

Financial Results Call Presentation Second Quarter 2018



American States
Water Company

August 7, 2018

Revised August 14, 2018

NYSE: AWR

Today's Presenters

Robert J. Sprowls

President & CEO



Eva G. Tang

SVP – Finance & CFO



Forward-Looking Statement

Certain matters discussed during this conference call may be forward-looking statements intended to qualify for the “safe harbor” from liability established by the Private Securities Litigation Reform Act of 1995. Please review a description of the Company’s risks and uncertainties in our most recent Form 10-K and Form 10-Q on file with the Securities and Exchange Commission (SEC).

Non-GAAP Financial Measures

- This conference call includes a discussion of certain measures that are not prepared in accordance with Generally Accepted Accounting Principles (GAAP) in the United States, and constitute "non-GAAP financial measures" under SEC rules. These non-GAAP financial measures are derived from consolidated financial information but are not presented in our financial statements that are prepared in accordance with GAAP.
- Non-GAAP financial measures discussed in this conference call include: (i) the water gross margin, which is computed by subtracting total water supply costs from total water revenues, (ii) adjusted consolidated earnings per share, which are adjusted for a one-time gain on the sale of assets, and (iii) AWR's operations in terms of diluted earnings per share by business segment, which is each business segment's earnings divided by the Company's weighted average number of diluted shares.
- The non-GAAP financial measures supplement our GAAP disclosures and should not be considered as alternatives to the GAAP measures. Furthermore, the non-GAAP financial measures may not be comparable to similarly titled non-GAAP financial measures of other registrants. The Company uses the water gross margin, adjusted revenues, adjusted operating expenses and earnings per share by business segment as important measures in evaluating its operating results and believes these measures are useful internal benchmarks in evaluating the performance of its operating segments. The Company reviews these measures regularly and compares them to historical periods and to the operating budget.

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- Regulated Utilities (GSWC)
 - On track to invest \$110-\$120 million in infrastructure during 2018
 - Reached a tentative settlement agreement with CPUC's ORA on water general rate case (GRC)
 - Settlement resolves all issues in the GRC
 - Settlement conference is scheduled for August 14, 2018
- Contracted Services (ASUS)
 - Assumed operations at Fort Riley, Kansas on July 1, 2018
 - ASUS now serves eleven military bases in eight states under 50-year privatization contracts
- Company declared a 7.8% increase in the third quarter dividend
 - 5 year CAGR of 9.4% through 2017

Consolidated Q2 earnings:

- \$0.44 per share Q2 2018 vs \$0.47 per share Q2 2017, adjusted to exclude:
 - One-time \$0.13 gain on Ojai sale recorded in 2017
 - \$0.02 retroactive revenues recorded in 2017 at ASUS related to periods prior to Q2 2017
- Decrease in earnings due to lower construction revenue at contracted services segment. Construction revenue expected to increase during remainder of 2018
- ASUS projected to contribute \$0.38-\$0.42 per share for fiscal 2018
- Consistent earnings at water segment, despite lower revenues due to cost of capital decision and cessation of Ojai operations
 - Operating costs were flat between the two quarters

Q2 Diluted EPS by Segment



	Q2 2018 ⁽¹⁾	Q2 2017	Variance
Water, adjusted	\$0.35	\$0.35 ⁽²⁾	\$ —
Electric	0.02	0.02	—
Contracted Services, adjusted	0.06	0.10 ⁽³⁾	(0.04)
AWR (parent)	0.01	—	0.01
Consolidated EPS, adjusted	\$0.44	\$0.47	(0.03)
Gain on sale of Ojai system	—	0.13 ⁽²⁾	(0.13)
Retroactive revenues	—	0.02 ⁽³⁾	(0.02)
Consolidated EPS, as reported	\$0.44	\$0.62	(\$0.18)

⁽¹⁾ As reported

⁽²⁾ Non-GAAP adjustment at the water segment to exclude the one-time \$0.13 per share gain on sale of the Ojai system recorded in Q2 2017

⁽³⁾ Non-GAAP adjustment at the contracted services segment to exclude the \$0.02 per share in retroactive revenues recorded in Q2 2017 for periods prior to Q2 2017

Adjusted Operating Income (Non-GAAP) American States Water Company

(amounts in millions)	Q2 2018 ^(a)	Q2 2017	Variance
Adjusted Operating Revenues	\$106.9 ^(b)	\$111.9 ^(c)	(\$5.0)
Water and Electric Supply Costs	23.7	22.0	1.7
Other Operation	7.8	8.2	(0.4)
Administrative and General	20.2	20.2	—
Depreciation and Amortization	10.0	9.7	0.3
Maintenance	3.7	3.6	0.1
Property and Other Taxes	4.3	4.3	—
ASUS Construction	11.6	11.4	0.2
Adjusted Total Operating Expenses *	81.3	79.5 ^(d)	1.8
Adjusted Operating Income (Non-GAAP)	\$25.6	\$32.4	(\$6.8)

