



Aqua America Reports 2005 Net Income Increased 14 Percent

BRYN MAWR, Pa., Mar 09, 2006 (BUSINESS WIRE) -- Aqua America, Inc. (NYSE: WTR) today reported net income for the year ending December 31, 2005 grew 14 percent to \$91.2 million, from \$80.0 million, for the full year 2004. Corresponding diluted earnings per share, on a GAAP basis, increased 11 percent to \$0.71 per share from \$0.64 per share for 2004, on three percent more shares outstanding. Earnings in 2004 benefited from a \$2.3 million pre-tax gain in the fourth quarter from the sale of the company's Geneva, Ohio water system. The gain was recorded as a reduction in the operations and maintenance expenses in the fourth quarter. Excluding the gain, 2004 diluted earnings per share were \$0.62.

For the fourth quarter ending December 31, 2005, the company reported net income, on a GAAP basis, of \$22.2 million and diluted earnings per share of \$0.17. For the same period in 2004, net income was \$22.5 million and earnings per share were \$0.18, on a GAAP basis. Excluding the gain from the sale of the Geneva, Ohio water system, fourth quarter 2004 adjusted income was \$21.0 million and diluted earnings per share were \$0.16.

The company's full year 2005 operating revenues increased 12 percent to \$496.8 million from \$442.0 million for the full year 2004. Fourth quarter 2005 operating revenues were \$122.9 million, up from \$115.4 in 2004. The 2005 revenue increase was the result of rate increases and acquisitions, the effects of which were most notable in the first half of 2005, and a return to normal consumption in the high-demand spring and summer months.

Aqua America Chairman and CEO Nicholas DeBenedictis said, "Our full year results were in line with our expectations and our stated long-term strategy. This year, we completed a record number of acquisitions and invested a record amount of capital, which provides a basis for future earnings power. Our results prove that our acquisition strategy and capital investment program are all working to support our long-term strategic growth goals."

Consistent with its ongoing growth-through-acquisition strategy, the company completed 30 acquisitions of both water and wastewater systems in 2005. DeBenedictis said, "The acquisition program is in full swing. Unlike 2004 when we acquired two large franchises from an electric company that was exiting the water business, this year we focused on integrating these acquisitions while complementing them by acquiring a large number of small systems. These small acquisitions are truly our bread and butter and the foundation on which our acquisition program was built. They bring immediate revenues and capital investment opportunities and are easily integrated into the organization's existing operations."

The company's ratio of operations and maintenance expenses to revenues (efficiency ratio) for the full year 2005 was 40.9 percent, consistent with the efficiency ratio for the full year 2004 adjusting for the gain from the sale of the Geneva, Ohio water system. DeBenedictis said, "We held the line on our year-over-year efficiency ratio even though we were faced with the annualized impact of two higher cost structure acquisitions (Heater Utilities and Florida Water) acquired in mid-2004 and sharp increases in other key expenses in 2005. Expenses experienced pressure from several areas, including the unexpected rise in fuel prices after Hurricane Katrina, which affected transportation expenses and water production costs in all of our states. Employee benefit cost increases, such as pension expenses, medical and other post retirement benefit costs were also higher than anticipated. That said, costs more within our direct control, such as labor, were maintained at budgeted levels consistent with our culture of strict discipline with expense management."

The company reported a record \$237.5 million in capital investments in 2005, an increase of more than 20 percent from the \$195.7 million of capital invested in 2004. These investments were made to expand and improve the company's water and wastewater facilities in its 13 states. To capture the return on the capital invested, the company is in the process of filing significant rate requests in the affected jurisdictions. The company received approximately \$15.2 million from rate and surcharge requests in 2005 and has pending requests filed for approximately \$49.8 million in rate increases - the largest request being the \$38.8 million case filed in Pennsylvania in November of 2005.

DeBenedictis said, "As we continue to invest record amounts of capital, we will also continue to see our depreciation expense rise - it increased 11 percent year-over-year in 2005. Depreciation along with increasing earnings, however, provides us with growing cash flow to support our capital investment program without having to incur as much debt or dilute earnings with new equity. We view this as a positive for both shareholders and customers. Investing capital and earning our fair, regulated return through the rate-making process is one of the keys to earnings growth using the regulated model."

