Essential Utilities, 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)

	Quarters ended		Quarters ended				Years ended December 31,			
	3/31/2026	6/30/2026	3/31/2025	6/30/2025	9/30/2025	12/31/2025	2025	2024	2023	2022
Operating revenues (GAAP financial measure)	$ 861,759	$ 530,854	$ 783,626	$ 514,907	$ 476,971	$ 699,111	$ 2,474,615	$ 2,086,113	$ 2,053,824	$ 2,288,032
Net income (GAAP financial measure)	$ 224,392	$ 105,725	$ 283,789	$ 107,827	$ 92,077	$ 132,676	$ 616,369	$ 595,314	$ 498,226	$ 465,237
Add:										
Interest expense, net	85,696	88,601	81,836	79,508	81,190	84,844	327,378	299,149	279,961	234,441
Allowance for funds used during construction	(5,760)	(5,739)	(5,832)	(7,027)	(6,180)	(7,214)	(26,253)	(21,310)	(16,967)	(23,665)
Provision for income taxes	6,387	3,391	(20,595)	4,572	4,299	15,169	3,445	(21,836)	(66,445)	(14,329)
Depreciation	107,109	109,578	96,764	99,542	103,322	103,562	403,190	363,906	338,655	315,811
Amortization	3,620	3,714	2,613	3,977	3,744	3,947	14,281	5,646	5,040	5,366
Earnings before interest, taxes, depreciation and amortization (Non-GAAP financial measure)	$ 421,444	$ 305,270	$ 438,575	$ 288,399	$ 278,452	$ 332,984	$ 1,338,410	$ 1,220,869	$ 1,038,470	$ 982,861
Costs associated with the pending merger	16,300	1,200	-	-	-	-	-	-	-	-
Adjusted earnings before interest, taxes, depreciation and amortization (Non-GAAP financial measure)	$ 437,744	$ 306,470	$ 438,575	$ 288,399	$ 278,452	$ 332,984	$ 1,338,410	$ 1,220,869	$ 1,038,470	$ 982,861
Selected operating results as a percentage of operating revenues:										
Net income	26.0%	20.0%	36.2%	21.0%	19.3%	19.0%	24.9%	28.5%	24.3%	20.4%
Add:										
Interest expense, net	10.0%	16.7%	10.4%	15.4%	17.0%	12.1%	13.3%	14.3%	13.6%	10.2%
Allowance for funds used during construction	-0.7%	-1.1%	-0.7%	-1.4%	-1.3%	-1.1%	-1.1%	-1.0%	-0.8%	-1.0%
Provision for income taxes	0.8%	0.6%	-2.6%	0.9%	0.9%	2.2%	0.1%	-1.0%	-3.2%	-0.6%
Depreciation	12.4%	20.6%	12.4%	19.3%	21.7%	14.8%	16.3%	17.4%	16.5%	13.8%
Amortization	0.4%	0.7%	0.3%	0.8%	0.8%	0.6%	0.6%	0.3%	0.2%	0.2%
Other Non-GAAP adjustments	1.9%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Adjusted earnings before interest, taxes, depreciation and amortization	50.8%	57.7%	56.0%	56.0%	58.4%	47.6%	54.1%	58.5%	50.6%	43.0%

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.

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. We believe EBITDA 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 Essential Utilities' EBITDA for all periods reported.

Adjusted EBITDA amounts for the quarters ended March 31, 2026 and June 30, 2026, have been adjusted to exclude the effects of the Company's costs associated with the pending Merger with American Water Works Company, Inc.

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.