^(a) As reported

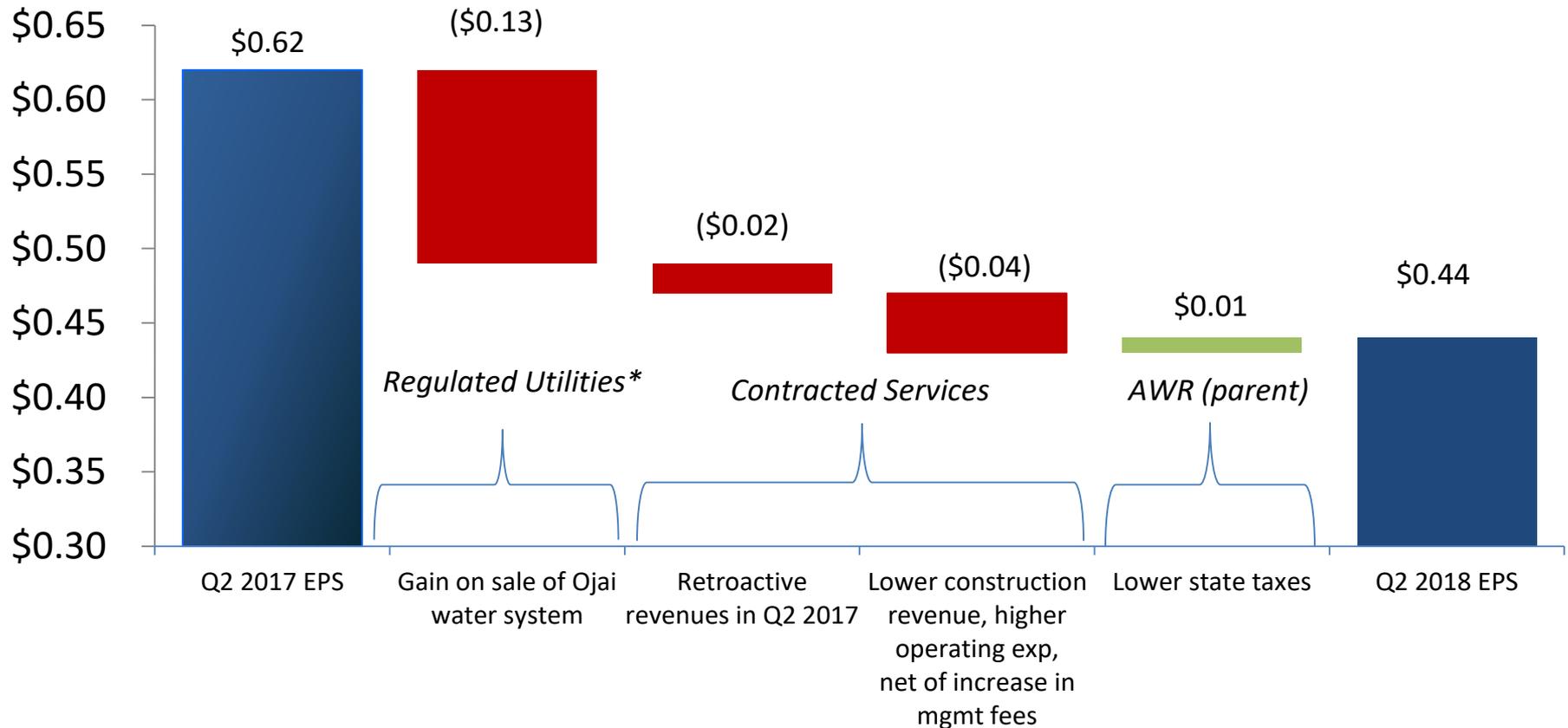
^(b) Includes \$4.1M reduction due to the impact of Tax Reform on Regulated Utilities

^(c) Excludes \$1.3M in retroactive revenues recorded in Q2 2017 related to periods prior to Q2 2017

^(d) Excludes \$8.3M gain on sale of Ojai water system recorded in Q2 2017

* Line item does not total due to rounding

EPS Bridge Q2 2017 to Q2 2018



* CPUC-approved water rate increases were offset by lower revenues due to cost of capital decision and the cessation of Ojai operations. Operating expenses (excluding supply costs) were flat.

