

Aqua America, Inc. and Subsidiaries
 Reconciliation of GAAP to Non-GAAP Financial Measure
 (In thousands, except per share amounts)
 (Unaudited)

The Company is providing disclosure of the reconciliation of the Company's outlook of the non-GAAP financial measure "adjusted diluted income per common share" to the most comparable GAAP financial measure "diluted net income per common share." The Company believes that the non-GAAP financial measure "adjusted diluted income per common share" for Aqua's 2019 full-year guidance provides investors the ability to measure the Company's future financial operating performance by adjustment, which is more indicative of the Company's future performance and is more comparable to measures reported by other companies. The Company further believes that the presentation of this non-GAAP financial measure is useful to investors as a more meaningful way to compare the Company's future operating performance against its historical financial results.

This presentation assumes that the Peoples acquisition closing occurs after 2019. In the event that closing occurs in late 2019, diluted net income per common share would then be expected to be lower for the full year 2019, and the Peoples transaction-related expenses and other adjustments on a per share basis would be expected to be higher by the corresponding amount.

This reconciliation includes a presentation of the non-GAAP financial measure "adjusted diluted income per common share" for Aqua's 2019 full-year guidance and has been adjusted to exclude the following:

- (1) Transaction-related expenses for the Company's pending Peoples acquisition, which consists of costs primarily representing expenses associated with obtaining regulatory approvals, investment banking fees, legal expenses, and integration planning. Additionally, mark-to-market fair value adjustments associated with our interest rate swap agreements for debt issued related to this transaction are included in transaction-related expenses. The interest rate swap agreements were settled on April 24, 2019, which coincided with the debt financings to partially fund the Peoples acquisition. Further, included in transaction-related expenses is the expense associated with the refinancing of existing debt that occurred in May 2019, pre-acquisition interest expense, net, and overlapping net interest expense;
- (2) The dilutive effect of common share and tangible equity unit offerings of April 2019 to partially fund the Peoples acquisition; and
- (3) The income tax impact of the non-GAAP adjustments described above.

This financial measure is a measure of the Company's operating performance that does not comply with U.S. generally accepted accounting principles (GAAP), and is thus considered to be a "non-GAAP financial measure" under applicable Securities and Exchange Commission regulations. The non-GAAP financial measure is provided to supplement the Company's GAAP outlook and should not be considered as a substitute for measures of financial performance prepared in accordance with GAAP.

The following reconciles Aqua's 2019 full-year guidance GAAP outlook to the non-GAAP information that we have provided:

Diluted net income per common share for Aqua's full year 2019 guidance (GAAP financial measure)	\$1.02 to \$1.06
Adjustments:	
(1) Transaction-related expenses for the Peoples transaction	\$0.39 to \$0.42
(2) Dilutive effect from equity offerings	\$0.13 to \$0.14
(3) Income tax effect of non-GAAP adjustments	<u>\$(0.09) to \$(0.12)</u>
Adjusted diluted income per common share for Aqua's full year 2019 guidance (Non-GAAP financial measure)	<u><u>\$1.45 to \$1.50</u></u>