On August 2, 2005, the Board of Directors voted to increase the December 1, 2005 quarterly common stock cash dividend to shareholders by 10 percent to \$0.1069 per share (adjusted for the December 1, 2005 stock split), which equates to \$0.4276

per share (split adjusted) on an annualized basis. Additionally, the Board approved a stock split to be effected in the form of a four-for-three (33 1/3 percent) stock distribution. The increased quarterly cash dividend and the subsequent stock split were effected December 1, 2005, and made available to shareholders of record as of November 17, 2005.

This press release contains references to non-GAAP financial measures. Reconciliations of the GAAP to non-GAAP financial measures can be found in the tables on pages six and seven of this document.

The company's conference call with analysts will take place on Thursday, March 9, 2006 at 11:00 a.m. Eastern Time. The call will be Webcast, so that interested parties may listen over the Internet by logging on to www.aquaamerica.com. The conference call will be archived in the Investor Relations section of the company's Web site for 90 days following the call. Additionally, the call will be recorded and made available for replay for 10 business days, beginning at 1:00 p.m. Thursday, March 9, 2006. To access the audio replay in the U.S., dial (888)-286-8010 (passcode 57500554). For international callers, dial (617)-801-6888 (passcode 57500554).

Aqua America, Inc. is the largest U.S.-based publicly-traded water utility, serving more than 2.5 million residents in Pennsylvania, Ohio, North Carolina, Illinois, Texas, Florida, New Jersey, Indiana, Virginia, Maine, Missouri, New York, and South Carolina. Aqua America is listed on both the New York and Philadelphia Stock Exchanges under the ticker symbol WTR.

This release contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others, our long-term strategy and expectations, the status of our acquisition program, the impact of our acquisitions, and capital investment program, our long-term strategic growth goals, increased opportunities from acquisitions to invest and earn a return on infrastructure improvements, opportunities to control expenses, and our ability to integrate acquisitions into our existing operations. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: general economic business conditions, unfavorable weather conditions, the success of certain cost containment initiatives, changes in regulations or regulatory treatment, availability and the cost of capital, the success of growth initiatives, and other factors discussed in our filings with the Securities and Exchange Commission.

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The company's results stated here are unaudited. The final audited financial statements will be filed with the company's annual report on Form 10-K. The following table shows selected operating data for the quarters and full year ended December 31, 2005 and 2004 (in thousands, except per share data) for Aqua America, Inc. All share and per share data have been restated to reflect the December 1, 2005 four-for-three stock split.

(Unaudited)

	Quarter Ended		Year Ended	
	December 31, 2005	December 31, 2004	December 31, 2005	December 31, 2004
	-----	-----	-----	-----
Operating revenues	\$122,908	\$115,442	\$496,779	\$442,039
	=====	=====	=====	=====
Net income	\$ 22,150	\$ 22,474	\$ 91,156	\$ 80,007
	=====	=====	=====	=====
Basic net income per share	\$ 0.17	\$ 0.18*	\$ 0.72	\$ 0.64*
	=====	=====	=====	=====
Diluted net income per share	\$ 0.17	\$ 0.18*	\$ 0.71	\$ 0.64*
	=====	=====	=====	=====
Average common shares outstanding:				
Basic	128,016	125,797	127,364	124,329
	=====	=====	=====	=====
Diluted	129,828	127,285	129,206	125,710
	=====	=====	=====	=====

* Fourth quarter 2004 includes \$0.02 per share gain on sale of

Geneva, OH water system. Excluding this gain, adjusted earnings per share for fourth quarter 2004 was \$0.16 and \$0.62 for the full year 2004.