YTD Diluted EPS by Segment



	YTD ⁽¹⁾ 2018	YTD 2017	Variance
Water, adjusted	\$0.55	\$0.58 ⁽²⁾	(\$0.03)
Electric	0.06	0.06	—
Contracted Services	0.11	0.14 ⁽³⁾	(0.03)
AWR (parent)	0.01	0.01	—
Consolidated EPS, adjusted	0.73	0.79	(0.06)
Gain on sale of Ojai system, recovery of drought items	—	0.15 ⁽²⁾	(0.15)
Retroactive revenues	—	0.02 ⁽³⁾	(0.02)
Consolidated EPS, as reported	\$0.73	\$0.96	(\$0.23)

⁽¹⁾ As reported

⁽²⁾ Non-GAAP adjustment at the water segment to exclude the one-time \$0.13 per share gain on sale of the Ojai system recorded and CPUC approval of recovery of incremental drought-related items in 2017

⁽³⁾ Non-GAAP adjustment at the contracted services segment to exclude \$0.02 per share in retroactive revenues recorded in Q2 2017 for periods prior to 2017

- Operating cash flows decreased to \$65 million from \$75 million primarily due to:
 - ✓ Receipt of state tax refunds in 2017
 - ✓ Expiration of various surcharges implemented in 2017
 - ✓ Timing of billings of and cash receipts for construction work at military bases
- Net cash used in investing activities was \$58.7 million for the six months ended June 30, 2018 vs. \$45.7 million for the same period in 2017, excluding cash proceeds from Ojai sale
 - ✓ Cash invested in capital expenditures was higher during the first six months of 2018
 - ✓ Company-funded capital expenditures for 2018 expected to be \$110-\$120 million at GSWC
- AWR renewed its \$150 million credit facility in May 2018
 - ✓ Expires May 2023
 - ✓ Borrowing capacity can be increased by \$50 million if needed

Regulated Activity (GSWC)



Golden State Water Company Customer Service Areas

- Water general rate case will set rates for the years 2019 through 2021
 - Requested capital budgets of \$125 million per year for the three-year rate cycle
 - Tentative settlement agreement reached with ORA
- Electric general rate case will set rates for the years 2018 through 2021
- Final CPUC decisions on both rate cases are scheduled to be issued in 2018

Contracted Services (ASUS)

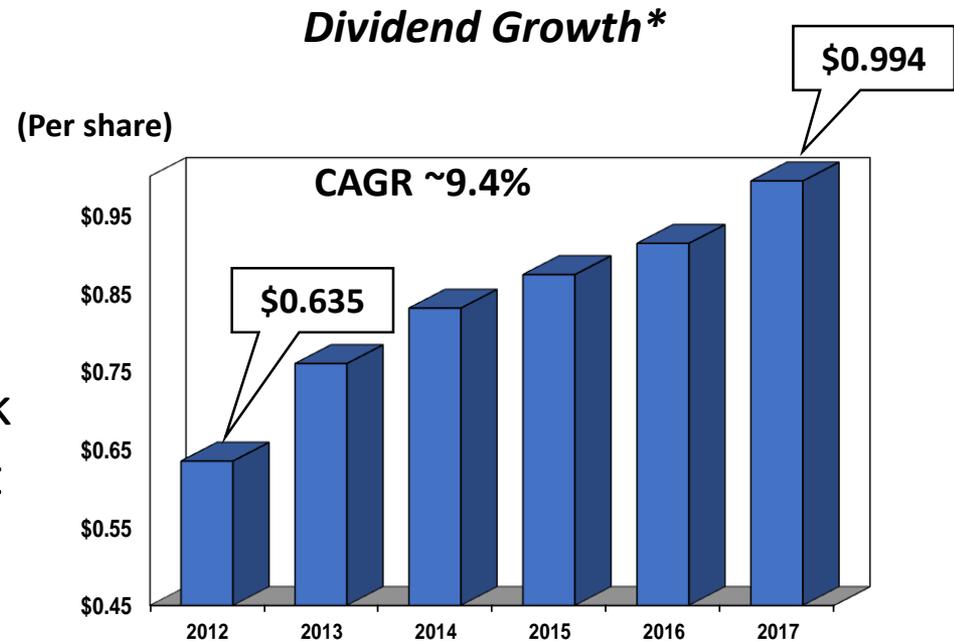
- Assumed operations at Fort Riley, Kansas on July 1, 2018
 - Expect earnings of \$0.03-\$0.05 per share in 2019, the first full year of operations
- During 2018, ASUS has been awarded \$14.3 million in new construction projects, the majority of which will be completed in 2018
 - More projects to be awarded in 2018
- ASUS projected to contribute \$0.38-\$0.42 per share in 2018



Serving Those Who Serve®

Dividends

- On July 31, 2018, AWR's Board of Directors approved a 7.8% increase in the quarterly dividend
- American States Water Company has paid dividends every year since 1931, increasing the dividend every calendar year for 64 consecutive years, which places it in an exclusive group of companies on the New York Stock Exchange that have achieved that result



* Does not include the 7.8% dividend increase announced on July 31

Questions and Answers

APPENDIX – Reconciliation of GAAP to Non-GAAP



(amounts in millions)	Q2 2017
Operating Revenues, as reported	\$113.2
Retroactive revenues related to periods prior to Q2 2017	(\$1.3)
Operating Revenues, adjusted	\$111.9
Operating Expenses, as reported	\$71.2
Gain on sale of Ojai water system	\$8.3
Operating Expenses, adjusted	\$79.5