

THE YORK WATER COMPANY

2012 Annual Report

Our **HISTORY**

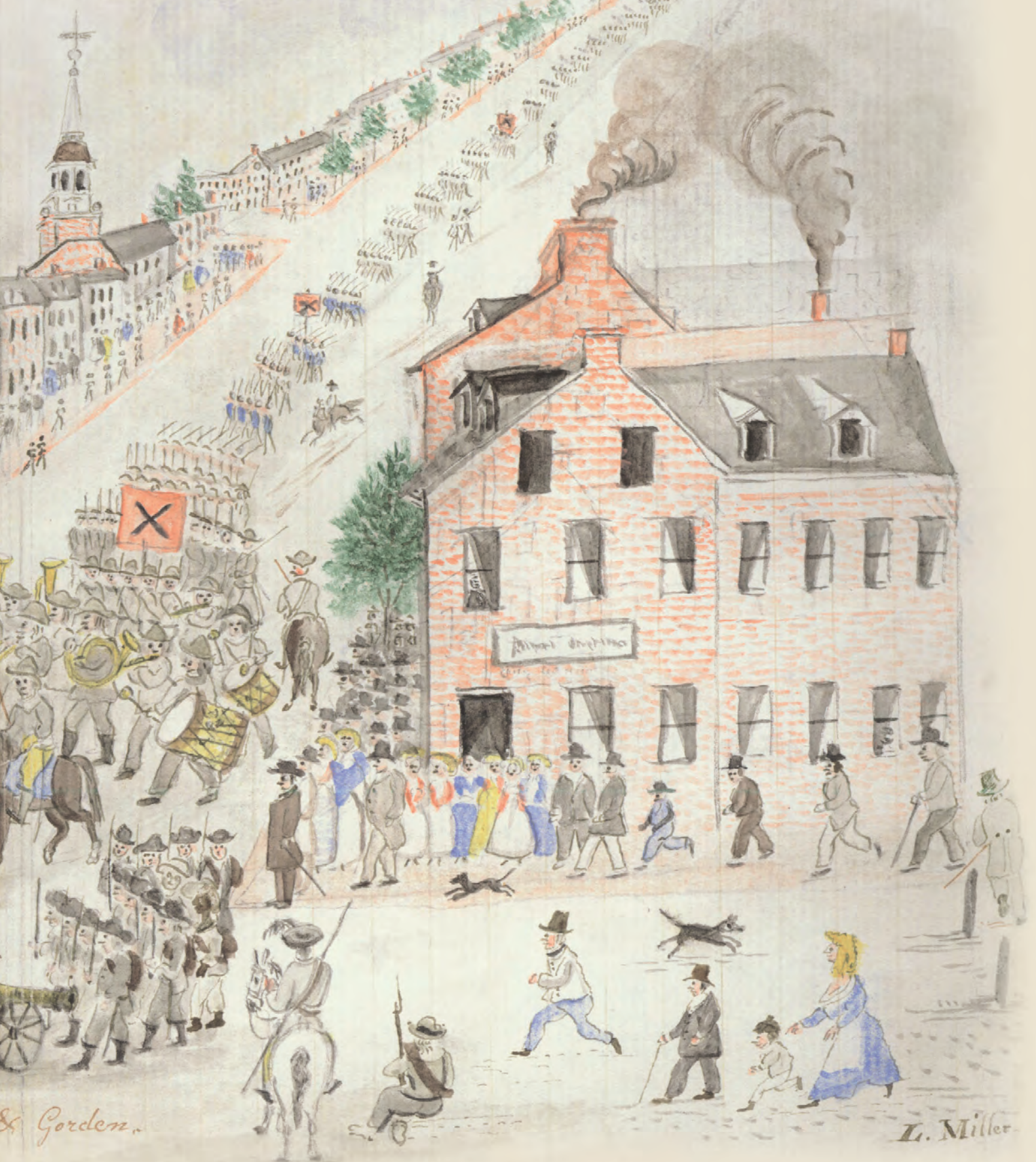
Reflects Our Present **STRENGTH**
and Future **VISION**

