

Consolidated Water and Sewer Divisions

Section 285.305 (j)



AQUASM

Forward Looking Statement

This presentation contains in addition to historical information, forward-looking statements based on assumptions made by management regarding future circumstances over which the company may have little or no control, that involve risks, uncertainties and other factors that may cause actual results to be materially different from any future results expressed or implied by such forward-looking statements. These factors include, among others, the following: general economic and business conditions; weather conditions affecting customers' water usage or the company's cost of operations; the success of cost containment initiatives, including costs arising from changes in regulations; regulatory treatment of rate increase requests; availability and cost of capital; the success of growth initiatives, including pending acquisitions; the effect of regulation on consolidation of the industry; the ability to generate earnings from capital investment; and other factors discussed in our Form 10-K for the fiscal year ended December 31, 2009, which is on file with the SEC. We undertake no obligation to publicly update or revise any forward-looking statement.

Non-GAAP Reconciliation – For reconciliation of non-GAAP financial measures, see the Investor Relations section of the company's website at www.aquaamerica.com

Aqua America

- Large Multi-state Water/Wastewater Company
- 10 Years of Earnings/Dividend Growth
 - \$671m Revenue; \$104m NI; \$353m EBITDA
- Growth-Through-Acquisition strategy
- No Risk of Product Substitution

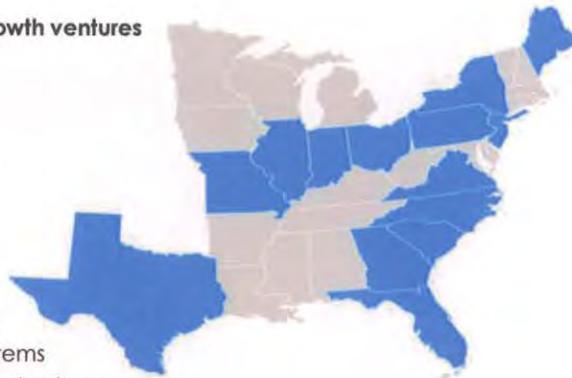
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Operating Locations

1. 14 States
2. Approx. 950,000 customers
3. Over 200 acquisitions and growth ventures since 1995

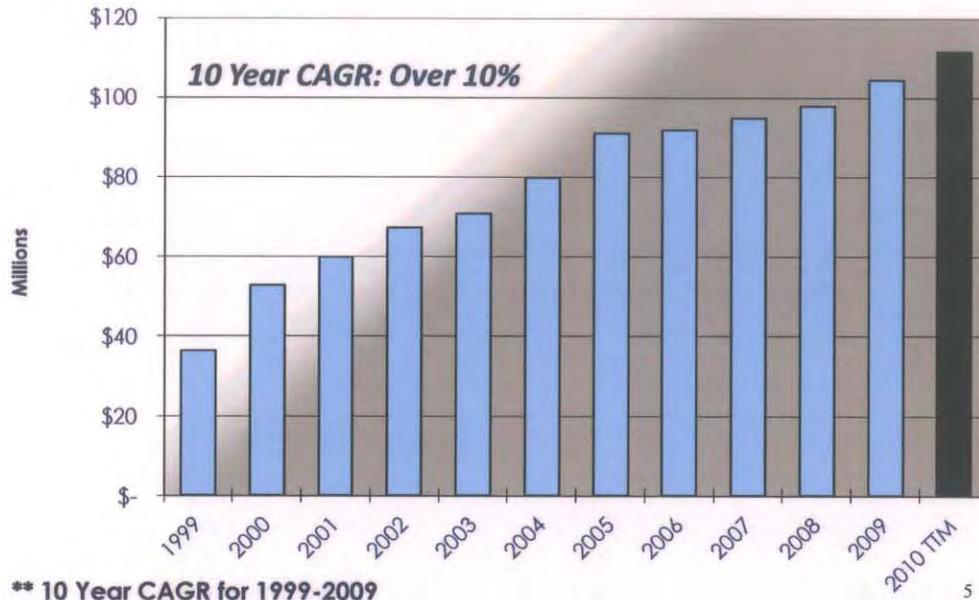
Growth progression:

