacities have outpaced reliable diesel capacity, as high-speed diesels were used to provide short term backup. The power division is pursuing options to add more reliable, possibly medium-speed diesel generation units as a backbone to rely on in future droughts.



In 2024, AP&T successfully constructed an armored on-ground intertie between a remote telecom site on Crystal Mountain and the community of Petersburg. The project, partially funded by USDA, provides AP&T's facilities with access to cleaner, more affordable hydropower as an alternative to remote diesel generation.

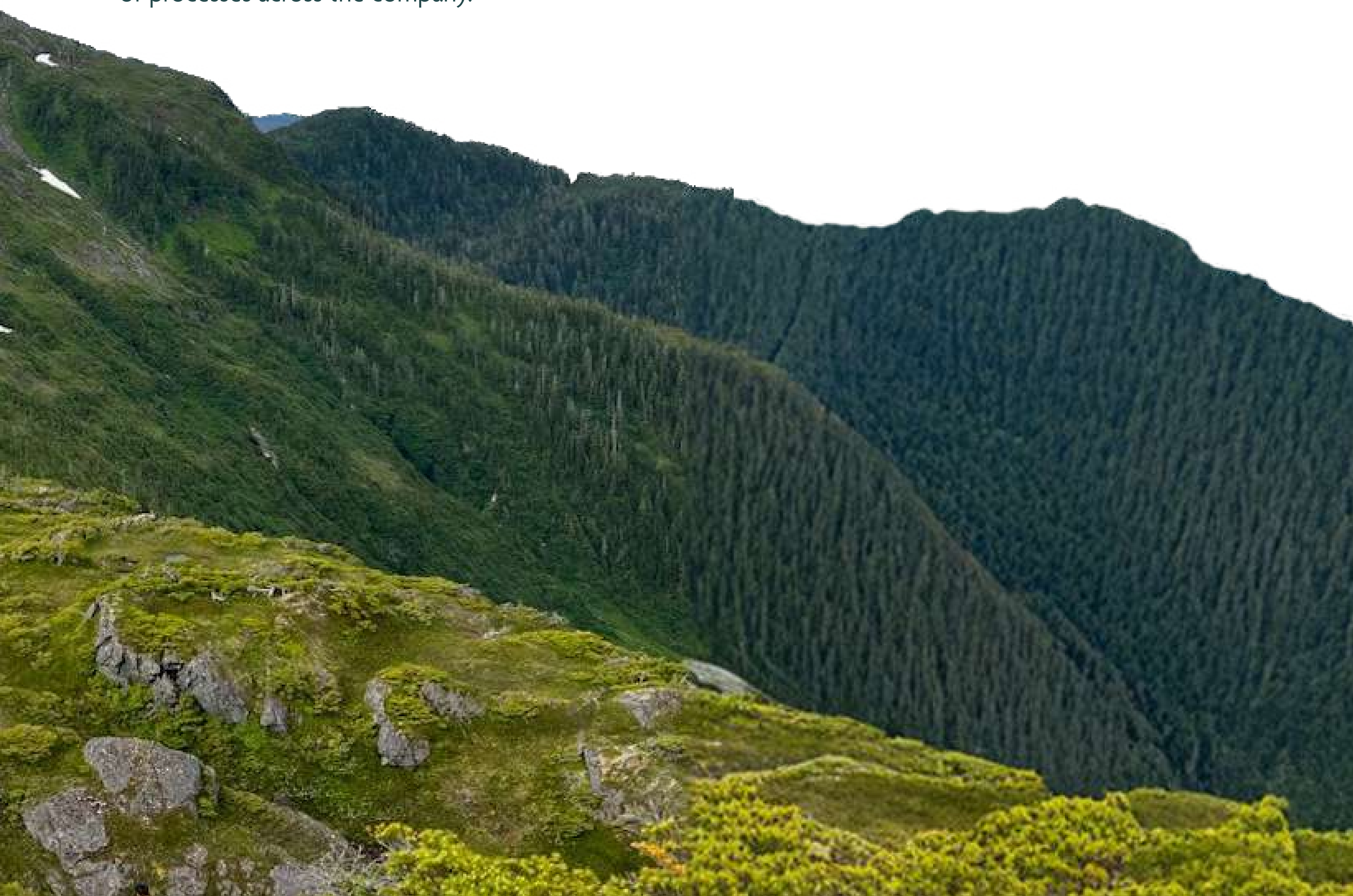
On the other side of the seasonal spectrum, access to our served villages from the Tok service center continues increasing in difficulty. Although 2024 ended well, rivers and lakes took longer to freeze and

the support to open roads and in commercial air service was lagging. We have been actively increasing fuel storage, further automating plants and making plans for fully metering to decrease these villages' reliance on the timely arrival of outside labor and supplies. Our experienced and hardworking crews in this service area are often quietly keeping various conditions from evolving into emergencies.

The joint venture Híilangaay hydro plant received a major upgrade to solve a history of frequent turbine breakdowns since its startup in 2021. In early 2024, the unit exciter end was rebuilt to correct an alignment problem from its original manufacture. After this repair, the unit has met our high expectations for hydroelectric generation reliability. When this increased reliability is combined with the growing load in the region, the future looks brighter for Híilangaay than ever before.

Across properties the intake of customers and initiation of construction had been performed with methods growing out of local needs and traditions. We recently harmonized, updated and simplified our easement process for new customer line extensions. This step-by-step approach removed a pain point for customers and our crews while ensuring we have legal protection for utility infrastructure on privately-owned property.

Fleet, Customer Service and Admin departments have all been working diligently on projects to transition from paper-based processes to digital processes supported by software tools already owned by AP&T. This has created greater document visibility, enabled time savings and efficiencies, and encouraged alignment of processes across the company.



Some new technologies are making us excited for the year ahead, too.

Our Gustavus and Upper Lynn Canal crews pioneered installation of a next generation of Automated Metering System in Gustavus. This went extremely well, partially because of the diligent metering audits performed in Gustavus and a high performing project team. A metering system from the same manufacturer based on radio frequency promising more economical operation in our smaller communities is planned for installation in Allakaket and Bettles. These systems have longer life cycles and more flexibility, for a lower lifetime cost per meter.

At the False Island plant, crews finished construction and commissioning of a second diesel unit, making False Island the largest diesel plant in Prince of Wales with a prime rating of over 3,500kW. This unit was vital in providing the backbone of diesel operations during the summer drought.

Under the guidance of regulatory affairs, our Alaska Power Company (APC) rate case completed successfully, and Goat Lake Hydro (GLH) filed a rate case to recover investments in the new Skagway to Kasidaya Hydro submarine cable commissioned in 2023. Time of use was added as an option for our customers to encourage reduction of peak loads and increase renewable energy as a percentage of delivered power.

This last year we began using a phone system connecting our customers with customer service agents across Alaska. But it isn't the technology that makes the gears turn; it is people throughout the company driving positive change. Kay Ackerman and Samantha Carson both accepted new positions to lead newly-formed Customer Service Departments and Administrative Departments. Both have worked hard to realize a vision of these departments as companywide teams spread across Alaska serving all, rather than regionally-focused teams. These two managers have been at the forefront of an effort to create an AP&T that is more resilient and can meet challenges in the years ahead; an effort joined by many others in the company. Likewise, our new fleet superintendent, Elliot Durr, has furthered improvements to fleet operations begun by his predecessor Carl Schwegel. We recognize the lasting impact of Carl's contributions across AP&T and honor his memory on page 72.

AP&T operates in isolated regions with many unique challenges and difficulties unknown to similar companies across the US. Our organization thrives only through our hard-working, adaptable and team-oriented employees. The care that these employees extend to one another and members of their communities is what brings truth to our motto of being an employee-owned, community-minded company.

Thank you to all that have made that motto more than just text below a logo; you inspire us all.

