



Connecticut Water Service, Inc. Reports Six Month Earnings

Earnings total \$1.19 per share in first six months, increase of 11%

CLINTON, CONNECTICUT, Aug. 09, 2016 (GLOBE NEWSWIRE) -- Connecticut Water Service, Inc. (NASDAQ GS: CTWS) announced Net Income of \$13.1 million, or earnings per basic average share (EPS) of \$1.19, on total revenues of \$50.7 million in the first six months of 2016. Total revenues include revenues generated by the Company's three business segments: Water Operations, Service and Rentals, and Real Estate. In the same period of 2015, the Company had Net Income of \$11.8 million, or \$1.07 EPS, on total revenues of \$50.1 million.

Operating Results First Six Months

Net Income in the Company's core business, the Water Operations segment, was \$12.3 million, on revenues of \$48.2 million. In the same period of 2015, net income from the segment totaled \$11.0 million, on revenues of \$47.3 million. The increase in revenues was related to recovery of costs for completed infrastructure replacement projects through the Water Infrastructure and Conservation Adjustment (WICA) in Connecticut and the Water Infrastructure Charge (WISC) in Maine, as well as a general rate increase in Maine's Biddeford Saco division.

In addition, Net Income from Water Operations for the six month period was positively impacted in 2016 and 2015 by one-time items. Net Income increased \$1.8 million in the first six months of 2016 compared to 2015 after removing the one-time items.

Operating Income Tax expense in first six months of 2016 was \$982,000 resulting in an effective tax rate of 8.0%, a rate that should be typical going forward as the Company continues to benefit from its investment in aging infrastructure and the immediate tax deduction it provides. In 2015, Operating Income Tax expense was negative \$488,000 primarily as a result of the one-time items that yielded an effective tax rate of negative 1.7%.

The Services and Rentals segment contributed income of \$801,000 in the first six months of 2016. In the same period of 2015, the segment contributed \$744,000 of net income. There was no activity in the Real Estate segment in the first quarter of 2016 and 2015.

Total Operating Expenses decreased \$185,000 in the first six months of 2016 when compared to 2015. Eric W. Thornburg, President and CEO of CTWS, noted that in addition to strong financial performance in the first six months, the Company continues to serve customers at world-class levels. Mr. Thornburg stated, "Each year we retain an independent research firm to conduct a customer satisfaction survey on our behalf. The mid-year results of that survey show that 92% of customers say they are satisfied. Further, we have delivered world-class customer satisfaction of 85% or better for each of the last 15 years." Mr. Thornburg added, "CTWS takes great pride in recruiting top notch talent that is passionate about serving customers, and the results speak for themselves."

Second Quarter Operating Results

In the second quarter of 2016, Net Income was \$9.9 million, or EPS of \$0.90, which was an increase of 13.7% from the \$8.7 million, or EPS of \$0.79, reported in the same period of 2015. The increase in earnings was largely attributable to the same factors that drove the six month results.

In the second quarter of 2016, Net Income in the Company's core business, the Water Operations segment, was \$9.5 million on revenues of \$26.4 million. In the same period of 2015, Net Income from the segment totaled \$8.3 million on revenues of \$27.0 million.

In addition, Net Income from Water Operations for the second quarter was positively impacted in 2016 and 2015 by one-time items. Net Income decreased approximately \$0.5 million in the second quarter of 2016 compared to 2015 after removing the one-time items. The primary driver of the decrease is a timing issue associated with revenue recognition related to regulatory required reporting of its revenue adjustment mechanism in Connecticut.

The Company saw consistent performance from its Services and Rentals segment in the second quarter of 2016 that contributed income of \$406,000, compared to \$375,000 in the same period of 2015.

Total operating expenses decreased \$1.8 million, or 10.7%, to \$15.0 million in the second quarter of 2016 due largely to the one-time adjustment.

Dividend Increase

On May 13, 2016, CTWS's Board of Directors approved an increase of 5.6% in its annualized cash dividend, raising the quarterly amount to \$0.2825 per share of the Company's common stock for an annualized dividend of \$1.13. This increase also accelerated the timing of the annual increase which has historically occurred in the third quarter of the year. That acceleration combined with the increase projects to a 6.2% increase in 2016 dividends versus 2015.

The dividend increase on common shares became effective with the quarterly cash dividend payment of \$0.2825 per common share that was paid on June 15, 2016, for all shareholders of record as of June 1, 2016.

Other Developments

On May 10, 2016, the Company entered into an agreement to acquire the Heritage Village Water Company (HVWC) in a transaction that reflects a total enterprise value of \$20.6 million. HVWC serves approximately 4,700 water and 3,500 wastewater customers in the communities of Middlebury, Oxford, and Southbury. The Boards of Directors of the CTWS and HVWC have each unanimously approved the agreement. On July 7, 2016, CTWS filed an application with PURA seeking approval of the acquisition. Subject to certain other approvals, the Company anticipates the closing could occur as early as the fourth quarter of 2016.

Connecticut Water anticipates that the pipeline to serve the University of Connecticut's Storrs Campus and the off-campus customers in the Town of Mansfield, Connecticut will be in service by the end of August. Construction on the 5-mile pipeline began in July 2015, and it is expected to be in service well ahead of schedule.

CTWS is the largest publicly traded water company based in New England. Through its wholly-owned public water utility subsidiaries, Connecticut Water and Maine Water, the Company provides drinking water to approximately 124,000 customers, or about 400,000 people, throughout the states of Connecticut and Maine.