- **1999:** Consumers Water
 - First step outside of SE PA
 - Added IL, OH, NJ, ME
- **2000:** Entered NC
- **2003:** AquaSource
 - 8 new states
- **2004:** Filled in NC and FL with Heater and Florida Water Systems
- **2005:** Entered septage hauling business
- **2006:** NY Water Services
- **2009:** Georgia



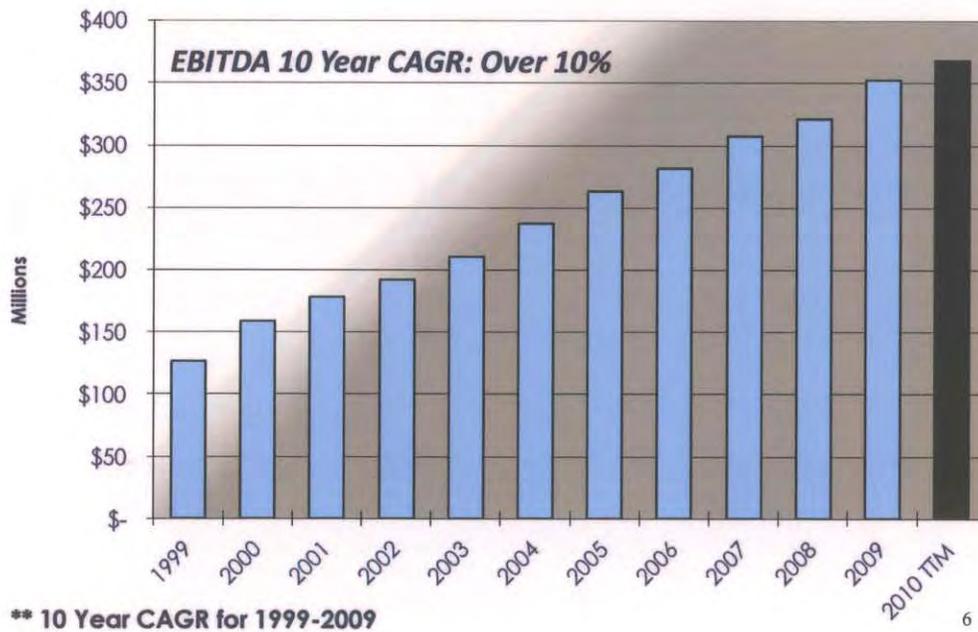
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10 Years of Net Income Growth



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EBITDA



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Financial Results: Q2 2010 vs. Q2 2009

In thousands except per share	Q2 2010	Q2 2009	Variance %
Revenue	\$ 178,444	\$ 167,333	6.6%
O&M	\$ 69,310	\$ 68,549	1.1%
EBITDA	\$ 96,301	\$ 86,980	10.7%
Net Income	\$ 29,855	\$ 25,853	15.5%
Diluted NI per Share	\$ 0.22	\$ 0.19	15.8%

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Financial Results: YTD 2010 vs. YTD 2009

In thousands except per share	YTD 2010	YTD 2009	Variance %
Revenue	\$ 338,961	\$ 321,820	5.3%
O&M	\$ 136,911	\$ 135,538	1.0%
EBITDA	\$ 178,286	\$ 163,021	9.4%
Net Income	\$ 51,366	\$ 44,224	16.1%
Diluted NI per Share	\$ 0.38	\$ 0.33	15.2%

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U.S. Water Industry Today

- Public health driven / Only utility that is ingested / No product substitute
- High barriers to entry / Few providers of scale
- Need Major Infrastructure Reinvestment
 - EPA Needs Survey – \$335 billion over the next 20 years
- Monopoly – Subject to state regulatory jurisdiction (environmental & economic)

Recent U.S. Water Industry Trends

- Electrics –exited the industry
 - Enron – Azurix
 - DQE - Aquasource
- Europeans – typically ‘contract operators’
- Financial Buyers (private equity, infrastructure funds)
 - Need management experience
 - Long-term commitment?