CORPORATE DEVELOPMENT

Jason Custer, CMA, PMP
VP / Corporate Development

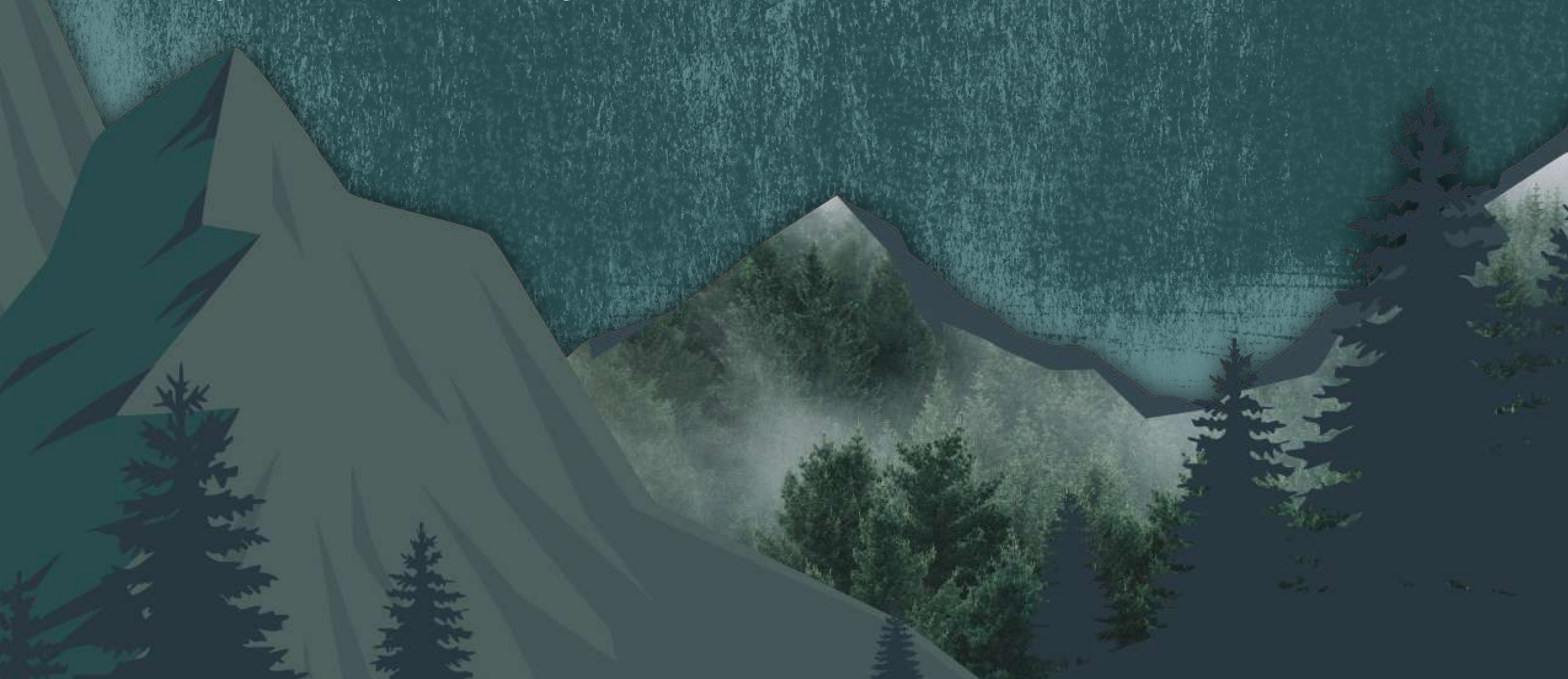
Transformation for Future Growth

2024 marked a year of transformation at AP&T, beginning with the selection of visionary industry leader Bill Marks as the company's new CEO. AP&T relocated its corporate headquarters to Ketchikan, Alaska and sold its Port Townsend Washington-based office building. AP&T uplisted to the Pink Sheets Current Information tier - an upgrade reflecting the company's dedication to providing shareholders with timely information about financial performance on a transparent and reliable basis. Significantly, AP&T won the Southeast Conference Business of the Year award – the region's most prestigious private business award - which recognized AP&T's "extraordinary leadership and investment in innovative projects in Southeast Alaska."

Building on that track record of innovation, AP&T recently announced its majority ownership in a new venture, Sealink Networks, Inc. (SNI). SNI's first project is development of a submarine cable landing site in Westport, Washington, which will accommodate new submarine cables required by companies in Alaska and other locations. Global commerce has become increasingly dependent upon submarine fiber optic cables for transport of data, and many existing cables are reaching the end of their useful service lives, particularly in Alaska. As these assets age, their risk of failure increases, as evidenced in recent community-wide telecom outages experienced by other companies in Juneau and Sitka. SNI offers an exciting opportunity for AP&T to apply its core competencies in submarine cable infrastructure development in new locations outside of its existing geographical footprint.

The Alaska Connect Fund

AP&T's business model is dependent upon support from the Universal Service Fund (USF) – a federal program that equalizes the cost of essential telecom services between rural and urban locations. AP&T received USF support via the Revised ACAM program, set to expire in 2028. The successor program, Enhanced ACAM,



was a poor fit for Alaska and would have been economically detrimental to AP&T. For over a year, AP&T petitioned the FCC to transition to a new program called the Alaska Connect Fund (ACF) and provided extensive comments regarding the types of program features and support required by Alaska providers. In November of 2024 AP&T received FCC approval to switch to the ACF program, which is now providing the company ten more years of reliable revenue equal to AP&T's previous level of support, plus an additional 30% recognizing cost-increases over the prior decade. The ACF order does not require AP&T to make new infrastructure investments or increase speed or performance requirements within the next four years. After four years, the FCC will conduct a review to determine whether providers need further budget adjustments to maintain and improve services into the future. AP&T's new ACF support ensures that it is well positioned to maintain sustainable services in years to come.

Yet the drama surrounding USF is not over. The US Supreme Court is now pondering whether the USF program violates the nondelegation doctrine of the US Constitution, to resolve a split between circuit courts. (One circuit court found the USF program to be unconstitutional while two others did not.) There is also a possibility US Congress will act directly to resolve the uncertainty and preserve the program. Meanwhile, FCC Chairman Brendan Carr has prioritized USF contribution reform that would require big tech companies profiting from video streaming to contribute to the program, which holds promise to strengthen USF long-term.

Use of Grant Programs

The 2017 Tax Cuts and Jobs Act made grants taxable as ordinary income. Initially this change did not impact AP&T's telecom division because 100% bonus depreciation neutralized grant-related taxes. However, in 2022 bonus depreciation began "phasing out" at a rate of 20% per year, making grants taxable and adversely impacting AP&T's ability to apply for new telecom grants. AP&T's energy division has never had the benefit of bonus depreciation and has faced challenges applying for grants since 2017.

To navigate this issue, AP&T forms creative partnerships and works closely with community and regional non-profits to access grant funds for the benefit of ratepayers in its service areas. New grants to AP&T and community partners in 2024 included the following:

- $38.6m to SE Conference to install 6,100 heat pumps throughout southeast and coastal Alaska, including several hundred in AP&T's service areas.
- $8.7m in grants to establish Tribal Affordability Programs that prepay AP&T to provide its top tier residential and business services to the members of six different tribes over four years.
- $4.2m to Spruce Root to install 240 heat pumps in AP&T's Prince of Wales service area.
- $161,881 – Haida Energy Section 242 Incentive Payment.
- $157,606 – Goat Lake Hydro Improvements – in partnership with Chilkoot Indian Association.

- $115,925 – Crystal Mountain Microwave Site Electrical Intertie.
- $112,291 – Black Bear Lake Hydro Efficiency Improvements.
- $20,000 – Heat Pump Incentive Grant – in partnership with City of Gustavus.

At the time of writing, AP&T had various grant applications pending, including for a battery energy storage system (BESS) on Prince of Wales, refurbishments to the Goat Lake hydropower project, and planning work for an approximate three-foot reservoir increase at Goat Lake hydro. Unfortunately, the issue of taxes on grants caused AP&T to turn down opportunities to apply for over $50m in funding for rural infrastructure projects in 2024. The "Tax Treatment of Broadband Grants Act" (recently re-introduced in the Senate) or the President's proposed reauthorization of 100% bonus depreciation would fix this problem for telecom projects, but not for hydropower and transmission projects.

Power Cost Equalization

The State of Alaska's Power Cost Equalization (PCE) program – an endowment of approximately $1 billion – continues to help buy down the cost of rural electricity to levels approximating energy costs in Anchorage and Fairbanks. Not only does the PCE program remain robust, the Alaska legislature has increased the level of PCE support residential customers receive from 500 to 750 kWh per month. This has given consumers the added confidence needed to install heat pumps and use clean grid power for home heating. PCE largely mitigates the impacts that rate increases have upon AP&T's residential customers. Yet it also limits the benefits that are produced by initiatives seeking to lower energy costs. AP&T is hopeful that new grant-funded investments in the Anchorage/Fairbanks region will improve the PCE calculation and the benefits its rural ratepayers receive long-term.

Incentives

AP&T continues to maintain incentives for electric vehicles, EV chargers, heat pumps (with a matching incentive for Sealaska shareholders) and e-bikes. AP&T also recently implemented optional Time of Use (TOU) rates; a feature requested by consumers and approved in its recent rate case. Programs such as these help consumers make wise choices about energy use while increasing utilization of clean hydropower. AP&T initiated a new "Starlink buyback" promotion and is purchasing equipment from customers that wish to switch back to AP&T's faster and more reliable broadband services.

Economic Overview

Alaska is a natural resource-based state with a boom or bust economy. The recent high price of gold bodes well for the mining sector, including Sundance Mining on Prince of Wales and the new Mahn Cho mine near Tok. A newly established cruise ship port in Klawock holds promise to make Prince of Wales a significant new destination for visitors. Alaska's seafood sector has suffered from low prices brought about by a glut of Russian products dumped on the market. Regional organizations are working to build a mariculture (kelp / shellfish farming) industry in southeast Alaska, but transporting products to external markets at competitive prices is challenging.

> ***AP&T forms creative partnerships and works closely with community and regional non-profits to access grant funds for the benefit of ratepayers in its service areas.***

AP&T's Sealink network bridges the gap between land and sea; the newest chapter in a 125-year history of submarine cables in rural Alaska.

Alaska's remaining forestry industry is small and has limited access to economically viable timber due to federal land management policy. Meanwhile, China has halted its imports of US logs, some of which come from Prince of Wales Island. However, demand for US timber has grown significantly, with prices at a two-and-a-half year high. Rare earth elements, a major focus of US strategic defense and foreign policy, are found in concentrated quantities near some of AP&T's service areas. Limited availability of housing in AP&T's service areas poses constraints to economic growth in all sectors, while also creating opportunities for developers. Alaska is more dependent on federal funding and jobs than any other state and is likely to feel significant impacts from federal downsizing.

While the future is always uncertain, there is one thing you can count upon; come what may, AP&T is positioned to continue growing the benefits it provides to communities and shareholders alike by addressing Alaska's infrastructure challenges head-on.

