

Aqua America, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP financial measures
(in thousands of dollars)
(GAAP refers to accounting principles generally accepted in the United States)

| | Quarters ended | | Quarters ended | | | | Years ended December 31, | | | |
|--|----------------|------------|----------------|------------|------------|------------|--------------------------|------------|------------|------------|
| | 3/31/2019 | 6/30/2019 | 3/31/2018 | 6/30/2018 | 9/30/2018 | 12/31/2018 | 2018 | 2017 | 2016 | 2015 |
| Operating revenues (GAAP financial measure) | \$ 201,132 | \$ 218,892 | \$ 194,347 | \$ 211,860 | \$ 226,137 | \$ 205,747 | \$ 838,091 | \$ 809,525 | \$ 819,875 | \$ 814,204 |
| Net (loss) income (GAAP financial measure) | \$ 16,924 | \$ 54,903 | \$ 50,839 | \$ 66,590 | \$ 78,216 | \$ (3,657) | \$ 191,988 | \$ 239,738 | \$ 234,182 | \$ 201,790 |
| Add: | | | | | | | | | | |
| Interest expense, net | 27,850 | 23,309 | 23,471 | 23,723 | 25,359 | 26,349 | 98,902 | 88,341 | 80,594 | 76,536 |
| Allowance for funds used during construction | (4,056) | (3,611) | (2,867) | (2,577) | (3,066) | (4,513) | (13,023) | (15,211) | (8,815) | (6,219) |
| Provision for income taxes | (8,170) | (2,171) | (2,131) | (367) | 3,935 | (15,106) | (13,669) | 16,914 | 20,978 | 14,962 |
| Depreciation | 39,074 | 39,550 | 35,967 | 36,613 | 37,457 | 35,995 | 146,032 | 136,302 | 130,987 | 125,290 |
| Amortization | 336 | (2,920) | 130 | 149 | 199 | 163 | 641 | 422 | 2,021 | 3,447 |
| Earnings before interest, taxes, depreciation and amortization (Non-GAAP financial measure) | \$ 71,958 | \$ 109,060 | \$ 105,409 | \$ 124,131 | \$ 142,100 | \$ 39,231 | \$ 410,871 | \$ 466,506 | \$ 459,947 | \$ 415,806 |
| Joint venture impairment charge | - | - | - | - | - | - | - | - | - | 32,975 |
| Transaction-related expenses for acquisition of Peoples | 41,428 | 20,640 | - | - | - | 73,963 | 73,963 | - | - | - |
| Adjusted earnings before interest, taxes, depreciation and amortization (Non-GAAP financial measure) | \$ 113,386 | \$ 129,700 | \$ 105,409 | \$ 124,131 | \$ 142,100 | \$ 113,194 | \$ 484,834 | \$ 466,506 | \$ 459,947 | \$ 448,781 |
| Selected operating results as a percentage of operating revenues: | | | | | | | | | | |
| Net income | 8.4% | 25.1% | 26.1% | 31.4% | 34.6% | -1.8% | 22.9% | 29.6% | 28.6% | 24.8% |
| Add: | | | | | | | | | | |
| Interest expense, net | 13.9% | 10.6% | 12.1% | 11.2% | 11.2% | 12.8% | 11.8% | 10.9% | 9.8% | 9.4% |
| Allowance for funds used during construction | -2.0% | -1.6% | -1.5% | -1.2% | -1.4% | -2.2% | -1.6% | -1.9% | -1.1% | -0.8% |
| Provision for income taxes | -4.1% | -1.0% | -1.1% | -0.2% | 1.7% | -7.3% | -1.6% | 2.1% | 2.6% | 1.8% |
| Depreciation | 19.4% | 18.1% | 18.5% | 17.3% | 16.6% | 17.5% | 17.4% | 16.8% | 16.0% | 15.4% |
| Amortization | 0.2% | -1.3% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.1% | 0.2% | 0.4% |
| Other Non-GAAP adjustments | 20.6% | 9.4% | - | - | - | 35.9% | 8.8% | - | - | 4.1% |
| Adjusted earnings before interest, taxes, depreciation and amortization | 56.4% | 59.3% | 54.2% | 58.6% | 62.8% | 55.0% | 57.8% | 57.6% | 56.1% | 55.1% |

Reconciliation of GAAP to Non-GAAP financial measures -

The Company is providing disclosure of the reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures. The Company believes that the non-GAAP financial measures provide investors the ability to measure the Company's financial operating performance by adjustment, which is more indicative of the Company's ongoing performance and is more comparable to measures reported by other companies. The Company further believes that the presentation of these non-GAAP financial measures is useful to investors as a more meaningful way to compare the Company's operating performance against its historical financial results.

Earnings before interest, taxes, depreciation and amortization (EBITDA) is not a measurement of financial performance under accounting principles generally accepted in the United States. This table presents EBITDA amounts for the quarters and years noted. We believe EBITDA is a relevant and useful indicator of operating performance, as we measure it for management purposes because it provides a better understanding of our results of operations by highlighting our operations and the underlying profitability of our core business. The amounts reported on this reconciliation include the operating results of Aqua America's EBITDA for all periods reported.

Adjusted EBITDA amounts for the quarters ended March 31, 2019 and June 30, 2019 and the quarter and year ended December 31, 2018 have been adjusted to exclude the effects of the Company's transaction-related expenses related to the acquisition of Peoples. Adjusted EBITDA amounts for year ended December 31, 2015 have been adjusted to exclude the effects of the Company's share of a noncash impairment charge recognized by a joint venture.

These financial measures are measures of the Company's operating performance that do not comply with U.S. generally accepted accounting principles (GAAP), and are thus considered to be "non-GAAP financial measures" under applicable Securities and Exchange Commission regulations. These non-GAAP financial measures are derived from our consolidated financial information, and should only be used as a supplement to our GAAP disclosures.