U.S. Water Industry Opportunity Consolidation and Customer Growth

1. Highly fragmented; small private sector
 - 85% municipal; 15% private
2. Niche industry – few publicly-traded players
 - Total market cap = \$9.3B
3. Significant barriers to entry – monopoly status
 - Start-ups have not been successful
4. Growth-through-acquisition potential
 - Most utilities achieve 1% customer growth; WTR 10 year average = 5.7%

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Aqua Growth through Acquisition

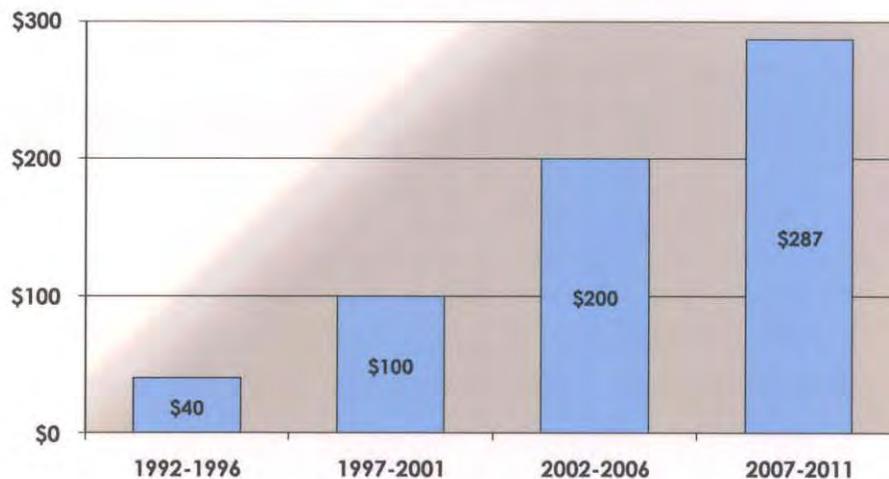
- From 1 to 14 states
 - Georgia in 2010
- 10 Year Customer Growth CAGR = 5.68%
 - Tripled customer count over 15 years
- 30 acquisitions in the last 19 months
 - 5 municipal acquisitions in last 19 months

Top Line Growth Platform

- Acquisitions (Units)
 - “Tuck ins and Platform Builders”
 - **18 acquisitions in 2009**
- Organic growth in Southern states
 - Growth ventures with homebuilders
- Pricing growth through capital investment
 - Investing \$300M annually/ \$1.3 B over past 5 years
 - Return of and on CapX through regulatory process

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Average Annual Capital Investment ‘Building For The Future’ (millions)



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Baseline Expected Rate Base Growth



Planned 2010 capital program is estimated to be \$338M. Future utility construction between 2011 and 2014 is estimated to require aggregate expenditures of \$1,270M.

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U.S Regulated Model: Cap-Ex Investment Is Accretive

HYPOTHETICAL EXAMPLE.

Invest in Water Plant	\$38.00
Capitalize 50% with Debt	\$19.00
Capitalize 50% with Equity (1 share of WTR)	\$19.00
10% Regulatory return on equity	\$1.90
2009 Earnings per share (on 137 million shares)	\$0.77

Earning a 10% ROE on newly issued shares trading above Book Value is accretive to existing earnings per share

