



## Shareholder Letter: December 2018

Dear fellow shareholder:

In the 25 years I've been at Aqua America, I've been gratified by our workforce's dedication to the mission of delivering safe drinking water to our customers. Most recently, the municipal water market has begun to open, and we are becoming a solution for more municipal water and wastewater utilities than ever before. We remain confident that we will continue to purchase municipal systems. However, the purchase of these municipal systems, while profitable for Aqua and beneficial for communities, tends to take significant time from the initial meetings to the ultimate purchase.

When the management team looked at supplemental opportunities to grow the company and build shareholder value, we began exploring additional platforms similar to the water business. It quickly became apparent that the right natural gas local distribution company would match our operational and regulatory skills.

We found that both water and natural gas utilities put a natural resource, in a pressurized fashion, through pipes and a meter to serve customers. Further, both utilities use the same regulatory process for rates, and both spend a vast portion of their capital each year on pipe and main replacement. After extensive study, we became confident that with the right team, we could successfully operate and grow both water and natural gas utilities.

We have always been disciplined buyers, and both water and gas utilities trade at high multiples. Gas utilities often have other complicated, non-utility business units, such as gas commodity trading, exploration and midstream transmission lines. So, we set out on a path to identify companies that did not have these complicating factors. Further, we were determined to purchase a utility that would be accretive to earnings and could build long-term shareholder value.

Peoples is a company that fits all these criteria remarkably well. Peoples is a Pittsburgh-based, pure natural gas local distribution company with approximately 99 percent of its operations in gas distribution. Thus, following careful diligence and negotiations, on Oct. 23, we announced we would acquire Peoples. The transaction will be immediately accretive to earnings the first full year after the close of the transaction and over the long term.

Both Aqua and Peoples have more than 130 years of service and proven track records of operational efficiency and regulatory compliance. Both have complementary service territories focused primarily in Pennsylvania, which is one of the most constructive regulatory states in the country. Together, the combined company's rate base will also be faster growing, approximately 7 percent annually for water, and 8 to 10 percent annually for gas.

The Peoples acquisition is the most significant development for the future of Aqua this year, yet we have had many other important accomplishments. In 2018, our municipal acquisition strategy accelerated substantially, largely because of new legislation. We closed three municipal water and wastewater acquisitions totaling over 12,000 customers and have signed another seven water and wastewater systems totaling approximately 21,000 customers. In October, our municipal acquisition program brought us to the noteworthy milestone of over 1 million water and wastewater customer connections. Importantly, these municipal acquisitions represent about \$200 million of rate base. This is also a record year for capital investment, with over \$500 million invested in pipe and plants across Aqua's eight states.

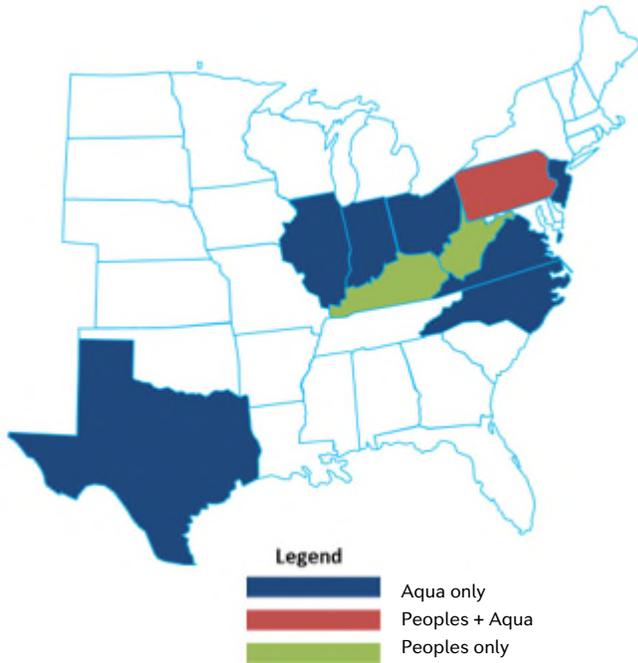
I am proud to say that our growth strategy, our operations and our team are firing on all cylinders in 2018, and we look forward to even greater things in the future. As we welcome Peoples to the Aqua family in mid-2019, we will significantly enhance our mission of improving infrastructure, quality of life and prosperity in the communities we serve.

Sincerely,

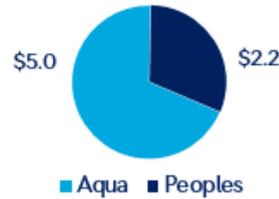
A handwritten signature in black ink that reads "Christopher H. Franklin". The signature is written in a cursive, flowing style.

Christopher H. Franklin  
Chairman, Chief Executive Officer and President

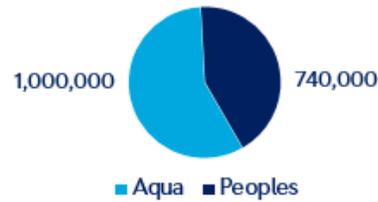
# Combined Company



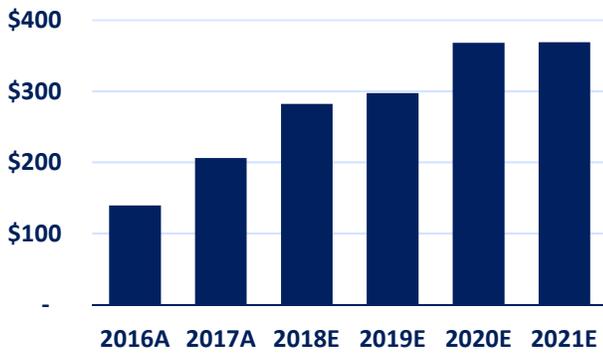
2019 Rate Base Estimate (\$B)



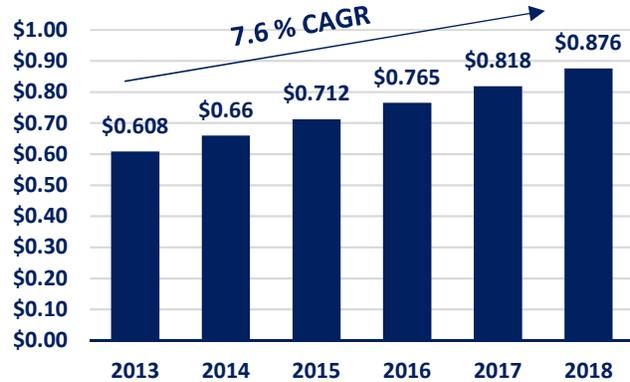
Current Customers



Peoples Infrastructure Investment (millions)



Aqua America Dividend Growth



## Forward-Looking Statements

This release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others: the expectation that the transaction will be immediately accretive to earnings, that the company will be able to continue its acquisition of municipal water and wastewater systems, and that the company will be able to significantly grow rate base and earnings. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: the company's ability to close the transaction, the company's ability to close the transaction with reasonable conditions; general economic business conditions; the company's ability to fund the transaction; the company's ability to fund capital growth; changes in regulations or regulatory treatment; availability and access to capital; the cost of capital; disruptions in the credit markets; the success of growth initiatives; and other factors discussed in our Annual Report on Form 10-K and our Quarterly Report on Form 10-Q, which is filed with the Securities and Exchange Commission. For more information regarding risks and uncertainties associated with Aqua America's business, please refer to Aqua America's annual, quarterly and other SEC filings. Aqua America is not under any obligation - and expressly disclaims any such obligation - to update or alter its forward-looking statements whether as a result of new information, future events or otherwise.