Additional information regarding results, performance or achievements noted in this news release is available in CTWS's Form 10-Q filed with the SEC on August 9, 2016. A link to the 10-Q filing can be found at <http://ir.ctwater.com/investors/sec-filings/default.aspx>

###

Connecticut Water Service, Inc. & Subsidiaries

Selected Income Statement Information (unaudited)

(In thousands except per share amounts)	Three Months Ended		Six Months Ended	
	June 30, 2016	2015	June 30, 2016	2015
Operating Revenues	\$ 26,055	\$ 26,624	\$ 47,607	\$ 46,654
Other Water Activities Revenues	321	343	624	653
Real Estate Revenues	--	--	--	--
Service and Rentals Revenues	1,212	1,463	2,443	2,825
Total Revenues	<u>\$ 27,588</u>	<u>\$ 28,430</u>	<u>\$ 50,674</u>	<u>\$ 50,132</u>
Operating Expenses	\$ 15,026	\$ 16,875	\$ 32,555	\$ 32,740
Other Utility Income, Net of Taxes	\$ 188	\$ 205	\$ 343	\$ 360
Total Utility Operating Income	\$ 11,217	\$ 9,954	\$ 15,395	\$ 14,274
Gain on Property Transactions, Net of Taxes	\$--	\$--	\$--	\$--
Non-Water Sales Earnings (Services and Rentals), Net of Taxes	\$ 406	\$ 375	\$ 801	\$ 744
Net Income	\$ 9,943	\$ 8,675	\$ 13,091	\$ 11,778
Net Income Applicable to Common Shareholders	\$ 9,933	\$ 8,665	\$ 13,072	\$ 11,759
Basic Earnings Per Average Common Share	\$ 0.90	\$ 0.79	\$ 1.19	\$ 1.07
Diluted Earnings Per Average Common Share	\$ 0.89	\$ 0.77	\$ 1.17	\$ 1.05
Basic Weighted Average Common Shares Outstanding	11,004	10,958	10,998	10,941
Diluted Weighted Average Common Shares Outstanding	11,223	11,157	11,217	11,151
Book Value Per Share	\$ 20.52	\$ 19.36	\$ 20.52	\$ 19.36

Condensed Consolidated Balance Sheets (unaudited)

(In thousands)	June 30, 2016	June 30, 2015
ASSETS		
Net Utility Plant	\$ 568,406	\$ 515,367
Current Assets	30,941	35,704
Other Assets	145,894	142,730
Total Assets	<u>\$ 745,241</u>	<u>\$ 693,801</u>
CAPITALIZATION AND LIABILITIES		
Shareholders' Equity	\$ 230,439	\$ 216,186
Preferred Stock	772	772
Long-Term Debt	200,861	177,302
Current Liabilities	30,273	24,905
Other Liabilities and Deferred Credits	282,896	274,636
Total Capitalization and Liabilities	<u>\$ 745,241</u>	<u>\$ 693,801</u>

Forward Looking Statements

This news release contains certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 about Connecticut Water's proposed merger transaction with Heritage Village Water Company. Examples include statements regarding the anticipated closing date of the transaction and anticipated future results. Numerous factors could cause actual results to differ materially from expected results, such as delays in completing the merger, difficulties in achieving anticipated benefits or cost savings from the merger or in achieving such anticipated benefits or cost savings within the expected

time frame, difficulties integrating these companies' operations, increased competitive pressures, changes in general economic conditions, legislative and regulatory changes that adversely affect the water utility business, changes in the securities markets, and other future risks and uncertainties disclosed from time to time in documents that Connecticut Water files 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.

Additional Information About the Merger and Where to Find It

In connection with the proposed merger, CTWS will be filing a registration statement on Form S-4 with the SEC under the Securities Act of 1933 containing a proxy or information statement of Heritage Village Water Company that also constitutes a prospectus of CTWS (the "Statement/Prospectus") and other documents regarding the proposed transaction.

Before making any voting or investment decisions, we urge investors and security holders to read the Statement/Prospectus (including all amendments and supplements thereto) and other documents filed with the SEC carefully and in their entirety when they become available, because they will contain important information about CTWS, Heritage Village Water Company and the proposed merger.

When available, copies of the Statement/Prospectus will be mailed to the shareholders of Heritage Village Water Company. Copies of the Statement/Prospectus may be obtained free of charge at the SEC's web site at www.sec.gov, or by directing a request to CTWS's Corporate Secretary, Kristen A. Johnson, at Connecticut Water Service, Inc., 93 West Main Street, Clinton, Connecticut 06413, or by telephone at 1-800-428-3985, ext. 3056, or on our website at www.ctwater.com. Copies of other documents filed by CTWS with the SEC may also be obtained free of charge at the SEC's web site or by directing a request to CTWS at the address provided above.

CTWS and Heritage Village Water Company and certain of their directors and executive officers may be deemed to be participants in the solicitation of proxies in connection with the approval of the proposed merger. Information regarding CTWS's directors and executive officers and their respective interests in CTWS by security holdings or otherwise is available in its Annual Report on Form 10-K filed with the SEC on March 14, 2016 and its Proxy Statement on Schedule 14A filed with the SEC on March 31, 2016. Certain information regarding Heritage Village Water Company's directors and executive officers is available in its Annual Report for 2014 filed with the PURA and available at the PURA's website, www.ct.gov/pura. Additional information regarding the interests of such potential participants will be included in the Statement/Prospectus and registration statement, and other relevant materials to be filed with the SEC, when they become available, including in connection with the solicitation of proxies to approve the proposed merger.

This press release shall not constitute an offer to sell or the solicitation of an offer to buy any securities, nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful prior to registration or qualification under the securities laws of such jurisdiction. No offer or sale of securities shall be made except by means of a prospectus meeting the requirements of Section 10 of the Securities Act of 1933.

News Media Contact:

Daniel J. Meaney, APR
Director of Corporate Communications

Connecticut Water Service, Inc.
93 West Main Street, Clinton, CT 06413-1600
dmeaney@ctwater.com
(860) 664-6016