Aqua America, Inc. and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2005	2004	2005	2004
Operating revenues	\$122,908	\$115,442	\$496,779	\$442,039
Cost & expenses:				
Operations and maintenance	52,222	45,505	203,088	178,345
Depreciation	15,857	13,272	60,747	54,564
Amortization	1,114	1,204	4,741	4,300
Taxes other than income taxes	7,663	6,141	31,696	27,596
Total	76,856	66,122	300,272	264,805
Operating income	46,052	49,320	196,507	177,234
Other expense (income):				
Interest expense, net	13,447	13,095	52,062	48,679
Allowance for funds used during construction	(950)	(276)	(2,447)	(2,304)
Gain on sale of other assets	(595)	(305)	(1,177)	(1,272)
Income before income taxes	34,150	36,806	148,069	132,131
Provision for income taxes	12,000	14,332	56,913	52,124
Net income	\$22,150	\$22,474	\$91,156	\$80,007
Net income	\$22,150	\$22,474	\$91,156	\$80,007
Other comprehensive income (loss), net of tax:				
Minimum pension liability adjustment	(1,340)	(1,742)	(1,340)	(1,742)
Unrealized gain on securities	-	-	-	59
Reclassification adjustment for gains reported in net income	-	-	-	(230)
Comprehensive income	\$20,810	\$20,732	\$89,816	\$78,094
Net income per common share:				
Basic	\$0.17	\$0.18	\$0.72	\$0.64
Diluted	\$0.17	\$0.18	\$0.71	\$0.64

Average common shares

outstanding:				
Basic	128,016	125,797	127,364	124,329
	=====	=====	=====	=====
Diluted	129,828	127,285	129,206	125,710
	=====	=====	=====	=====

Aqua America, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands of dollars)
(Unaudited)

	December 31, 2005	December 31, 2004
	-----	-----
Net property, plant and equipment	\$2,279,950	\$2,069,812
Current assets	89,956	91,203
Regulatory assets and other assets	256,819	194,359
	-----	-----
	\$2,626,725	\$2,355,374
	=====	=====
Common stockholders' equity	\$ 811,923	\$ 747,231
Long-term debt, excluding current portion	878,438	784,461
Current portion of long-term debt and loans payable	163,150	125,005
Other current liabilities	100,189	89,425
Deferred credits and other liabilities	673,025	609,252
	-----	-----
	\$2,626,725	\$2,355,374
	=====	=====

Aqua America, Inc. and Subsidiaries
Reconciliation of GAAP to Non-GAAP financial measures

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

	Fourth Quarter 2005	Year 2005
	-----	-----
Net income per common share (GAAP financial measure) - diluted	\$0.17	\$0.71
	=====	=====
	Fourth Quarter 2004	Year 2004
	-----	-----
Net income per common share (GAAP financial measure) - diluted	\$0.18	\$0.64
Gain on sale of Geneva, Ohio water system, net of tax, on a per share basis	0.02	0.02

Earnings per common share, excluding gain on sale of Geneva, Ohio water system (Non-GAAP financial measure)	----- \$0.16 \$0.62 =====
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Reconciliation of GAAP to Non-GAAP financial measures
(In thousands of dollars)
(GAAP refers to accounting principles generally accepted in the
United States)

Year ended December 31, 2004	Operating Revenues	As reported:		Less:		Ratio %
		Operations and Maintenance Expenses	Gain on Sale of Assets	Operations and Maintenance Expenses	Efficiency Ratio	
GAAP financial measure	\$442,039	\$178,345	\$ -	\$178,345	40.3%	
Gain on sale of water utility assets	-	-	2,342	2,342		
Non-GAAP financial measure, excluding gain on sale of Geneva, Ohio water system	\$442,039	\$178,345	\$2,342	\$180,687	40.9%	

Efficiency ratio is the operations and maintenance expenses as a
percentage of operating revenues.
GAAP financial measure includes the gain on sale of the company's
Geneva, OH water utility assets as a component of operations and
maintenances.

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)

	Fourth Quarter 2005	Year 2005
Net Income (GAAP financial measure)	----- \$ 22,150	\$ 91,156 =====

	Fourth Quarter 2004	Year 2004
	-----	-----
Net Income (GAAP financial measure)	\$ 22,474	\$ 80,007
Gain on sale of water utility assets (net of taxes)	1,522	1,522
	-----	-----
Adjusted Income (Non-GAAP financial measure, excluding gain on sale of Geneva, Ohio water system)	\$ 20,952	\$ 78,485
	=====	=====

SOURCE: Aqua America, Inc.

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