



Aqua America Reports Continued Growth and Increased Net Income for Second Quarter 2004; Company Successfully Closes Two Strategic Acquisitions

Board of Directors increases December 1 dividend by 8 percent

BRYN MAWR, Pa., Aug 4, 2004 (BUSINESS WIRE) -- Aqua America, Inc. (NYSE:WTR) reported a 17.3 percent increase in net income for the quarter ended June 30, 2004 to \$17.9 million from \$15.2 million in the second quarter of 2003. Corresponding earnings per diluted share were \$0.19 for the quarter, compared to \$0.18 per diluted share in the same period in 2003. For the six months ending June 30, 2004, earnings per diluted share increased 9.1 percent over the same period in 2003, from \$0.33 to \$0.36 on 8.6 percent additional shares outstanding.

At its meeting on August 3, 2004, the Board of Directors voted to increase the quarterly common stock cash dividend to shareholders by 8.3 percent to \$0.13 per share (an annualized rate of \$0.52 per share). This increase will be effected with the December 1, 2004 cash dividend payment and is available to shareholders of record as of November 15, 2004. DeBenedictis said, "Continuing to reward our shareholders with increased dividend payouts is extremely important to the Aqua America Board. We are pleased to be able to offer this enhanced dividend and allow our shareholders to benefit from Aqua America's financial success as we continue to focus on increasing shareholder value. This increase represents the company's fourteenth in 13 years, allowing our long-term shareholders to augment their income by holding our stock."

The Board also declared a \$0.12 per share quarterly common stock cash dividend to be paid on September 1, 2004 to shareholders of record on August 16, 2004. This dividend is 7.1 percent higher than the corresponding dividend paid one year prior on September 1, 2003 as a result of the increase in the company's cash dividend on December 1, 2003.

This quarter marked the closing of two strategic acquisitions for Aqua America--Heater Utilities, Inc. and 63 systems formerly owned by Florida Water Services. Both operations are located in fast-growing southern states.

On June 1, the company closed its acquisition of Heater Utilities in North Carolina, adding more than 50,000 new water and wastewater customers and allowing Aqua America to become the largest investor-owned water utility in the state. DeBenedictis said, "The North Carolina Commission has been very supportive of our growth and we intend to continue to focus new investment in the Tarheel state."

On June 30, the company completed its acquisition of 63 water and wastewater systems from Florida Water Services Corporation in Florida, gaining more than 13,000 new customers in this fast-growing state. As permitted under Florida law, regulatory approval is being sought following the acquisition's close.

Operating revenues grew 27.8 percent to \$106.5 million from \$83.4 million for the same quarter in 2003 as a direct result of acquisitions, customer growth and increased rates. The primary driver of the company's revenue growth was the 36 percent increase in customer base over the prior year as a result of the company's acquisition of the AquaSource utility operations (July 30, 2003), and Heater Utilities, Inc. (June 1, 2004). Also contributing to the company's customer growth at the end of the quarter was the acquisition of Florida Water Services, which closed on June 30, 2004. Chairman and President Nicholas DeBenedictis said, "We are pleased that we were able to grow our top-line and bottom-line in spite of wet weather in many of our service territories and having to wait for the completion of various rate cases. The majority of our major rate cases will be implemented during the third quarter of this year."

The company's operating expense to revenue ratio (efficiency ratio) for the trailing 12 months ending June 30, 2004 was 40.4 percent. DeBenedictis said, "We were able to capitalize on the synergies from the AquaSource acquisition while also implementing our construction and operational excellence programs to upgrade these new properties. The recent Heater and Florida Water acquisitions will present further opportunities to gain economies of scale in our growing southern states where we have begun filing needed rate requests to allow the newly-acquired properties to earn their fair returns."

Consistent with Aqua America's long-term growth-through-acquisition strategy, the company has completed 13 additional "tuck-in" acquisitions since January 2004 in the various states in which we operate. DeBenedictis said, "Growth-through-acquisition continues to be a key facet in our strategy. Tuck-in acquisitions help us further define our service territories, generating economies of scale and enhancing our future growth prospects. The new properties provide opportunities for additional investment, which in turn drive our regulatory returns."