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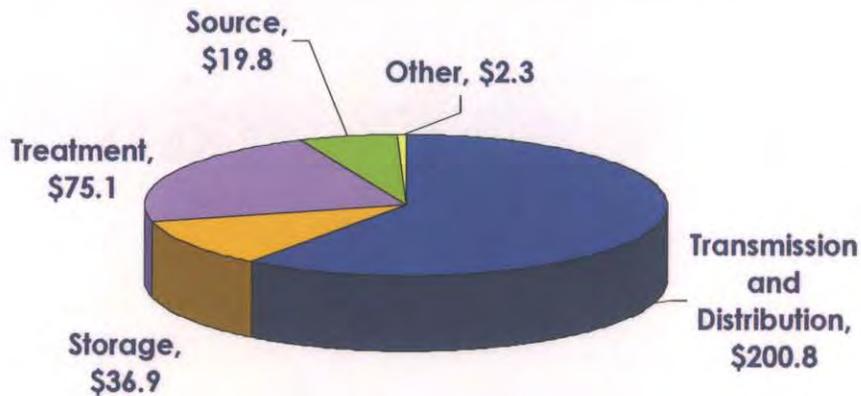
Rate Activity (millions)

Rates Received in 2009	\$37.0
Rates Received in 2010	\$43.7
Rates Pending in 2010*	\$13.7
Rates Planned in 2010*	\$28.5

*The timing and extent of rate requests granted will vary by state

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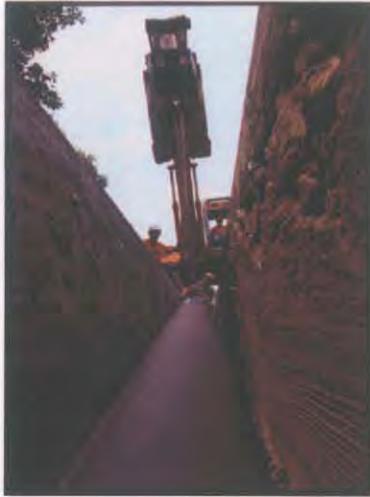
EPA's Estimate of the National Need for Water Infrastructure Investment



\$335 Billion Needed Over the 2007-2027 period up from \$277 from 2003 Report to Ensure Compliance with Existing and Future Water Regulations

Source: 2008 EPA Needs Survey

Proactive vs. Reactive



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Biz

Tuesday, March 23, 2010 • Page 7

Aqua starts two improvement projects in Chester County

By GRETCHEN METZ
Staff Writer

The mountains of plowed snow along the sides of the roads are gone.

In their place, water utility workers are back again with their jackhammers, digging in, replacing antiquated mains.

Two Aqua Pennsylvania upgrades in Chester County got under way over the last couple of days.

The projects are part of \$32 million of improvements Aqua has planned for the county this year.

On Friday, Aqua Pennsylvania Inc. began replacing 1,771 feet of old 8-inch cast-iron water main with new 8-inch ductile iron main in West Goshen.

The work is taking place on the Saint James Road between Isabel Lane and Paoli Pike, and on Paoli Pike between Saint James and North Veronica roads at a cost of \$247,000.

In addition to the new main, crews will also replace existing fire hydrants with new ones. The project, including individual service connections, fire hydrant replacements, side street ties and street restoration, will be completed in May.

On Monday, Aqua began work in Tredyffrin on Wisteria Drive between the following streets: West Swedesford and Hayfield roads, Hayfield and Wellfleet roads, and Wellfleet and West Swedesford roads.

It will spend \$1 million to replace 5,891 feet of old water main with new 8-inch ductile iron water pipe and will replace existing fire hydrants.

The project is scheduled for completion in June.

Crews on both projects will work weekdays between 7:30 a.m. and 4 p.m.

There may be some minor traffic disruptions during the construction project but flagmen will be on site and all

necessary vehicles will be given priority, Aqua said.

"Our 2010 capital program is a continuation of Aqua's track record of investing in the infrastructure improvements that are needed to meet environmental standards for water quality and to provide customers with reliable water services," said Aqua's Great Valley Operations Manager Mark Heavener, who manages the capital program in Chester and Berks counties and the western part of Montgomery County.

"We believe in taking a proactive approach to capital spending, because it helps avoid the type of public health issues that are facing many communities that can't or won't invest the necessary funds."

Aqua Pennsylvania provides water and wastewater services to approximately 1.4 million residents across the state, including nearly 1.3 million residents in southeastern Pennsylvania.



