

Essential Utilities, Inc. and Subsidiaries
 Reconciliation of GAAP to Non-GAAP financial measures for net income
 (in thousands of dollars, except per share amounts)
 (GAAP refers to accounting principles generally accepted in the United States)
 (Unaudited)

	Year Ended December 31, 2015
Adjusted Net Income	
Net income (GAAP financial measure)	\$ 201,790
Plus: Joint venture impairment charge	32,975
Income tax effect	(11,542)
Adjusted net income (Non-GAAP financial measure)	<u>\$ 223,223</u>
Net income per common share (GAAP financial measure):	
Basic	\$ 1.14
Diluted	\$ 1.14
Adjusted net income per common share (Non-GAAP financial measure):	
Basic	\$ 1.26
Diluted	\$ 1.26
Average common shares outstanding:	
Basic	<u>176,788</u>
Diluted	<u>177,517</u>

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 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.

Adjusted net income and adjusted net income per common share amounts have been adjusted to exclude the effects of the Company's share of a noncash impairment charge recognized by a joint venture.

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.