



# NEWS

93 West Main Street, Clinton, CT 06413

## **Connecticut Water Service, Inc. Reports 2012 and Fourth Quarter Earnings** *Earnings Total \$1.55 per Share – an increase of 18.3% over 2011*

**Clinton, Connecticut, March 18, 2013** – Connecticut Water Service, Inc. (NASDAQ GS: CTWS) (the “Company” or “Connecticut Water”) announced net income of \$13.6 million and earnings per basic average share (EPS) of \$1.55 for 2012, compared to net income of \$11.3 million and EPS of \$1.31 for 2011. In 2012, total revenue grew to \$92.6 million from \$75.6 million in 2011, an increase of \$17 million, or 22.4%. Total revenue includes all revenues generated by the Company’s three business segments: Water Activities, Services and Rentals, and Real Estate.

The Company’s results for 2012 include a contribution of \$1.6 million to net income, or EPS of \$0.18, from The Maine Water Company (“Maine Water”) and Biddeford and Saco Water Company (“BSWC”), excluding CTWS’s approximately \$1.1 million of financing costs related to the acquisition of Maine Water.

### **2012 Operating Results**

In 2012, income in the Water Activities segment, the Company’s principal business, grew by approximately \$1.1 million to \$11.3 million from \$10.1 million in 2011, an increase of 11.5%. The gain was largely attributable to increased revenue through the Maine Water acquisition and increases in the WICA (Water Infrastructure and Conservation Adjustment) surcharge for eligible infrastructure replacement investments in Connecticut. The Services and Rental segment contributed \$0.16 per share, which is an increase of \$0.04 over 2011 performance. In 2012, the Real Estate segment generated EPS of \$0.11 through a sale of protected open space land to the Town of Plymouth, Connecticut. There were no transactions in the Real Estate segment in 2011.

### **Acquisitions**

On January 1, 2012, CTWS acquired from Aqua America, Inc. its former Maine subsidiary, Aqua Maine, Inc., which was renamed Maine Water. On December 10, 2012, CTWS

acquired BSWC. The 2011 fourth quarter and twelve month results do not include the results of operations of Maine Water and BSWC. The first eleven and half months of 2012 do not include the results of operations of BSWC.

Eric W. Thornburg, Chairman, President and Chief Executive Officer of Connecticut Water, said “2012 was a historic year for Connecticut Water. We grew our customer base by 35% through acquisitions, delivered increased earnings for shareholders, and attained customer and employee satisfaction levels among the highest we have seen.”

Mr. Thornburg added, “In 2013, we will continue our focus on cost containment and infrastructure investment. Our 2013 capital budget includes \$31.3 million in infrastructure investment for Connecticut and Maine with \$15 million targeted for WICA eligible pipeline replacements in Connecticut. In Maine, guidelines for an investment recovery mechanism similar to WICA, the Temporary Surcharge for Infrastructure Replacement and Repair (TSIRR), have been drafted and are awaiting approval by the legislature and governor. We expect TSIRR to be available to Maine Water and BSWC late this year or in early 2014.”

Excluding Maine Water and BSWC, the Company’s Operating Expenses increased 2.5% in 2012 compared to 2011. Expenses related to Operations and Maintenance, depreciation, and taxes other than income taxes increased, but were partially offset by a decrease in income tax expense.

#### **Fourth Quarter Results**

In the fourth quarter of 2012, the Company reported net income of \$1.6 million and basic EPS of \$0.16. During the same period in 2011, the company reported net income of \$1.8 million and basic EPS of \$0.21. Total revenue for the quarter was \$21.3 million, which was an increase from \$17.0 million in the same quarter of 2012. The increase in total revenue was attributable to the acquisition of Maine Water and increases in the WICA surcharge.

#### **Expansion in the state of Maine**

In 2012, Connecticut Water completed two acquisitions in the state of Maine that grew its overall customer base by 35%. On January 1, 2012, the Company acquired Aqua Maine from Aqua America, which was renamed The Maine Water Company. The Company completed the acquisition of Aqua Maine, Inc. from Aqua America, Inc. for a total cash purchase price, adjusted at closing, of \$35.6 million. Maine Water serves about 16,000 customers, or 48,000 people, across the state of Maine.

On December 10, 2012, the Company acquired Biddeford and Saco Water Company through a stock-for-stock merger transaction valued at approximately \$12.0 million. Holders of BSWC common stock received shares of CTWS common stock in a tax-free exchange. BSWC serves about 15,500 customers, or 35,000 people, in four southern Maine communities.

Mr. Thornburg stated, “BSWC and Maine Water have joined forces and are operating under the leadership of Maine Water’s highly regarded leadership team. We are focused on leveraging the economies of scale in Maine and seeking opportunities to share staff, resources, systems and services between our Maine operations to provide the best, most cost effective service for customers while honoring our commitments to employees and shareholders.”

Connecticut Water Service, Inc. is the largest publicly traded water company based in New England. Through its wholly-owned public water utility subsidiaries, The Connecticut Water Company, The Maine Water Company, and Biddeford and Saco Water Company collectively provide drinking water to approximately 122,000 customers, or about 400,000 people, in 76 municipalities throughout the states of Connecticut and Maine.

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## Connecticut Water Service, Inc. & Subsidiaries

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#### Condensed Consolidated Statements of Income (unaudited)

(In thousands except per share amounts)	December 31, 2012	December 31, 2011
Operating Revenues	\$83,838	\$69,402
Other Water Activities Revenues	1,487	1,490
Real Estate Revenues	1,450	--
Service and Rentals Revenues	5,786	4,682
Total Revenues	<u>\$92,561</u>	<u>\$75,574</u>
Total Operating Expenses	\$64,229	\$53,842
Other Utility Income, Net of Taxes	\$812	\$847
Total Utility Operating Income	\$20,421	\$16,407
Gain on Property Transactions, Net of Taxes	\$951	\$176
Non-Water Sales Earnings (Services and Rentals), Net of Taxes	\$1,424	\$1,001
Net Income	\$13,640	\$11,300
Net Income Applicable to Common Shareholders	\$13,602	\$11,262
Basic Earnings Per Average Common Share	\$1.55	\$1.31
Diluted Earnings Per Average Common Share	\$1.53	\$1.29
Basic Weighted Average Common Shares Outstanding	8,763	8,610
Diluted Weighted Average Common Shares Outstanding	8,900	8,720
Book Value Per Share	\$16.94	\$13.50

#### Condensed Consolidated Balance Sheets (unaudited)

(In thousands)	December 31, 2012	December 31, 2011
<b>ASSETS</b>		
Net Utility Plant	\$447,911	\$360,027
Current Assets	36,362	18,881
Other Assets	94,702	64,023
Total Assets	<u>\$578,975</u>	<u>\$442,931</u>
<b>CAPITALIZATION AND LIABILITIES</b>		
Shareholders' Equity	\$185,349	\$118,189
Preferred Stock	772	772
Long-Term Debt	178,475	135,256
Current Liabilities	15,877	30,428
Other Liabilities and Deferred Credits	198,502	158,286
Total Capitalization and Liabilities	<u>\$578,975</u>	<u>\$442,931</u>

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This news release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others, our long-term strategy and expectations, the status of our acquisition program, the impact of our acquisitions, the impact of current and projected rate requests and the impact of our capital program on our environmental compliance. 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. We undertake no obligation to update or revise forward-looking statements, whether as a result of new information, future events, or otherwise.