> ***"AP&T is positioned to continue growing the benefits it provides to communities and shareholders alike by addressing Alaska's infrastructure challenges head-on."***

Service Area Map

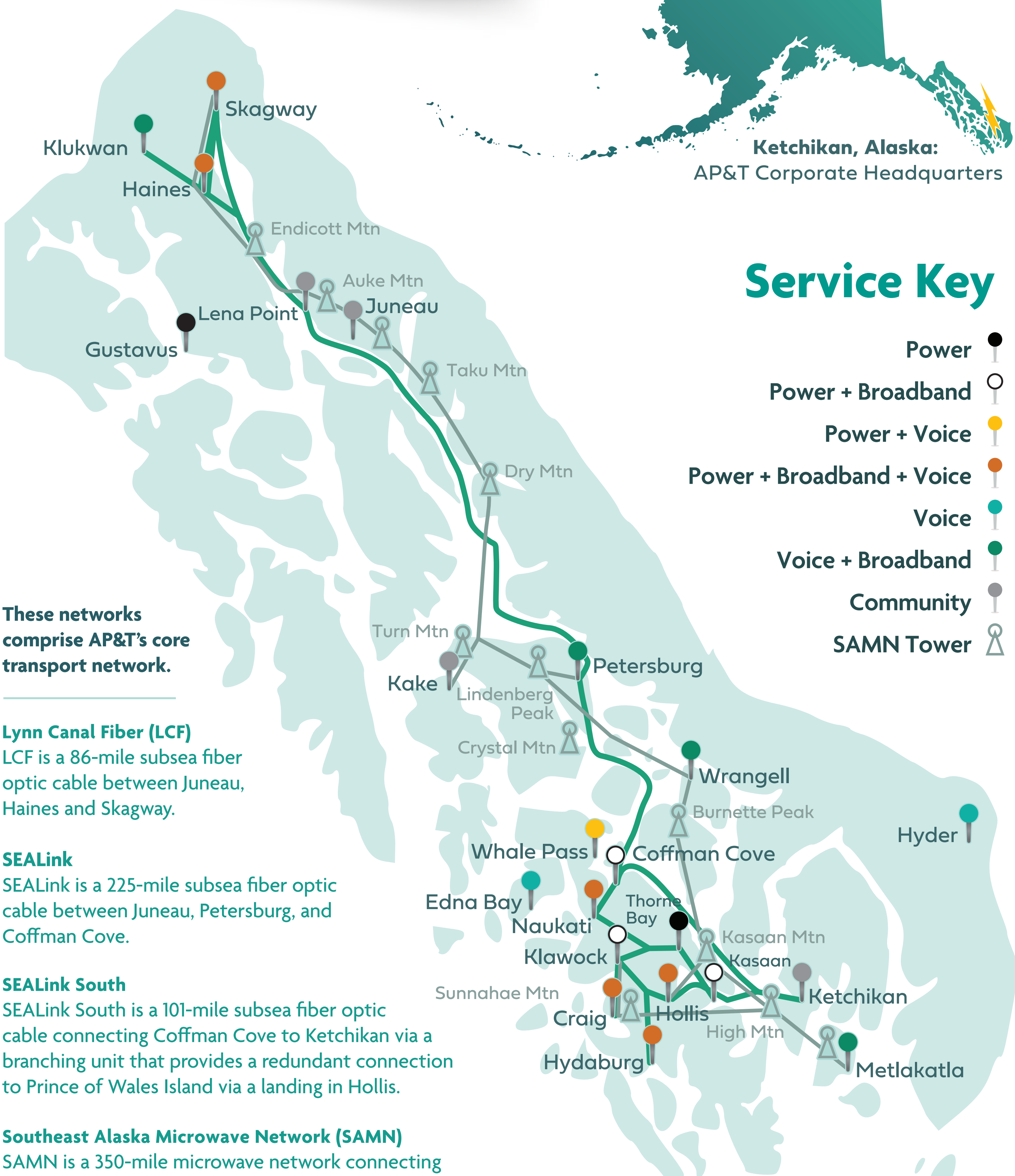
Microwave Link

Fiber Optic Cable

Approximate geographical location is a depiction that includes both AP&T-owned and -leased assets.

AP&T's service areas span from the Arctic Circle to southeast Alaska.
This is the equivalent of the distance between Seattle and Denver; approximately 1,100 miles. AP&T's energy generation portfolio is approximately 75% clean, renewable hydropower-based, and 25% fossil fuel-based.

COMMUNICATION NETWORKS IN SOUTHEAST ALASKA



These networks comprise AP&T's core transport network.

Lynn Canal Fiber (LCF)
LCF is a 86-mile subsea fiber optic cable between Juneau, Haines and Skagway.

SEALink
SEALink is a 225-mile subsea fiber optic cable between Juneau, Petersburg, and Coffman Cove.

SEALink South
SEALink South is a 101-mile subsea fiber optic cable connecting Coffman Cove to Ketchikan via a branching unit that provides a redundant connection to Prince of Wales Island via a landing in Hollis.

Southeast Alaska Microwave Network (SAMN)
SAMN is a 350-mile microwave network connecting various communities between Skagway and Metlakatla.

ALASKA POWER & TELEPHONE COMPANY

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

The management discussion and analysis of financial conditions and results highlights that Alaska Power & Telephone (AP&T) is in a solid financial position due to many of the successes noted in the CEO's message.

Company Overview

AP&T, through its subsidiaries, delivers strong and consistent shareholder returns by being an innovative leader in the energy and telecommunications industries. AP&T is organized geographically, in Alaska, along the energy and telecommunications business lines. Approximately 57% of consolidated operating income is generated from telecom services, 38% from energy, and 5% from other. Total net plant in service, as of the end of 2024, was composed of 47% in the energy sector, 49% in the telecommunications sector, and 4% other. We anticipate this ratio between the sectors to continue as AP&T completes the USDA grant funded projects.

As noted in the COO's messages, AP&T accomplished many projects in 2024. The Company achieved several major milestones in the telecommunication sector. AP&T completed the SEALink South subsea cable installation, 75% funded by USDA. This project established a new cable landing in Hollis and Ketchikan. The subsea portion completes a new fiber optic cable between Juneau and Ketchikan which is critical for redundancy to Prince of Wales Island. The local community buildouts included in the grant are progressing in Klawock, with Hollis and Craig following. Telecommunications also completed the fiber to the home (FTTH) buildouts in Coffman Cove and Tetlin, upgrading these communities to 100% fiber-fed service.

In 2024, the Company achieved a significant milestone in the energy sector with the rebuild of the Híilangaay hydro plant unit exciter. This repair along with the increasing regional load growth has significantly improved this project's financial forecast. The power division also completed installing a next generation automated metering system in Gustavus with planned 2025 installations in Allakaket and Bettles, lowering future operational costs through fewer visits to these remote communities. A critical investment in the False Island increasing diesel plant capacity from 1100kW to 3600kW and was completed in 2024. Continued investment in the energy sector ensures AP&T is positioned to deliver cost effective, reliable service to the communities well into the future.

Consolidated Results of Operations

Total revenue from all operations during 2024 was $64.7 million, an increase of $459 thousand from the previous year. Net Income for the year increased to $6.5 million from $6.1 million in 2023, an increase of $366 thousand. The primary source of this change was due to an increase in the rates for energy in the wholly owned subsidiary Alaska Power Company. Operating expense was $41.5 million in 2024 and $41.2 million in 2023, a modest increase of $243 thousand, reflecting cost control. Depreciation was $13 million in 2024 and $12.5 million in 2023, an increase of $521 thousand due to significant investments in infrastructure through grants. Interest expense of $3.3 million in 2024 and $3.5 million in 2023 was a small decrease of $136 thousand, due to overall net reduction in debt.

The Company generated $23.8 million of cash from operations and invested $25 million into property plant and equipment, net of grant funds. Total long-term debt (including the current portion) decreased by $4.4 million to a total of $65.9 million as of December 31, 2024. Stockholder's equity increased by $2.9 million to a total of $75.5 million, giving AP&T an equity to capitalization ratio of 53.4%, an increase of 2.6%. Total dividends to shareholders declared during the year were $2.1 million. Based on a weighted average of 1,200,644 million shares, the Company generated earnings per share of $5.43.

Operations by Segment

Energy Operations – Total 2024 sales for energy operations were 78.7 GWh, an increase of 1.9% from the previous year's results. Hydroelectric resources, available for use, provided 61 GWh of generation, a 1% decrease from the previous year. Gross revenue generated by energy operations was $29.5 million, a 4.6% increase from 2023. Year-over-year kWh sales in Haines decreased .1%, Skagway and Gustavus increased by 5.8% and 12.7%, respectively. Sales on Prince of Wales Island increased by .4% and the Tok region increased by 1.4%. Total operating expenses for the year decreased by $314 thousand, or 1.5%. Depreciation increased to $4.8 million, or 9.7%. As a result, operating income for the year increased 45.6% to $3.8 million, vs. $2.6 million the prior year. Energy sales have continued to improve across our service areas due to improvements in the economy. Additionally, the Regulatory Commission of Alaska approved a rate increase of 17.86% as part of the Company's rate filings.

Telecommunications Operations – Gross revenues for regulated and non-regulated telecommunications operations were $34.3 million, a decrease of $833 thousand or 2.4% from 2023. A sizable portion of the decrease in revenues was due to negative NECA pooling. The Company will exit the NECA pool effective July 2025 and will have its own tariff going forward. Operating expenses increased $705 thousand, or 3.5%. Depreciation expense increased by $106 thousand, or 1.4%, due to the significant investment in telecom infrastructure partially funded with grants. The telecom operating income decreased 21.9% to $5.8 million, vs. $7.5 million the prior year. In 2025, the Company will receive a 30% increase in their Alaska Connect Fund (ACF) support, representing a $2.3 million increase year-over-year. Telecommunications continues to experience increased market competition and price compression with Low Earth Orbit (LEO) satellites. However, new pricing and marketing strategies have stabilized customer churn.

Other Operations – Other operations are AP&T's shared costs to subsidiaries and contract services to operate and maintain Haida Energy's hydroelectric facility, Híilangaay.