Staff photo by Amy Draggio
Contractors and representatives from Aqua Pennsylvania are performing utility work on St. James Road.

The showman
American Profile, the weekly
magazine, gives a majority of the
spotlight.

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Emlenton water safe to drink again

Advisory lifted after plant inspection, lab tests

By ANNA GONZALEZ
Staff writer

The wall for safe water in Emlenton is over.

The Pennsylvania Department of Environmental Protection (DEP) says Agnes Pennsylvania acknowledges that although the full water advisory for Emlenton has finally been lifted, the advisory was not into effect almost nine months ago on April 12, 2005.

The decision to lift the advisory was based on two factors, DEP spokesman Linda Turbell said Friday.

The first factor was a two-day inspection of the Emlenton water plant that was conducted by the DEP to confirm the operating integrity of the plant.

"This was a key concern," Turbell said.

Agnes Pennsylvania, since its takeover of Emlenton Water Co. in November, has repaired a lot of equipment and installed some new equipment.

John Walters, the vice president of Agnes Pennsylvania, said that the replacement equipment served to correct and improve the quality of water.

Walters said the new equipment

includes an automation system that serves to protect the water. The system will also do remote monitoring, and alarms and alerts are in place should the integrity of the water be compromised, Walters said.

After the two-day inspection was completed, DEP took several water samples to test at a lab in Harrisburg.

The results from the lab tests confirmed that Emlenton's water is once again safe for drinking, Turbell said.

In anticipation of the results, Walters said he was pacing the floor early Friday morning waiting for news.

Walters said he spoke with Emlenton Borough manager Nancy Marano after the ban was lifted, and Walters said Marano was "relieved."

Berry Louie, the Emlenton Borough Council president, said he's "very glad it's over with. We're so thankful for Agnes and the work they did with the DEP to do the work as fast and as professionally as they could."

See EMLENTON, Page 7

High-tech senior living



Recognizing the coming "silver tsunami" of graying baby boomers, such companies are racing to help aging Americans spend more time living independently instead of in nursing homes.

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Forests dying



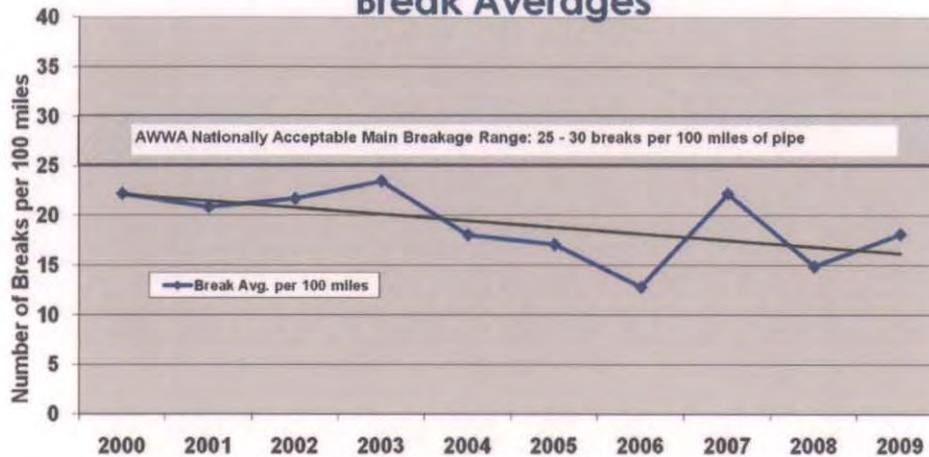
Seneca medical practice expands

Seneca Medical Center has acquired Oil City Primary Care.

