

Aqua America, Inc. and Subsidiaries

Reconciliation of GAAP to Non-GAAP financial measures for continuing operations

(in thousands of dollars)

(GAAP refers to accounting principles generally accepted in the United States)

	Quarters ended			Quarters ended				2016	2015	2014	2013
	3/31/2017	6/30/2017	9/30/2017	3/31/2016	6/30/2016	9/30/2016	12/31/2016				
Operating revenues from continuing operations (GAAP financial measure)	\$ 187,787	\$ 203,418	\$ 215,008	\$ 192,607	\$ 203,876	\$ 226,593	\$ 196,799	\$ 819,875	\$ 814,204	\$ 779,903	\$ 761,893
Income from continuing operations (GAAP financial measure)	\$ 49,072	\$ 60,968	\$ 76,225	\$ 51,737	\$ 59,626	\$ 73,170	\$ 49,649	\$ 234,182	\$ 201,790	\$ 213,884	\$ 202,871
Add: Joint venture impairment charge	-	-	-	-	-	-	-	-	32,975	-	-
Income tax effect	-	-	-	-	-	-	-	-	(11,542)	-	-
Adjusted income from continuing operations (Non-GAAP financial measure)	\$ 49,072	\$ 60,968	\$ 76,225	\$ 51,737	\$ 59,626	\$ 73,170	\$ 49,649	\$ 234,182	\$ 223,223	\$ 213,884	\$ 202,871
Add:											
Interest expense, net	21,326	21,387	22,411	19,853	20,115	20,168	20,458	80,594	76,536	76,397	77,316
Allowance for funds used during construction	(3,193)	(3,463)	(3,914)	(2,308)	(1,871)	(2,267)	(2,369)	(8,815)	(6,219)	(5,134)	(2,275)
Provision for income taxes	2,930	5,569	3,400	3,007	5,515	8,411	4,045	20,978	26,504	25,219	21,233
Depreciation	33,837	33,407	34,264	32,145	31,619	33,881	33,342	130,987	125,290	123,054	118,414
Amortization	189	127	42	450	528	389	654	2,021	3,447	3,481	5,571
Adjusted earnings before interest, taxes, depreciation and amortization from continuing operations (Non-GAAP financial measure)	\$ 104,161	\$ 117,995	\$ 132,428	\$ 104,884	\$ 115,532	\$ 133,752	\$ 105,779	\$ 459,947	\$ 448,781	\$ 436,901	\$ 423,130
Selected operating results from continuing operations as a percentage of operating revenues:											
Income from continuing operations	26.1%	30.0%	35.5%	26.9%	29.2%	32.3%	25.2%	28.6%	27.4%	27.4%	26.6%
Add:											
Interest expense, net	11.4%	10.5%	10.4%	10.3%	9.9%	8.9%	10.4%	9.8%	9.4%	9.8%	10.1%
Allowance for funds used during construction	-1.7%	-1.7%	-1.8%	-1.2%	-0.9%	-1.0%	-1.2%	-1.1%	-0.8%	-0.7%	-0.3%
Provision for income taxes	1.6%	2.7%	1.6%	1.6%	2.7%	3.7%	2.1%	2.6%	3.3%	3.2%	2.8%
Depreciation	18.0%	16.4%	15.9%	16.7%	15.5%	15.0%	16.9%	16.0%	15.4%	15.8%	15.5%
Amortization	0.1%	0.1%	0.0%	0.2%	0.3%	0.2%	0.3%	0.2%	0.4%	0.4%	0.7%
Adjusted earnings before interest, taxes, depreciation and amortization from continuing operations	55.5%	58.0%	61.6%	54.5%	56.7%	59.0%	53.7%	56.1%	55.1%	56.0%	55.5%

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.

Adjusted income from continuing operations amounts have been adjusted to exclude the effects of the Company's share of a noncash impairment charge recognized by a joint venture.

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 for adjusted continuing operations. We believe EBITDA from continuing operations 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 adjusted continuing operations for all periods reported.

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.