Other Income and Expense

AP&T receives patronage-based dividends from CoBank, its primary lender. CoBank's 2024 patronage was 1.15% of AP&T's average outstanding loan balances. The Company recorded patronage dividends of $474 thousand for 2024, and $677 thousand for 2023. The Company updated accounting accrual for patronage which resulted in $325 thousand patronage paid for 2024 being recorded as revenue in fiscal year 2025.

The Company routinely re-evaluates the functionality and viability of its various assets. AP&T moved its headquarters from Port Townsend, WA to Ketchikan, AK and sold the Port Townsend office building. This resulted in $855 thousand of other income for 2024.

Accounting Policies and Estimates

The preparation of the Company's financial statements in conformity with generally accepted accounting principles (GAAP) requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The Company's critical accounting policies and estimates have not changed significantly from December 31, 2023. See Note 1 "The Company and Summary of Significant Accounting Policies" in the Company's 2024 Audit Report.

Financial Condition

During 2024, AP&T's investment in gross plant in service increased by $24.3 million or 8% to a total of $328 million. 79% of the additions were directed towards the telecommunications sector as the Company leveraged grants to expand its reach and ability to provide high speed broadband to its customers. Telecommunication-related construction focused on new installations, service upgrades and additional transport facilities (subsea and terrestrial) necessary to fulfil our grant award objectives and improve service to our customers while meeting the requirements for the Company's participation in the Alternate Connect America Cost Model (ACAM). 25% of the additions related to energy facilities. A substantial portion of those funds were used to invest in automated metering systems which will lower future operational costs, and a second diesel unit at False Island.

Current assets decreased $8.5 million year-over-year, due to large grant reimbursements and tax receivables at the end of 2023, which were received in 2024. Inventory and other current assets decreased by $703 thousand.

Total stockholders' equity increased by 3.9% or $2.9 million after a reduction of $2.1 million in declared dividends to shareholders. Common stock transactions led to a decrease of 2.4% or 25,264 in shares outstanding. Long-term interest-bearing liabilities at year-end 2024 were $65.9 million, a decrease of 6.3% or $4.4 million.

Liquidity and Capital Resources

Operating Activities – Cash flows provided by ongoing operating activities during 2024 increased by $11.9 million or 101% to a total of $23.8 million. The fluctuations in cash flow from operating activities are derived from our operating performance as well as from changes in current assets and current liabilities. 2023 year-end had several large accounts receivable balances related to grant reimbursements and tax refunds, which were received in 2024. The timing of these receivables resulted in a larger operating cash flow in 2024.

Investing Activities – Cash used for the acquisition of plant during 2024 was $25 million, an increase of $4.6 million, or 22.7% over the previous year. The increase is a result of the timing of projects related to the ReConnect grants. The Company received, in grants, $7.1 million and $3.4 million in 2024 and 2023, respectively. The Company's obligations under the grant award include a 25 percent matching requirement and a commitment to finish the project in five years.

Financing Activities – The Company did not issue any new debt in 2024 but raised $25 million in proceeds in 2023. The outstanding balance on the Company's line of credit was increased by $6.4 million. $1.6 million of cash was used to settle stock transactions with the Company's Employee Stock Ownership Program (ESOP) during the year, down $774 thousand from 2023. Cash payments of dividends decreased by $507 thousand, or 18%, to a total of $2.3 million. Net cash used from financing activities during 2024 was $2.1 million, a decrease of $12.6 million year-over-year. AP&T ended the year with $1.8 million of cash on hand, a $3.3 million decrease from the previous year.

Grant Obligations – During 2024 the Company continued to progress on SEALink ReConnect 2 and SEALink South ReConnect 3 projects related to the USDA awards. The Company received from USDA reimbursement of $7.7 million for both projects in 2024. The Company expects to complete the SEALink ReConnect 2 and SEALink South ReConnect 3 projects in 2025 and 2028, respectively. The ReConnect grant awards require a matching capital investment obligation over the five-year construction cycle. The Company spent $1.4 million during 2024 on the SEALink project. The Company spent $11.6 million during 2024 (year 1) on the SEALink South project. The total estimated capital outlay for the remaining four years beginning 2025 is $1.1 million; 2026 is $1.4 million; 2027 is $450k and 2028 is $750k. These estimated capital outlays include the companies 25% matching requirement which are invested throughout the projects. This schedule may change as these projects evolve.

Sustainability and ESG Initiatives

AP&T values sustainability ensuring the well-being of our employees, our customers, our communities, our investors, our earth, and our corporation for both present and future generations. We continue to expand projects as good stewards of the land that support environmental quality such as regional decarbonization, beneficial electrification, and wise use of local renewable energy resources. In 2024, the Company started the design to integrate Tanana Chiefs Conference's planned 1MW solar array and battery into the Tok grid.

We work hard to keep our customers' trust and continued investing in the health and welfare of our employees and the Alaskan communities we call home. Our social efforts include providing a safe work environment, increasing network reliability, investing in cybersecurity to protect customer and corporate data, giving back to communities through charitable contributions, maintaining a collaborative work environment, and partnering with tribal organizations. In 2024, the Company donated $35 thousand to organizations across our serving area supporting community outreach. We continue to work with tribal organizations in the interior for cooperative development renewables.

Our governance practices ensure transparency and accountability. Our seven-member board, which includes five independent directors, oversees the strategy and operation of the Company, aided by the work of four standing committees: Audit & Risk, Governance & Nominating, Human Capital & Compensation, and Strategic. Each committee is comprised of independent directors. The AP&T directors collectively honor the employee-owned and community-minded company culture and are committed to effective governance, active review, and continual improvement. Across the Company, we continue to raise the bar for how we provide services to communities, opportunities for employees, and value for stakeholders.

Issues, Risks and Challenges

There will always be risks and challenges facing a business. AP&T has adopted an Enterprise Risk Management (ERM) framework to assist in the appropriate identification, reporting and planning related to the various risks assumed by the Company. These include the effects and uncertainties of future events, some of which have been identified below:

- Reliance on government subsidies to our regulated energy and telecommunications customers could be affected by judicial rulings, legislative or regulatory changes.
- Changes in the Federal and State economic environment could have a negative impact resulting in decreases in existing revenues or increasing costs restricting opportunities for future growth.
- The fundamental strength of AP&T is rooted in our ownership structure as an employee-owned organization. Our employee shareholders demonstrate the alignment and commitment that is necessary for us to fulfill our mission of providing vital services and products to our customers in our service territory. Our ability to continue to source highly skilled new employees, especially those needed to replace retiring employees, will be critical to our future success.
- Deterioration in the financial condition of AP&T could result in the violation of the financial covenants of its Master Loan Agreement with CoBank, causing a default in the terms of the Agreement.
- Risks related to our operations include failure to comply with existing processes, policies and procedures designed to optimize business operations; unexpected changes in compliance regulations; political, legal, and economic instability; seasonal factors affecting hydrology; the impact of unanticipated changes in weather, or weather-related disasters, and unforeseen adverse tax consequences.
- Other risks include existing competition from alternate service providers using disruptive / technologies such as LEO satellites and new competitors subsidized with federal grant funds. Loss of customers through competition impacts both regulated and non-regulated telecom segments and the end user and carrier revenues.

William Marks
CEO, President

Wanda Tankersley
CFO

As of 2024, AP&T is proudly headquartered in Alaska's "1st City," Ketchikan, Alaska.

5 Year Summary

$ Expressed in thousands except per share data

	2020	2021	2022	2023	2024
Operating Results					
Operating Income					
Electric Services	$ 4,538	$ 4,885	$ 4,576	$ 2,630	$ 3,829
Telecommunications	8,604	8,313	8,044	7,488	5,845
Other	689	557	349	378	518
Total Operating Income	$ 13,831	$ 13,755	$ 12,969	$ 10,496	$ 10,192
Total Operating Margin	25.0%	21.7%	21.0%	16.3%	15.8%
Cash Flow from Operations	$ 13,208	$ 19,251	$ 20,206	$ 11,816	$ 23,754
Net Income	$ 8,740	$ 12,852	$ 9,017	$ 6,148	$ 6,514
Earnings (loss) per Share - Basic	$ 6.94	$ 10.27	$ 7.23	$ 5.01	$ 5.43
Financial Position					
Total Capitalization	$ 91,974	$ 104,135	$ 124,909	$ 143,003	$ 141,446
Weighted-Average Shares Outstanding	1,259,089	1,251,812	1,246,438	1,227,985	1,200,644
Book Value per Share - Basic	$ 44.34	$ 52.77	$ 57.66	$ 59.90	$ 63.59
Share Price per Valuation	$ 74.14	$ 82.73	$ 79.51	$ 73.53	TBD
Key Ratios					
Cash from Operations/Revenue	23.8%	30.4%	32.7%	18.4%	36.7%
EBITDA	$ 22,909	$ 28,132	$ 24,812	$ 24,059	$ 24,467
EBITDA / Revenue	41.3%	44.4%	40.2%	37.5%	37.8%
Debt / Capitalization	39.6%	36.6%	42.6%	49.2%	46.6%
Equity / Capitalization	60.4%	63.4%	57.4%	50.8%	53.4%
Return on Assets	7.0%	9.4%	5.2%	3.2%	3.2%
Return on Equity	15.7%	19.5%	12.6%	8.5%	8.6%
Dividends Declared / Share	$ 1.92	$ 2.13	$ 2.39	$ 2.26	$ 1.57

Life in southeast Alaska is filled with moments of reflection.

