

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)

	Quarter ended	Quarters ended				Years ended December 31,			
	3/31/2025	3/31/2024	6/30/2024	9/30/2024	12/31/2024	2024	2023	2022	2021
Operating revenues (GAAP financial measure)	\$ 783,626	\$ 612,069	\$ 434,406	\$ 435,255	\$ 604,383	\$ 2,086,113	\$ 2,053,824	\$ 2,288,032	\$ 1,878,144
Net income (GAAP financial measure)	\$ 283,789	\$ 265,772	\$ 75,385	\$ 69,402	\$ 184,755	\$ 595,314	\$ 498,226	\$ 465,237	\$ 431,612
Add:									
Interest expense, net	81,836	72,284	72,769	75,452	78,644	299,149	279,961	234,441	205,325
Allowance for funds used during construction	(5,832)	(4,681)	(5,229)	(5,593)	(5,807)	(21,310)	(16,967)	(23,665)	(20,792)
Provision for income taxes	(20,595)	(10,642)	1,864	15,840	(28,898)	(21,836)	(66,445)	(14,329)	(9,612)
Depreciation	96,764	88,716	89,578	91,448	94,164	363,906	338,655	315,811	292,191
Amortization	2,613	1,088	1,068	1,153	2,337	5,646	5,040	5,366	5,761
Earnings before interest, taxes, depreciation and amortization (Non-GAAP financial measure)	\$ 438,575	\$ 412,537	\$ 235,435	\$ 247,702	\$ 325,195	\$ 1,220,869	\$ 1,038,470	\$ 982,861	\$ 904,485
Selected operating results as a percentage of operating revenues:									
Net income	36.2%	43.4%	17.4%	16.0%	30.6%	28.5%	24.3%	20.4%	23.0%
Add:									
Interest expense, net	10.4%	11.8%	16.8%	17.3%	13.0%	14.3%	13.6%	10.2%	10.9%
Allowance for funds used during construction	-0.7%	-0.8%	-1.2%	-1.3%	-1.0%	-1.0%	-0.8%	-1.0%	-1.1%
Provision for income taxes	-2.6%	-1.7%	0.4%	3.6%	-4.8%	-1.0%	-3.2%	-0.6%	-0.5%
Depreciation	12.4%	14.5%	20.6%	21.0%	15.6%	17.4%	16.5%	13.8%	15.6%
Amortization	0.3%	0.2%	0.2%	0.3%	0.4%	0.3%	0.2%	0.2%	0.3%
Earnings before interest, taxes, depreciation and amortization	56.0%	67.4%	54.2%	56.9%	53.8%	58.5%	50.6%	43.0%	48.2%

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.

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.