

**PA American Water**  
**Income Statement for the 12 Months Ended December 31, 2016**  
**(Dollars in thousands)**

|                                   | <b>PA American Water</b> |                 |
|-----------------------------------|--------------------------|-----------------|
|                                   | <b>12 Months Ended</b>   |                 |
|                                   | <b>December 31, 2016</b> |                 |
|                                   | <b>(Audited)</b>         |                 |
|                                   | <hr/>                    |                 |
| <b>Operating revenues</b>         | \$                       | <b>638,539</b>  |
| <b>Operating expenses</b>         |                          |                 |
| Operation and maintenance         | \$                       | <b>200,233</b>  |
| Depreciation and amortization     | \$                       | <b>102,742</b>  |
| General taxes and other           | \$                       | <b>7,842</b>    |
| <b>Total Operating Expenses</b>   | \$                       | <b>310,817</b>  |
|                                   |                          | <hr/>           |
| <b>Operating income</b>           | \$                       | <b>327,722</b>  |
|                                   |                          | <hr/>           |
| <b>Other income/(expenses)</b>    |                          |                 |
| Other income, net                 | \$                       | <b>(364)</b>    |
| Interest expense, net             | \$                       | <b>(66,594)</b> |
| Total Other Expenses              | \$                       | <b>(66,958)</b> |
|                                   |                          | <hr/>           |
| <b>Income before income taxes</b> | \$                       | <b>260,764</b>  |
|                                   |                          | <hr/>           |
| <b>Provision for income taxes</b> | \$                       | <b>107,647</b>  |
|                                   |                          | <hr/>           |
| <b>Net income</b>                 | \$                       | <b>153,117</b>  |
|                                   |                          | <hr/>           |