Photo Credit: Jeremy Barry of North Creative™

Report of Independent Auditors
and Consolidated Financial Statements

**Alaska Power & Telephone Company
and Subsidiaries**

December 31, 2024 and 2023

MOSSADAMS

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Report of Independent Auditors

The Board of Directors
Alaska Power & Telephone Company and Subsidiaries

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Alaska Power & Telephone Company and Subsidiaries, which comprise the consolidated balance sheets as of December 31, 2024 and 2023, 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.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Alaska Power & Telephone Company and Subsidiaries as of December 31, 2024 and 2023, 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.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Alaska Power & Telephone Company and Subsidiaries and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaska Power & Telephone Company and Subsidiaries' ability to continue as a going concern within one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Alaska Power & Telephone Company and Subsidiaries' internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Alaska Power & Telephone Company and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Moss Adams LLP

Spokane, Washington
March 28, 2025

Consolidated Financial Statements

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
ASSETS		
PROPERTY, PLANT, AND EQUIPMENT		
Electric	$ 155,409,252	$ 149,256,644
Telecommunications	163,193,735	143,998,715
Nonutility	9,635,526	10,729,546
Property, plant, and equipment, gross	328,238,513	303,984,905
Less accumulated depreciation and amortization	176,864,861	166,526,538
Subtotal	151,373,652	137,458,367
Utility plant under construction	15,978,093	10,900,863
Total property, plant, and equipment, net	167,351,745	148,359,230
OTHER ASSETS		
Investments	5,151,659	4,966,588
Rate stabilization asset	3,840,946	4,169,909
Operating lease right-of-use asset	2,093,277	2,360,678
Other assets	3,972,021	3,779,694
Total other assets	15,057,903	15,276,869
CURRENT ASSETS		
Cash and cash equivalents	1,801,151	5,127,569
Receivables, net of allowance for credit losses of $26,976 in 2024 and $25,151 in 2023	6,389,818	12,306,469
Inventory and other current assets	10,832,445	10,129,480
Income tax refunds receivable	9,465	-
Total current assets	19,032,879	27,563,518
Total assets	$ 201,442,527	$ 191,199,617

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Balance Sheets
December 31, 2024 and 2023

	2024	2023
LIABILITIES AND STOCKHOLDERS' EQUITY		
STOCKHOLDERS' EQUITY		
Common stock, $1 par value, 10,000,000 shares authorized, 1,188,012 and 1,213,276 shares issued and outstanding in 2024 and 2023, respectively	$ 1,188,012	$ 1,213,276
Additional paid-in capital	63,979	-
Retained earnings	74,292,489	71,460,132
Accumulated other comprehensive income	-	1,019
Total stockholders' equity	75,544,480	72,674,427
LONG-TERM DEBT, less current portion and unamortized loan fees	60,849,444	65,961,305
OTHER LIABILITIES AND DEFERRED CREDITS		
Deferred income taxes	17,322,304	15,854,422
Noncurrent operating lease liability	1,739,905	1,980,713
Deferred revenue	21,723,596	15,904,342
Other deferred credits	1,264,568	1,234,558
Total other liabilities and deferred credits	42,050,373	34,974,035
CURRENT LIABILITIES		
Accounts payable and other accrued liabilities	8,136,567	8,375,071
Line of credit	8,254,904	1,869,179
Income taxes payable	-	1,815,527
Current deferred revenues	1,200,000	778,415
Current portion of long-term debt	5,053,387	4,367,912
Current operating lease liability	353,372	383,746
Total current liabilities	22,998,230	17,589,850
Total liabilities and stockholders' equity	$ 201,442,527	$ 191,199,617

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Statements of Income
Years Ended December 31, 2024 and 2023

	2024	2023
REVENUE		
Electric	$ 29,536,409	$ 28,230,884
Telecommunications	34,263,110	35,095,929
Other	864,876	877,656
	64,664,395	64,204,469
EXPENSES		
Electric	20,945,813	21,259,834
Telecommunications	20,625,953	19,920,817
Other	(104,152)	43,003
Operations and maintenance expense	41,467,614	41,223,654
Depreciation and amortization expense	13,005,099	12,484,091
	54,472,713	53,707,745
Income from operations	10,191,682	10,496,724
OTHER INCOME (EXPENSE)		
Dividend income	482,966	686,373
Amortization of goodwill	-	(60,811)
Miscellaneous income (expense)	788,020	(5,944)
Total other income	1,270,986	619,618
Interest income	141,126	5,202
Interest expense	(3,343,374)	(3,081,980)
Net interest expense	(3,202,248)	(3,076,778)
Income before income taxes	8,260,420	8,039,564
PROVISION FOR INCOME TAXES	(1,746,057)	(1,891,629)
Net income	$ 6,514,363	$ 6,147,935
BASIC AND DILUTED EARNINGS PER SHARE	$ 5.43	$ 5.01
WEIGHTED-AVERAGE BASIC AND DILUTED SHARES OUTSTANDING	1,200,644	1,227,985

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2024 and 2023

	2024	2023
NET INCOME	$ 6,514,363	$ 6,147,935
OTHER COMPREHENSIVE INCOME BEFORE TAX		
Fair value adjustment to interest rate swap	-	1,847
Income tax related to fair value adjustment to interest rate swap liability	-	(511)
	-	1,336
Comprehensive income	$ 6,514,363	$ 6,149,271

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2024 and 2023

	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total
BALANCE, December 31, 2022	$ 1,242,694	$ 438,455	$ 69,969,193	$ (317)	$ 71,650,025
Net income	-	-	6,147,935	-	6,147,935
Sale of common stock	22,879	1,869,875	-	-	1,892,754
Repurchase of common stock	(52,297)	(2,308,330)	(1,869,991)	-	(4,230,618)
Fair value adjustment to interest rate swap, net of tax	-	-	-	1,336	1,336
Dividends to shareholders	-	-	(2,787,005)	-	(2,787,005)
BALANCE, December 31, 2023	1,213,276	-	71,460,132	1,019	72,674,427
Net income	-	-	6,514,363	-	6,514,363
Sale of common stock	27,087	1,582,859	-	-	1,609,946
Repurchase of common stock	(52,351)	(1,518,880)	(1,602,811)	-	(3,174,042)
Fair value adjustment to interest rate swap, net of tax	-	-	-	(1,019)	(1,019)
Dividends to shareholders	-	-	(2,079,195)	-	(2,079,195)
BALANCE, December 31, 2024	$ 1,188,012	$ 63,979	$ 74,292,489	$ -	$ 75,544,480

See accompanying notes.

Alaska Power & Telephone Company and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 6,514,363	$ 6,147,935
Adjustments to reconcile net income to net cash from operating activities		
Depreciation and amortization	13,005,099	12,514,675
Amortization of loan issuance costs	167,642	64,062
Noncash patronage dividends	(6,091)	(172,205)
Deferred income taxes	1,467,882	(1,106,598)
Recognition of deferred revenue	(907,636)	(1,002,101)
Accretion of rate stabilization asset	328,963	280,600
Changes in assets and liabilities		
Receivables	5,916,651	(1,968,581)
Income taxes	(1,824,992)	2,145,192
Other assets and liabilities	(907,801)	(5,087,349)
Net cash from operating activities	23,754,080	11,815,630
CASH FLOWS FROM INVESTING ACTIVITIES		
Acquisitions of property, plant, and equipment	(33,157,614)	(24,323,170)
Proceeds from sale of property, plant, and equipment	1,160,000	-
Grant funding received	7,148,475	3,434,279
Purchases of investments	(178,980)	(157,033)
Proceeds from investments	-	642,299
Net cash used in investing activities	(25,028,119)	(20,403,625)

See accompanying notes.

Alaska Power & Telephone Company
and Subsidiaries
Consolidated Statements of Cash Flows
Years Ended December 31, 2024 and 2023

	2024	2023
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	$ -	$ 24,873,783
Proceeds from line of credit	53,256,061	63,815,391
Payments on line of credit	(46,870,336)	(65,109,630)
Payments on long-term debt	(4,594,028)	(7,867,243)
Proceeds from sale of common stock	1,609,946	1,892,754
Repurchase of common stock	(3,174,042)	(4,230,618)
Dividends paid	(2,279,980)	(2,787,005)
Net cash (used in) from financing activities	(2,052,379)	10,587,432
NET CHANGE IN CASH AND CASH EQUIVALENTS	(3,326,418)	1,999,437
CASH AND CASH EQUIVALENTS, beginning of the year	5,127,569	3,128,132
CASH AND CASH EQUIVALENTS, end of the year	$ 1,801,151	$ 5,127,569
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash paid during the year for		
Interest expense	$ 4,643,561	$ 3,183,818
Income taxes	$ 2,103,000	$ 852,150
Cash paid during the year for operating leases	$ 386,612	$ 386,612
Operating right-of-use assets obtained in exchange for new operating lease liabilities	$ -	$ 300,805
NONCASH INVESTING AND FINANCING ACTIVITIES		
Accrued dividends payable	$ 466,294	$ 667,079

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. Alaska Telephone Company, as subsidiary of AP&T, is subject to regulation by the Regulatory Commission of Alaska (RCA) and the Federal Communications Commission (FCC). Alaska Power Company, BBL Hydro, Inc., Goat Lake Hydro, and Gustavus Utility Service Inc. subsidiaries of AP&T, are subject to regulation by the Regulatory Commission of Alaska and the Federal Energy Regulatory Commission (Commissions) with respect to rates for service and maintenance of its accounting records. AP&T's accounting policies are in accordance with 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.

During 2024, the Company formed a wholly owned subsidiary, Sealink Networks, Inc., with the purpose of developing a new cable landing station on the West Coast and associated long haul transport. During 2024, the Company incurred $2.5 million in costs building the network, which is recorded on the balance sheets in utility plant under construction. The Company expects these costs to increase in future periods as the buildout of the network continues to expand. The buildout of this network is referred to as Project Trident.