197th YEAR

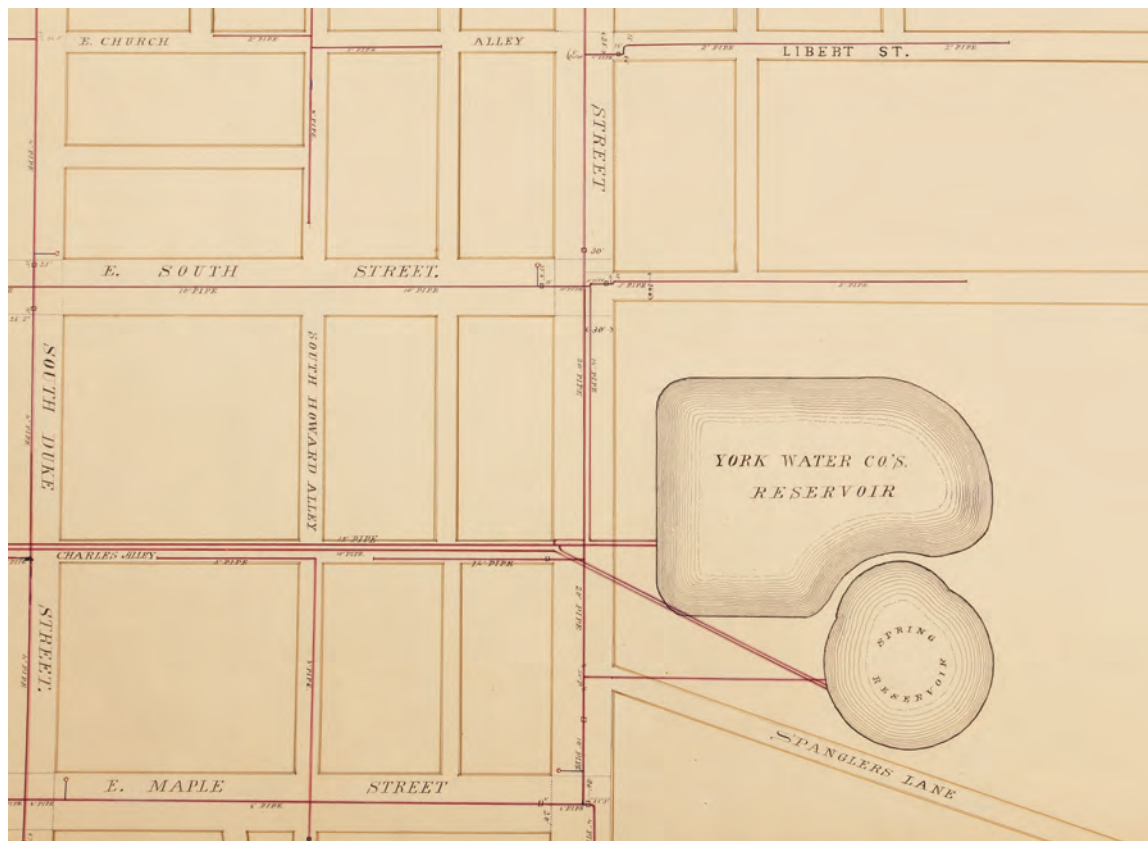


June 28th 1863. The Rebels in York. Gen. Early.

