

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

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.

This reconciliation includes a presentation of "adjusted income" and "adjusted income per common share." Both of these amounts have been adjusted to exclude transaction-related expenses for the Company's Peoples transaction, which consists of costs of \$6,646 primarily representing expenses associated with obtaining regulatory approvals, investment banking fees, legal expenses, and integration planning. Additionally, mark-to-market fair value adjustments of \$34,782 associated with our interest rate swap agreements for debt issued related to this transaction are included in transaction-related expenses. The subsequent change in the fair value of our interest rate swap agreements will be included in our second quarter 2019 earnings as the interest rate swap agreements were settled on April 24, 2019, which coincided with the debt financings to partially fund the Peoples acquisition. This acquisition is expected to close in mid-2019, once regulatory approval is obtained.

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.

The following reconciles our GAAP results to the non-GAAP information we disclose :

	Quarter Ended March 31,	
	<u>2019</u>	<u>2018</u>
Net income (GAAP financial measure)	\$ 16,924	\$ 50,839
Plus: transaction-related expenses for the Peoples transaction	41,428	-
Less: tax effect	(8,628)	-
Adjusted income (Non-GAAP financial measure)	<u>\$ 49,724</u>	<u>\$ 50,839</u>
Net income per common share (GAAP financial measure):		
Basic	\$ 0.09	\$ 0.29
Diluted	\$ 0.09	\$ 0.29
Adjusted income per common share (Non-GAAP financial measure):		
Basic	\$ 0.28	\$ 0.29
Diluted	\$ 0.28	\$ 0.29
Average common shares outstanding:		
Basic	<u>178,213</u>	<u>177,801</u>
Diluted	<u>178,552</u>	<u>178,238</u>