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.; and its wholly owned telecommunications subsidiaries, Alaska Telephone Company, AP&T Long Distance, Inc., AP&T Wireless, Inc., Bettles Telephone, Inc., North Country Telephone, Inc., Gustavus Utility Service Inc., and Sealink Networks, 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 consolidated financial statements in accordance 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 consolidated 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 certain investments, unbilled revenue, costs to complete construction contracts, 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.

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. The Company minimizes this risk by utilizing numerous financial institutions for deposits of cash funds.

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 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.

Fuel, supplies, and other inventory – Fuel, supplies, and other inventory are valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis for fuel, average cost for supplies, and other inventory. 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 materials, 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.

The cost of current repairs and maintenance is charged to expense, while the cost of betterments are 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.

Customer advances for construction – 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. If an advance is in excess of customer construction costs, the Company records it as non-operating income as an excess contribution in aid of construction.

Goodwill – Between 1995 and 1997, AP&T 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 $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 10 years. Total amortization expense related to goodwill for the years ended December 31, 2024 and 2023, was $0 and $60,811, respectively.

As of December 31, 2024 and 2023, the carrying amount of goodwill was $0.

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 book vs. tax differences, accrued employee benefits, and the fair value adjustment on the interest rate swap. 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, 2024 and 2023, the Company had no accrued amounts related to uncertain tax positions. Interest and penalties, if any, are recorded as interest expense and other expense, respectively.

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 $1,264,568 and $1,233,383 at December 31, 2024 and 2023, respectively.

Revenue recognition – electric – The Company utilizes cycle billing and records revenue billed to its customers when the meters are read each month. In addition, the Company recognizes unbilled revenue, revenues from electric power delivered but not yet billed. Revenue is recognized when obligations under the terms of a contract with customers are satisfied. Generally, this satisfaction of performance obligations and transfer of control occurs, and revenues are recognized as electricity is delivered to customers, including any services provided. The prices charged, and amount of consideration the Company receives in exchange for its goods and services provided, are established through a formal rate case process and approved by the state of Alaska and the calculation of the cost of power adjustment through the state of Alaska tariff. The Company recognizes revenue through the following steps: i) identifying the contract with the customer; ii) identifying the performance obligations in the contract; iii) determining the transaction price; iv) allocating the transaction price to the performance obligations; and v) recognizing revenue when or as each performance obligation is satisfied.

Revenue recognition – telecommunications – The Company provides local telephone, network access and long-distance, and Internet to end user and enterprise customers within its geographic footprint. The majority of the Company's end user customer revenue is based on month-to-month contracts, while larger enterprise customers have contracts with defined terms of service that can range from one to five years.

The Company recognizes revenue for services as it provides the applicable service or when control of a product is transferred. Recognition of certain payments received in advance of services provided is deferred until the service is provided i.e., when the Company satisfies its performance obligation.

Customer contracts that include both equipment and services are evaluated to determine whether performance obligations are separable. If the performance obligations are deemed separable and separate earnings process exists, the total transaction price with the customer is allocated to each performance obligation based on the relative standalone selling price of the separate performance obligation. The standalone selling price is the price charged to similar customers for the individual services or equipment.

Local telephone and Internet are recognized over the period a customer is connected to the network. These services are generally billed in advance but recognized in the month that service is provided. Usage sensitive revenues such as access (revenues earned for originating/terminating long distance calls), and long distance are generally billed as a per-minute charge. Although these revenues are billed in arrears, an estimate of unbilled revenues is accrued in the month service is provided.

AP&T also receives significant universal service support revenue based on the higher costs of providing rural telecommunications service. 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 in 2024 and 2023 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, 2024 and 2023.

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 unless waived by the Regulatory Commission of Alaska. Management does not anticipate significant adjustments to recorded revenues for the years ended December 31, 2024 or 2023.

The Company's wireline and wireless universal service support revenue is intended to compensate the Company for the high cost of providing rural telephone service. Universal service support revenue includes funds received for Alternative Connect America model (A-CAM) and other miscellaneous programs. A-CAM support is based on an amount determined by the FCC, which is fixed for 10 years and requires build-out obligations be met beginning in 2023.

In 2024, the United States Court of Appeals for the Fifth Circuit found the FCC's universal service funding contribution mechanism to be unconstitutional following an appeal by Consumers' Research. This decision contrasts earlier findings to the contrary in the Sixth and Eleventh Circuits and the United States Supreme Court has subsequently granted the FCC's request for review of the split lower court decisions. The Supreme Court is expected to issue its decisions in the case no later than June 2025, the impacts of which could range from no changes to the contribution mechanism to significant changes in how the Universal Service Fund is funded. However, regardless of the outcome of this case, universal service remains a Congressional mandate and, pursuant to Section 254 of the Telecommunications Act of 1996, funding must be specific, predictable, and sufficient to preserve and advance universal service.

Regulation – telecommunications – The Company's services are subject to rate regulation as follows:

- Intrastate access revenues are regulated by the Regulatory Commission of Alaska (RCA). The FCC also has preemptive authority to regulate intrastate telecommunications services, including intrastate access rates.
- Interstate access revenues are regulated by the FCC through its regulation of rates and settlements procedures as administered by NECA.
- Universal service support revenues are administered by the Universal Service Administrative Company (USAC), based on rules established by the FCC.
- Alaska Universal Service support revenues are administered by the Alaska Universal Service Administrative Company (AUSAC), based on rules established by the RCA.

Other sources of revenues are not rate regulated and include equipment sales, directory, rents, and other incidental services.

Nonregulated expenses and nonregulated plant are directly attributable to nonregulated services.

All other operating expenses and telecommunications plant are related primarily to wireline revenues. However, some of these costs jointly relate to regulated and nonregulated services. For interstate access settlements, universal service support, rate development, and other regulatory purposes, the portion of these common costs related to nonregulated activities are removed in accordance with Part 64 of the FCC rules in order to ensure regulated revenues are based on costs of providing regulated services.

Regulation – electric – The Company's services are subject to rate regulation as follows:

- Electric revenues are subject to regulation by the RCA and the Federal Energy Regulatory Commission (FERC) with respect to rates for service and maintenance of accounting records.

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 2024 or 2023.

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.

Leases – An agreement is determined to be a lease if it conveys to the Company the right to control the use of an identified asset for a period of time in exchange for consideration. This determination is made at contract inception. For leases with a term greater than 12 months, the Company recognizes a right-of-use asset and a lease liability based on the present value of lease payments over the lease term. The discount rate applied to determine the present value of the future lease payments is based on the Company's incremental borrowing rate which is derived from recent secured borrowing arrangements entered into by the Company and publicly available information for instruments with similar terms. See Note 3 for a summary of additional disclosures.

Advertising costs – AP&T expenses advertising costs as incurred. Advertising expenses during the years ended December 31, 2024 and 2023, were $147,151 and $64,539, respectively.

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 adheres to 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 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.

- *Other current assets and liabilities* – The carrying amounts approximate fair value because of the short maturity of those instruments.

- *Investments* – Investments in nonaffiliates are not intended for resale and are not readily marketable; thus, a reasonable estimate of fair value is not practical.

- *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.

Reclassifications – Certain reclassifications have been made to the 2023 financial statements to be in accordance with the 2024 presentation. These reclassifications had no effect on net income or stockholders' equity as previously reported.

Subsequent events – Subsequent events are events or transactions that occur after the consolidated balance sheet date but before the consolidated financial statements are available to be issued. The Company recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated balance sheet, including the estimates inherent in the process of preparing the consolidated financial statements.

The Company's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated balance sheet but arose after the consolidated balance sheet date and before the consolidated financial statements are available to be issued.

The Company has evaluated subsequent events through March 28, 2025, which is the date the consolidated 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, Inc. 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 began amortizing the asset in 2022. The assets are expected to be amortized over a 10-year period.

Note 3 – Lease Agreements

The Company enters into agreements for land, land easements, buildings, equipment, pole attachments, and personal property. These assets are utilized in the provision of broadband, power generation, and telecommunications services to the Company's customers. The Company's leases have remaining lease terms ranging from 1 year to 35 years and may include one or more options to renew, which can extend the lease term from one to five years or more. The Company's leases may also include scheduled rent increases and options to extend or terminate the lease, which is included in the determination of lease payments when it is reasonably certain that the Company will exercise that option. For all asset classes, the Company does not separate lease and nonlease components, but rather accounts for the components as a single lease component. Operating lease expense is recognized on a straight-line basis over the lease term and is included in either electric, telecommunications, or other expense in the statements of income, based on the use of the facility or equipment on which rent is being paid.

Leases with a term of 12 months or less are not recognized on the balance sheet and the expense for these short-term leases is recognized on a straight-line basis over the lease term. Variable lease payments are expensed in the period incurred.

Lease expense under all operating leases amounted to approximately $386,612 and $401,540 in 2024 and 2023, respectively.

The Company's maturity analysis of lease liabilities as of December 31, 2024, is as follows:

2025	$ 353,653
2026	298,123
2027	234,138
2028	190,847
2029	119,842
Thereafter	1,845,529
Total lease payments	3,042,132
Less interest	(948,855)
Present value of lease liabilities	2,093,277
Less current obligation	(353,372)
Long-term obligation	$ 1,739,905

The weighted average remaining lease term is 16.58 years and the weighted average discount rate is 5%.

