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

The following table presents "income excluding net repair tax accounting change and net state income tax benefit associated with 100 percent bonus depreciation" and "diluted income per common share excluding net repair tax accounting change and net state income tax benefit associated with 100 percent bonus depreciation" (net repair tax accounting change and net state income tax benefit associated with 100 percent bonus depreciation are referred to herein as the "special items"). 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 SEC 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 Company is providing disclosure of the reconciliation of these 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 excluding the special items, 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 and to assess the underlying profitability of our core business. In December 2012, Aqua Pennsylvania, Inc., adopted the repair tax accounting change on Aqua America's 2012 federal income tax return. This accounting change allows a tax deduction for certain qualifying utility asset improvements that were formerly capitalized for tax purposes. 100 percent bonus depreciation was in effect for qualifying capital additions placed in service from September 8, 2010 through December 31, 2011.

The reconciliation of the non-GAAP financial measures to the comparable U.S. GAAP results provided are presented below:

Aqua America, Inc. and Subsidiaries
Income Excluding Net Repair Tax Accounting Change and
Net State Income Tax Benefit Associated with 100% Bonus Depreciation
(In thousands, except per share amounts)
(A Non-GAAP, Unaudited Number)

	Quarter Ended December 31,		Year Ended December 31,	
	2012	2011	2012	2011
Net income attributable to common shareholders (GAAP measure)	$66,555	$34,005	$196,563	$143,069
Less:				
Net impact of repair tax accounting change*	31,005	-	31,005	-
Net state income tax benefit associated with 100% bonus depreciation	-	3,607	-	14,800
Income excluding net repair tax accounting change and net state income tax benefit associated with 100% bonus depreciation (Non-GAAP financial measure)	$35,550	$30,398	$165,558	$128,269
Net income per common share (GAAP measure):				
Basic	$ 0.48	$ 0.25	$ 1.41	$ 1.04
Diluted	$ 0.47	$ 0.24	$ 1.40	$ 1.03
Income per common share excluding net repair tax accounting change and net state income tax benefit associated with 100% bonus depreciation (Non-GAAP financial measure):				
Basic	$ 0.25	$ 0.22	$ 1.19	$ 0.93
Diluted	$ 0.25	$ 0.22	$ 1.18	$ 0.92
Average common shares outstanding:				
Basic	139,884	138,478	139,361	138,182
Diluted	140,671	139,150	139,934	138,689

*Net impact of repair tax accounting change represents the tax impact of the tax accounting change, net of related expenses to implement the change