The company's conference call with analysts is today at 11:00 a.m. Eastern Daylight 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 after the call, beginning at 12:00 p.m. Wednesday, August 4, 2004 through Wednesday, August 18, 2004. The dial-in telephone number for the audio replay is 877-519-4471 (PIN#: 4986611).

Aqua America, Inc. is the largest U.S.-based publicly-traded water utility serving more than 2.5 million residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, 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. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

The following table shows selected operating data for the quarters and six months ended June 30, 2004 and 2003 (in thousands, except per share data) for Aqua America, Inc. All share and per share data for 2003 results have been restated to reflect the December 1, 2003 five-for-four stock split.

(Unaudited)

	Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
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Operating revenues	\$106,524	\$83,379	\$206,292	\$163,868
	=====	=====	=====	=====
Net income available to common stock	\$17,871	\$15,235	\$33,446	\$28,559
	=====	=====	=====	=====
Basic net income per share	\$0.19	\$0.18	\$0.36	\$0.33
	=====	=====	=====	=====
Diluted net income per share	\$0.19	\$0.18	\$0.36	\$0.33
	=====	=====	=====	=====
Average common shares outstanding:				
Basic	92,899	86,054	92,793	85,494
	=====	=====	=====	=====
Diluted	93,848	87,018	93,828	86,404
	=====	=====	=====	=====

This release contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others, the impact of the Heater and Florida Water Services acquisitions and tuck-in acquisitions, growth prospects, opportunities to invest and effect on operating efficiency from the company's growth strategy, the benefits of geographic diversity, the expected impact of rate cases. 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.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2004	2003	2004	2003
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Operating revenues	\$106,524	\$83,379	\$206,292	\$163,868
Cost & expenses:				
Operations and maintenance	44,483	31,029	86,314	61,693
Depreciation	13,506	11,464	27,180	22,811
Amortization	1,249	650	1,919	1,362
Taxes other than income taxes	6,813	4,946	13,962	10,266
Total	66,051	48,089	129,375	96,132
Operating income	40,473	35,290	76,917	67,736
Other expense (income):				
Interest expense, net	11,436	10,651	23,238	21,263
Allowance for funds used during construction	(724)	(500)	(1,333)	(876)
Gain on sale of other assets	(26)	(165)	(476)	(220)
Income before income taxes	29,787	25,304	55,488	47,569
Provision for income taxes	11,916	10,067	22,042	19,005
Net income	17,871	15,237	33,446	28,564
Dividends on preferred stock	-	2	-	5
Net income available to common stock	\$17,871	\$15,235	\$33,446	\$28,559
Net income	\$17,871	\$15,237	\$33,446	\$28,564
Other comprehensive income (loss), net of tax:				
Unrealized gain on securities	-	102	59	149
Reclassification adjustment for gains reported in net income	-	(11)	(230)	(11)
Comprehensive income	\$17,871	\$15,328	\$33,275	\$28,702
Net income per common share:				
Basic	\$0.19	\$0.18	\$0.36	\$0.33
Diluted	\$0.19	\$0.18	\$0.36	\$0.33
Average common shares outstanding:				
Basic	92,899	86,054	92,793	85,494
Diluted	93,848	87,018	93,828	86,404

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

June 30, December 31,

	2004	2003
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Net property, plant and equipment	\$2,000,072	\$1,824,291
Current assets	92,749	83,969
Regulatory assets and other assets	174,009	161,476
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	\$2,266,830	\$2,069,736
	=====	=====
Stockholders' equity	\$676,876	\$659,030
Long-term debt, excluding current portion	770,505	696,666
Current portion of long-term debt and loans payable	192,792	135,845
Other current liabilities	79,702	96,156
Deferred credits and other liabilities	546,955	482,039
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	\$2,266,830	\$2,069,736
	=====	=====

SOURCE: Aqua America, Inc.

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