Note 4 – Property, Plant, and Equipment

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

	Plant Account	Accumulated Depreciation	2024 Net Balance	2023 Net Balance	Depreciation Rate
Electric					
Hydroelectric	$ 31,397,027	$ 15,255,920	$ 16,141,107	$ 16,639,541	2%
Other generation	37,459,238	16,996,111	20,463,127	19,526,557	4% to 8%
Transmission and distribution	64,570,822	39,490,372	25,080,450	24,069,071	2.5% to 4%
Other	19,367,088	11,414,261	7,952,827	7,556,117	2.5% to 20%
Land	822,946	-	822,946	822,947	---
Plant held for future use	614,019	-	614,019	548,538	
Utility plant acquisition adjustment	1,178,112	1,178,112	-	290	6%
	155,409,252	84,334,776	71,074,476	69,163,061	
Telecommunications					
General support assets	21,761,424	12,497,369	9,264,055	8,106,224	2.5% to 20%
Central office assets	51,650,633	41,703,497	9,947,136	11,018,595	8% to 14%
Cable and wire facilities	82,368,423	30,559,463	51,808,960	39,206,039	3% to 6%
Towers	6,930,133	4,392,690	2,537,443	2,609,746	3%
Land	483,122	-	483,122	483,122	---
	163,193,735	89,153,019	74,040,716	61,423,726	
Nonutility					
Buildings	8,250,673	3,377,066	4,873,607	5,443,917	4%
Land	1,384,853	-	1,384,853	1,427,663	---
	9,635,526	3,377,066	6,258,460	6,871,580	
Total property, plant, and equipment	$ 328,238,513	$ 176,864,861	$ 151,373,652	$ 137,458,367	

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 consolidated balance sheet date.

Note 5 – Investments

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

	2024	2023
Investment in National Bank of Cooperatives (CoBank)	$ 3,477,669	$ 3,477,669
Investment in Ketchikan Electric Company, LLC (KEC)	600,000	600,000
Investment in Haida Energy, Inc. (HE)	450,000	450,000
Other	623,990	438,919
	$ 5,151,659	$ 4,966,588

CoBank – CoBank is organized as 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 $798,702 and $677,177 for 2024 and 2023, 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 2024 and 2023.

Haida Energy, Inc. – AP&T owns a 50% share of Haida Energy, Inc. (HE), which was formed to develop, own, and operate a hydroelectric power project on Reynolds Creek in Alaska. The project was funded through a combination of grants and loans from the Alaska Energy Authority (AEA) and notes payable from the other shareholder. The Company accounts for this investment using the equity method.

Alaska Power Company (APC) entered into a power sales agreement with HE in 2015 that requires APC to purchase power from HE before diesel generation if HE has available energy. APC is required under the power purchase agreement with HEI to make the AEA principal payments, up to a maximum of $20,000,000. These payments are credited against APC purchased power from HEI. As of December 31, 2024 APC has $0 amount due from HEI as purchased power exceeded AEA payments in 2024 and is forecasted to continue. The required purchase of power begins on the earlier of the commercial operation date of the Reynolds Creek project or January 31, 2020. The hydroelectric power project became fully operational in January 2021. As a result, the construction line of credit was converted into long-term debt and, therefore, the Company was required to begin making loan payments on behalf of HE, beginning in April 2020. Because this loan is debt for HE, the Company will not carry the debt. The quarterly principal-only payments of $108,696 are to be paid by the Company throughout the life of the loan. Beginning on April 1, 2026, HE will pay interest on the loan, with interest calculated on the unpaid principal balance at the note rate unless there is a default; after a default, the applicable interest rate shall be the default rate. The Company's final payment will be due January 1, 2066, the maturity date, and is estimated to be $109,731.

Other investments largely consist of the Company's use of captive structure for workers' compensation, general liability, and auto coverages. These commenced on November 1, 2022.

Management reviews the value of these investments by evaluating if current events, future cash flows, and other circumstances indicate the fair value is less than the carrying value and has concluded that no impairment exists at December 31, 2024.

The following table represents future maximum commitments related to these investments:

Years ending December 31,	
2025	$ 434,783
2026	434,783
2027	434,783
2028	1,110,715
2029	1,117,616
Thereafter	14,402,103
	$ 17,934,783

Note 6 – Long-Term Debt

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

	2024	2023
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%. Net of unamortized issuance costs of $56,299.	$ 2,327,044	$ 3,175,913
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%. Net of unamortized issuance costs of $48,961.	1,534,372	1,857,913
Notes payable to the state of Alaska, secured by certain electric assets, with fixed interest rates ranging from 0.00% to 5.45%, maturing at various dates from 2026 through 2037.	1,412,240	1,536,269
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 4.71% at December 31, 2024. Net of unamortized issuance costs of $242,101.	10,032,899	10,594,106
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 4.56% at December 31, 2024. Net of unamortized issuance costs of $154,264.	25,783,236	28,234,416
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 7.06% at December 31, 2024. Net of unamortized issuance costs of $186,958.	24,813,040	24,760,600
Other term debt	-	170,000
	65,902,831	70,329,217
Less current portion	(5,053,387)	(4,367,912)
	$ 60,849,444	$ 65,961,305

Annual maturities for the five years beginning January 1, 2025, are $5,053,387, $5,827,089, $5,751,086, $6,354,401, and $36,587,906 respectively, and $7,018,051, thereafter.

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 income.

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 earnings before interest, taxes, depreciation, and amortization (EBITDA), equity to assets ratio, and debt service coverage ratio. The Company's interest rate swap matured in 2023 and did not have one in place as of December 31, 2024.

The Company has a $20 million line of credit established with CoBank with a variable interest rate. As of December 31, 2024 the interest rate was 6.16%. There were outstanding balances on the line of credit of $8,254,904 and $1,869,179 at December 31, 2024 and 2023, respectively. The line of credit matures in 2026.

Note 7 – Income Taxes

The components of the consolidated income tax expense are as follows for the years ended December 31:

	2024	2023
Current	$ 278,006	$ 2,998,226
Deferred	1,468,051	(1,106,597)
	$ 1,746,057	$ 1,891,629

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

	2024	2023
Income tax provision at federal rate of 21%	$ 1,734,568	$ 1,910,070
State income taxes, net of federal benefit	62,854	746,407
Permanent items	(172,495)	(249,454)
Other	121,130	(515,394)
Provision for income taxes	$ 1,746,057	$ 1,891,629

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

	2024	2023
Deferred tax asset		
Allowance for credit losses	$ (7,475)	$ (6,941)
Book vs. tax basis of investments	(340,765)	(340,765)
Other	(7,971)	-
Lease liability	(583,000)	(661,686)
Deferred revenue	(3,841,307)	(3,712,310)
Interest expense limitation	(23,965)	(38,830)
Total deferred tax assets	(4,804,483)	(4,760,532)
Deferred tax liability		
Accrued employee benefits	98,377	18,306
Prepaid expenses	41,050	57,370
Tax amortization and depreciation greater than book	20,341,609	18,663,926
ROU lease asset	583,000	660,638
Deferred expenses	1,062,751	1,214,714
Total deferred tax liabilities	22,126,787	20,614,954
Net deferred tax liability	$ 17,322,304	$ 15,854,422

The consolidated balance sheets include a total amount for income taxes receivable of $9,464 at December 31, 2024. This consists of a federal receivable and state payable of $11,986 and $2,522 respectively.

At December 31, 2024, the subsidiary corporations have interest expense carryforwards of approximately $86,000 available for federal purposes.

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 EBITDA is settled to the qualified Plan participants in cash or stock, at the boards discretion.

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. Terminated participants are provided an annual opportunity to elect a cash distribution for their ESOP AP&T shares. The distribution**, if elected,** is provided over multiple years based upon the most recent year-end independent valuation of share value.

In 2024, employer matching contributions and profit-sharing contributions were $779,401 and $365,763, respectively. In 2023, employer matching contributions and profit-sharing contributions were $751,146 and $366,201, respectively. The Plan was not leveraged as of December 31, 2024 and 2023.

Note 9 – Business Segment Information

Through December 31, 2024, the Company has the following two reportable and operating segments: (i) Electric and (ii) Telecom. AP&T's electric segment provides retail and wholesale electric service including both hydroelectric and diesel generation facilities in rural portions of Alaska. AP&T's telecommunications segment provides advanced voice and data telecommunications service 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.

Operating income is the segment measure of profit or loss reported to the chief operating decision maker for purposes of assessing the segments' performance and making capital allocation decisions. The Company believes operating income is a useful measure of its operating results as it provides relevant information to investors and other users of our financial statements in evaluating the Company's business in a manner consistent with management's evaluation of business performance. The Company's chief operating decision maker is the Chief Financial Officer.

The following tables provide information for each operating segment:

Year Ended December 31, 2024 (all numbers in thousands)	Electric	Telecom	Other	Consolidated
Revenue	$ 29,536	$ 34,263	$ 865	$ 64,664
Depreciation and amortization	4,762	7,793	450	13,005
Operating income	3,829	5,845	518	10,192
Interest expense	1,750	44	1,549	3,343
Interest income	-	-	141	141
Total fixed assets	155,409	163,194	9,635	328,238
Total accumulated depreciation	(84,335)	(89,153)	(3,377)	(176,865)
Total fixed assets, net	71,074	74,041	6,259	151,374
Capital expenditures	4,895	28,301	(38)	33,158

Year Ended December 31, 2023 (all numbers in thousands)	Electric	Telecom	Other	Consolidated
Revenue	$ 28,231	$ 35,096	$ 878	$ 64,205
Depreciation and amortization	4,341	7,687	456	12,484
Operating income	2,630	7,488	378	10,496
Interest expense	1,392	47	2,041	3,480
Interest income	-	-	5	5
Total fixed assets	149,257	143,998	10,730	303,985
Total accumulated depreciation	(80,094)	(82,575)	(3,858)	(166,527)
Total fixed assets, net	69,163	61,423	6,872	137,458
Capital expenditures	13,389	10,314	620	24,323

Note 10 – Other Assets

Other assets consist of the following at December 31:

	2024	2023
Miscellaneous regulatory assets - power	$ 2,991,712	$ 2,628,275
Related party receivable	498,719	498,719
Other	481,590	652,092
	$ 3,972,021	$ 3,779,694

Note 11 – Operating Revenue

The following table provides disaggregation of revenue from contracts with customers:

	For the Year Ended December 31, 2024		
	Total	Revenue From Contracts With Customers	Other Revenue
Electric	$ 29,536,409	$ 29,373,332	$ 163,077
Telecommunications	34,263,110	25,158,038	9,105,072
Other	864,876	798,399	66,477
	$ 64,664,395	$ 55,329,769	$ 9,334,626

	For the Year Ended December 31, 2023		
	Total	Revenue From Contracts With Customers	Other Revenue
Electric	$ 28,230,884	$ 28,089,571	$ 141,313
Telecommunications	35,095,929	24,158,166	10,937,763
Other	877,656	766,742	110,914
	$ 64,204,469	$ 53,014,479	$ 11,189,990

Telecommunications and other nonregulated revenues includes revenues received from federal and state universal service programs that are not considered revenue from contracts with customers and are specifically scoped out of ASC 606, *Revenue from Contracts with Customers* (ASC 606).