States with Pipe Surcharges

State	Allowed Rate ↑%
PA	7.5%
IL	5%
IN	5%
OH	9%

Aqua Southeast Pennsylvania Main Break Averages



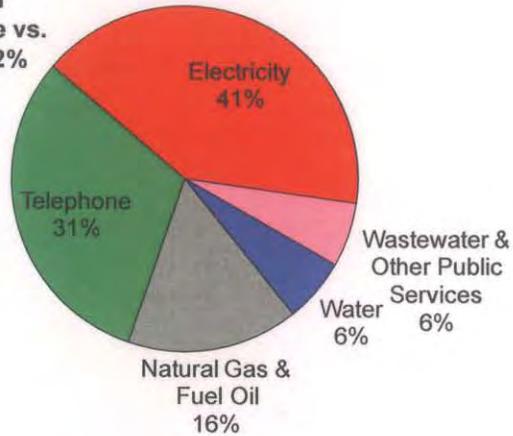
Ingram's Mill – Solar Farm

- Completed in December 2009 – 4.5 acres
- 1.1 MW solar farm – 4,400 panels
- Capable of fully serving plant and selling 300 kW back to grid



Water is the Most Affordable Utility

Water bill is ½% of household income vs. EPA threshold of 2% for affordability.



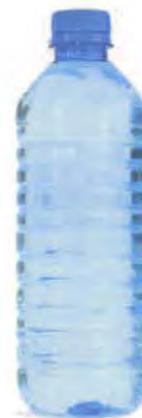
*Source: EPA - "Drinking Water: Past, Present and Future"

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Aqua America's Water Service: A True Value



- High quality
- Affordable
- Delivered to house
- Fraction of the unit cost of bottled water
- Smaller carbon footprint



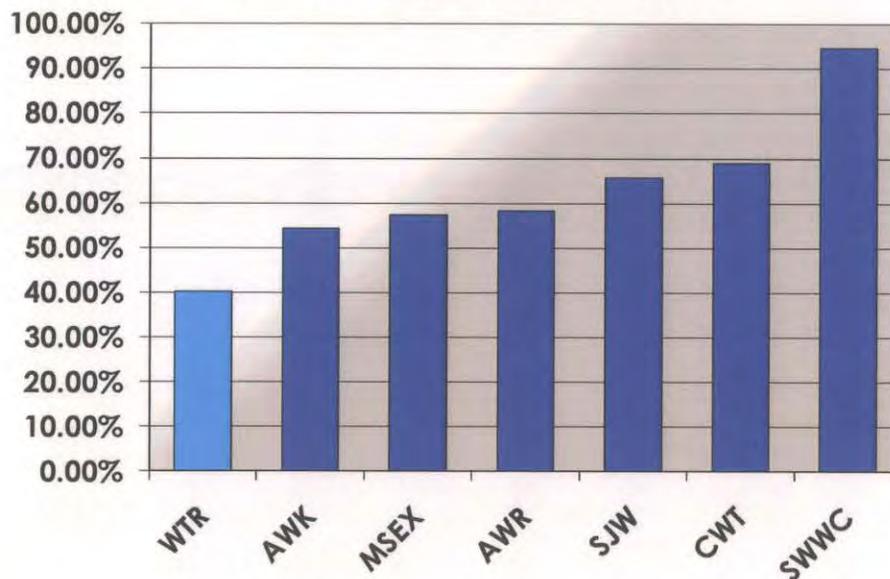
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How Aqua Keeps Rate Increases Down

- Low Operating Cost Structure
 - Lowest of major multi-state water utilities
- Low Cost of Debt Structure

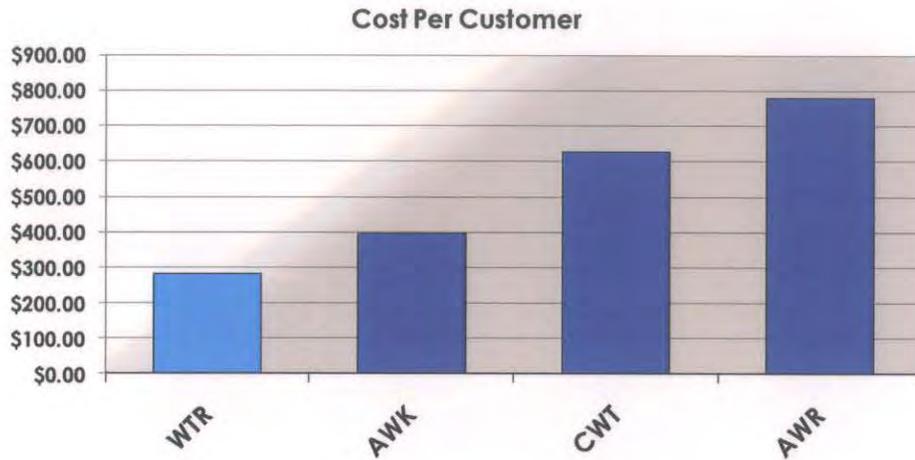
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Peer Comparison 2009 - O&M to Revenue



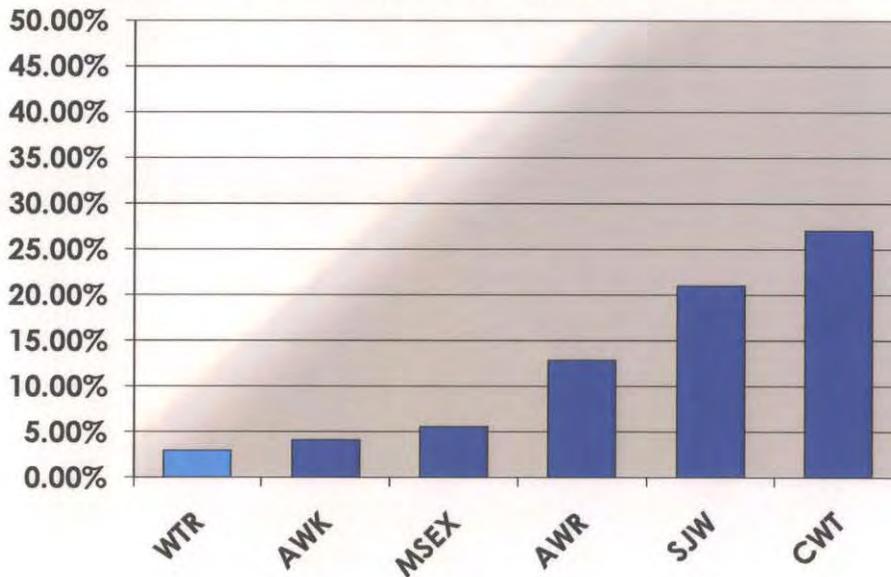
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Peer Comparison 2009 - O&M Expense Per Customer



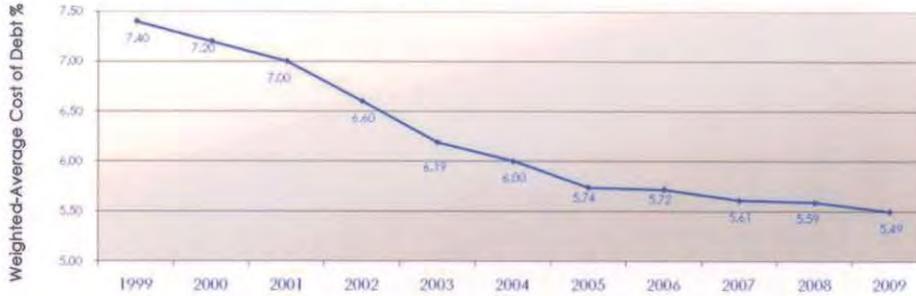
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Peer Comparison 2009 – Purchased Water to Revenue



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Aqua America Low Weighted-Average Cost of Long-term Fixed-rate Debt



- As of December 31, 2009 46% of Aqua America's total fixed rate long-term debt consists of low interest financing that includes tax-exempt debt and state revolving loan funds.
- Number 1 investor-owned user of Pennvest loans in Pennsylvania