Electric revenues include revenues received from power line pole rentals, which are not considered revenue from contracts with customers and are specifically scoped out of ASC 606.

Revenue from services is recognized over time as customers receive the services. Revenue from sales of equipment or other nonrecurring services are recognized at a point in time when control of the equipment is transferred or when service is rendered. Revenues recognized at a point in time were minimal.

Contracts that generate contract liabilities include arrangements for services that are paid by the customer before services are provided such as construction services. Contract liabilities are classified as billings in excess and other deferred credits on the consolidated balance sheet.

The Company does not incur material contract fulfillment costs associated with its contracts with customers. The cost of the Company's network and related equipment, and enhancements to the network required under customer contracts, is accounted for in accordance with ASC 360, *Property, Plant and Equipment.*

Contract assets associated with contracts with customers were as follows at December 31:

	2024	2023
Contract assets		
Unbilled revenue	$ 885,378	$ 899,976

Note 12 – Grant Awards

The Company was awarded multiple grants from the Rural Utility Service (RUS) under the ReConnect Program to construct network infrastructure and connectivity for certain eligible communities and locations. The total grants awarded were $83,907,520. The grants require that the Company provide an additional $27,969,174 in matching funds related to these grants. The funding of these grants, used to reimburse the Company for its construction costs, is distributed throughout the construction project. The Company has five years from the date that funds are first made available to complete construction and once construction is complete, the Company is obligated to provide services to the participants. As of December 31, 2024, the Company has received a total of $23,649,412 in grant proceeds associated with these awards. All grant funding has been recorded as deferred revenue on the balance sheets and will be recognized as revenue over a period that aligns with the depreciable lives of the constructed assets. To date, the Company has recognized $2,067,187 in revenue, leaving a remaining balance of $21,582,225 in deferred revenue to be recognized related to ReConnect grants. The Company expects to recognize $1,200,000 in revenue related to these grants in 2025 which are classified as a current deferred revenues within the consolidated balance sheets as of December 31, 2024.

In 2022, the Company received $1,980,000 from the Skagway Tribal Council as prepayment of high-speed broadband service for qualified tribal members. The funding was provided to the Skagway Tribal Council by a grant from the National Telecommunications and Information Administration (NTIA). The funding covers a period of 5 years. The prepayment was recorded to deferred revenue on the balance sheets and will be recognized as revenue as services are provided and billed monthly. As of December 31, 2024, total revenues recognized amounted to $600,212, which includes $435,214 recognized in 2024 and $141,000 recognized in 2023. Additionally, the Company has $1,379,787 remaining in deferred grant revenue related to NTIA funding.

Note 13 - Subsequent Events

In connection with the creation of Sealink Networks Inc., (SNI) the Company's board of directors approved two programs in the first quarter of 2025, which are designed to align the compensation of executive management and the board with the best interests of shareholders by recognizing the parties' significant expertise and the time they are devoting to address the growth challenges of the Company and to drive increased value to AP&T shareholders through a timely and effective execution of Project Trident. The compensation programs were designed with the assistance of an independent compensation consultant.

The Executive Incentive Purchase Opportunity (EIPO) allows those executives that are meeting the demanding workload of Project Trident and who are critical to the project's long-term success, to purchase founders shares in SNI (Founder Shares) from AP&T based on the SNI share value established as of March 13, 2025. Executives purchased the shares by signing a fully recourse note with market terms. These shares are the same class of shares as those owned by AP&T and constitute 16.95% of the outstanding shares as of December 31, 2024. There may be an opportunity for executives to have some shares repurchased by SNI as part of the capital raise to provide equity and debt funding to SNI, which is anticipated to occur in the second quarter of 2025. There are restrictions on the sale of any additional shares through at least December 31, 2028, when Project Trident is expected to be completed and operating.

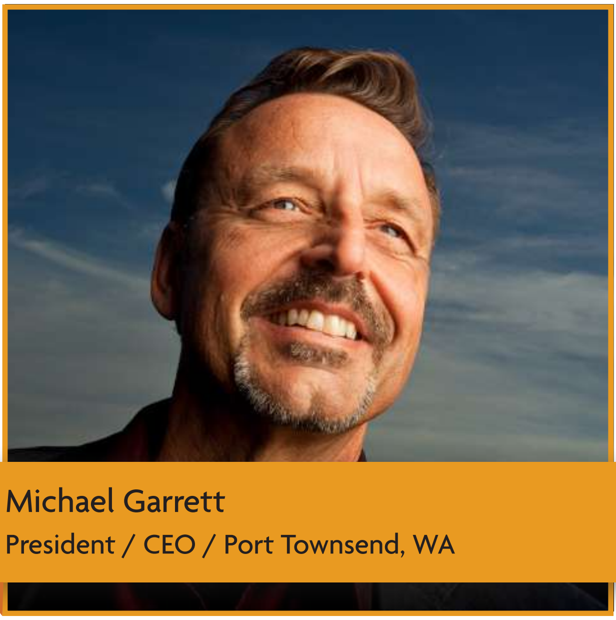
The Stock Appreciation Rights (SARs) allow the independent directors that have been critical to forming and executing the strategies for SNI to participate in the appreciation in the value of AP&T as determined by the independent valuation used for ESOP purposes, from December 31, 2024. The SARs are not an equity issuance instrument, but rather an equity equivalent calculation. Another important factor for the SARs is to address the previous prohibition on independent directors to own AP&T stock which prevented the normal long-term component of director compensation through share ownership to be available to independent directors. While the success of SNI is anticipated to be the primary driver of enhanced shareholder value at AP&T, it is important that the board of directors focus their attention on the overall success of AP&T. The SARs represent 3.67% of the fully diluted equity of the Company as of December 31, 2024.

MOSSADAMS

AP&T RETIREES

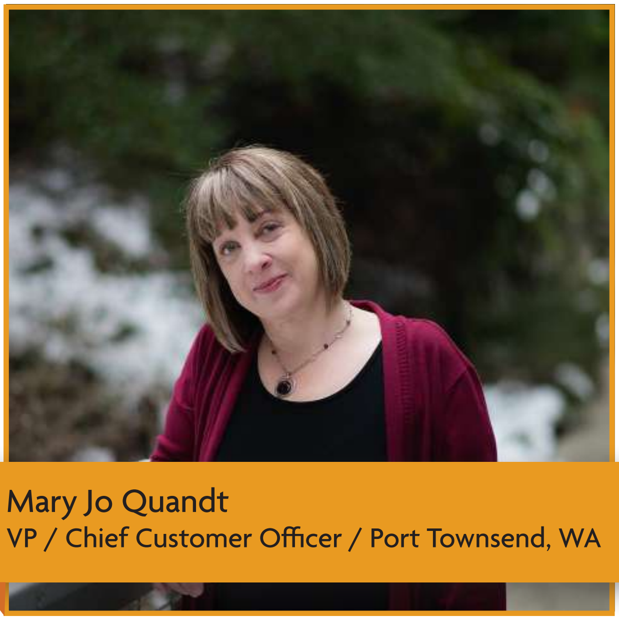
We at AP&T congratulate our 2024 retirees.
It has been a privilege working with you all, and now it is an honor to help you celebrate your retirements.

34 Years with AP&T



Michael Garrett
President / CEO / Port Townsend, WA

26 Years with AP&T



Mary Jo Quandt
VP / Chief Customer Officer / Port Townsend, WA

16 Years with AP&T

Glen ‘Mike’ Mood
Seasonal Laborer / Ketchikan, AK

30 Years with AP&T

Dana Van Slyke
Customer Service Rep / Wrangell, AK

SPECIAL THANKS

to our hardworking employee-owners at Alaska Power & Telephone Company!

2024
IN MEMORIAM
ALASKA POWER & TELEPHONE EMPLOYEE-OWNERS

We honor the memory and legacy of our past employees, whose contributions will forever be remembered and cherished.

Terrance Mackey
Power Plant Operator & Mechanic / Craig/Klawock, AK

In Loving Memory of Terrance Mackey
June 14th, 1938 - January 11th, 2024
13 Years with AP&T

Carl Schwegel
Fleet Operations Superintendent, Klawock, AK

In Loving Memory of Carl Schwegel
March 20th, 1963 - June 1st, 2024
21 Years with AP&T

Notice to Shareholders:
The annual meeting will be held on Thursday, May 22nd, 2025, at 9:00am, AK via a live webcast at:
www.virtualshareholdermeeting.com/APTL2025

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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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