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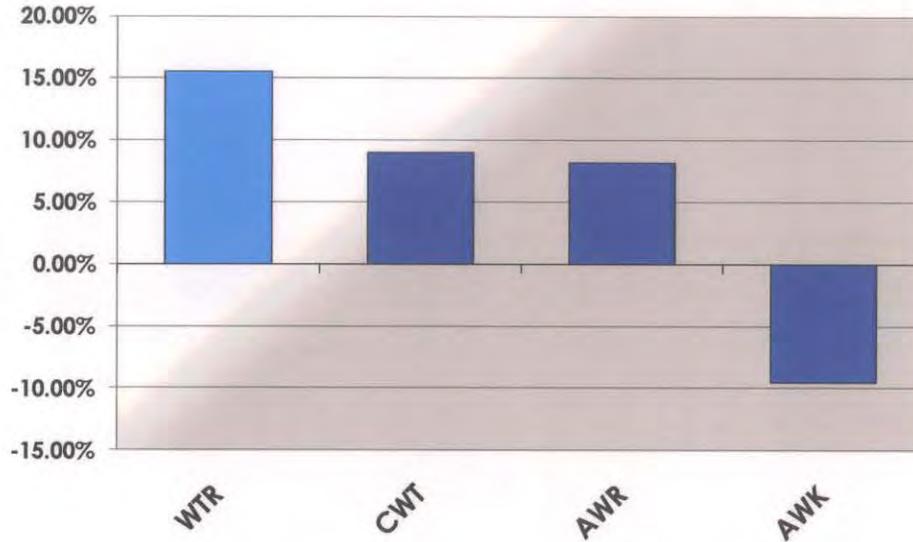
Standard & Poor's Issuer Rankings U.S. Investor-Owned Water Utilities U.S. Regulated Electric Utilities

Corporate Credit Rating	Water		Electric	
	Companies	Percentage	Companies	Percentage
AA	1	7%	-	0%
AA-	-	0%	1	1%
A+	2	13%	5	3%
A	4	27%	13	7%
A-	4	27%	31	17%
BBB+	4	27%	34	18%
BBB	-	0%	64	34%
BBB-	-	0%	30	16%
BB+	-	0%	3	2%
BB	-	0%	3	2%
BB-	-	0%	3	2%
	<u>15</u>	<u>100%</u>	<u>187</u>	<u>100%</u>

Aqua Pennsylvania S&P A+

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Peer Comparison 2009 - ROR

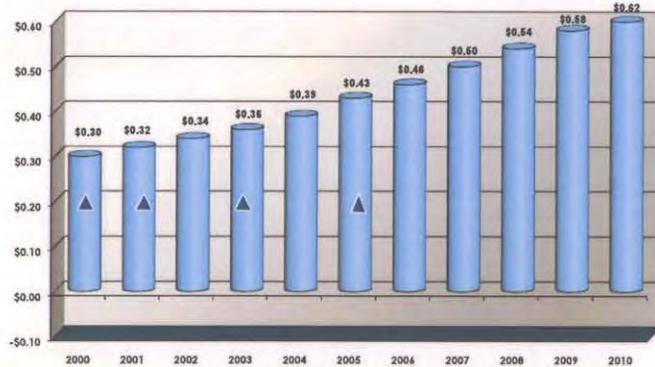


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Dividend History (split-adjusted)

6.9% increase to annualized dividend rate of \$0.62 effective 12/1/10

▲ 4 splits since 1999



Note: Split-adjusted annualized dividend rates

- 10 year dividend CAGR: 7.53%
- 20th increase in 19 years
- Named a 2009 "Mergent Dividend Achiever" for annual dividend increases over a 10 year period.

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What Aqua Represents to Investor

- A large multi-state publicly traded water utility
- Unique growth story – growth through acquisition strategy; service territories in high growth areas
- Focus on asset ownership model – invest needed capital to earn regulated return
- Financial strength; good credit quality
 - Aqua Pennsylvania; S&P A+
- History of profitability and dividend growth

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Environmentally and Socially Responsible



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AQUASM

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