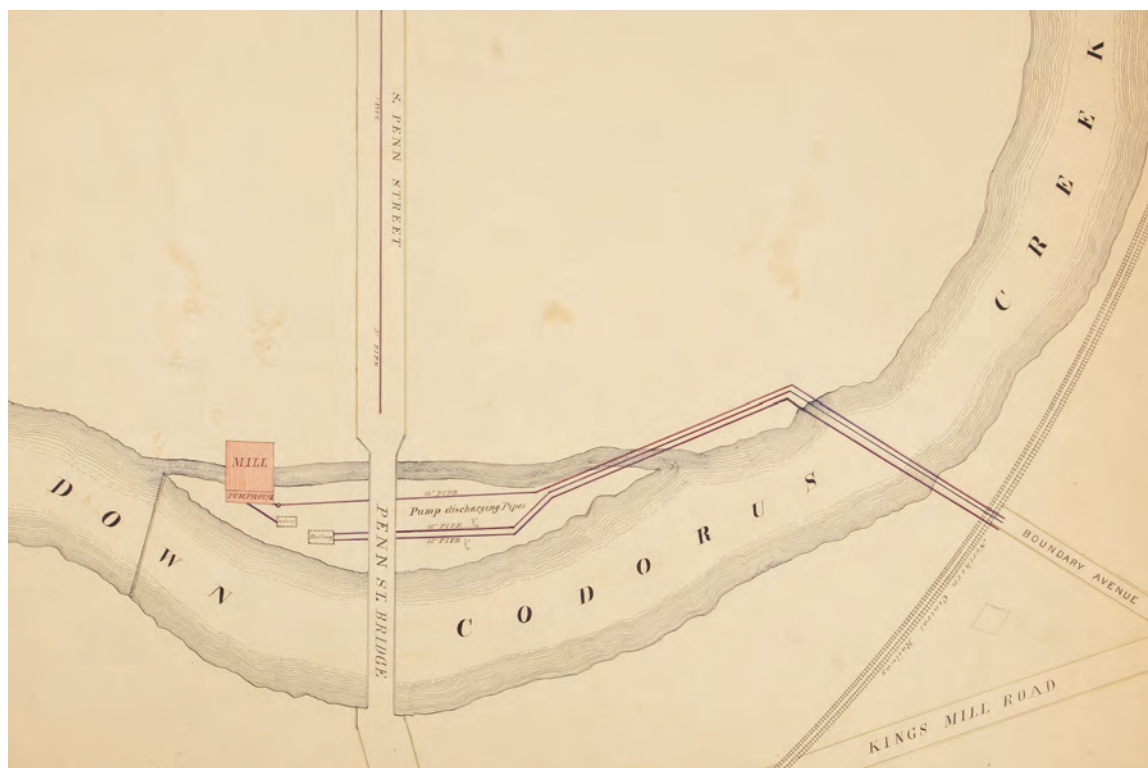
2013 commemorates the 150th anniversary of the Civil War invasion of York and Gettysburg. The York Water Company was 47 years old. As can be seen by the fire hydrant in the lower corner of the front cover: Even under enemy occupation, the Company provided uninterrupted water service.



York's Civil War Era Water Supply



*In 1863, York's two reservoirs (above) held about five million gallons of water.
Today's reservoirs hold over two billion gallons.*



*York was a thriving community in 1863 and the largest northern town to fall under enemy occupation.
The York Water Company had a pumping station (above), two reservoirs, and an advanced system
of cast iron distribution pipes and fire hydrants.*

Troops Training During Civil War



U.S. Army troops training at Camp Scott, York, Pennsylvania in 1861.

Drawings, front cover and above, by Folk Artist Lewis Miller (1796-1882) from the collection of the York County Heritage Trust, York, Pennsylvania.

2013 Marks the

150th ANNIVERSARY

of the Civil War Invasion of York & Gettysburg



THE YORK WATER COMPANY'S
TRADITION OF STRONG LEADERSHIP
AND VISION IS REFLECTED IN THE ACCOMPLISHMENTS
OF THE PAST AND PRESENT.

150 years ago – and just prior to the Battle of Gettysburg, the town of York was occupied by the Confederate Army. York was the largest northern town occupied during the Civil War. In late June 1863, the present York Water Company Administrative Building at 124 East Market Street was the office of the former U.S. Attorney General and Secretary of State (Jeremiah S. Black) under President James Buchanan. The Confederate Army posted a guard at the front and rear of the structure during the occupation of York.

Fortunately, the York Water Company facilities were not damaged or destroyed by the Confederate Army - and water service was continuously provided to the community throughout the occupation. One of the largest customers at the time was the U.S. Army Hospital at Penn Commons. Soon after the Confederates departed, business and all operations returned back to normal. In fact, the York Water Company issued a dividend in October 1863 and maintained their dividend record at that time for the 47th consecutive year - which is now a national record of 197 consecutive years!



Jeffrey R. Hines, P.E.

President and
Chief Executive Officer

Dear Shareholders,

I am pleased to report that 2012 was a record year which continues our 197-year tradition of service, growth, and performance.

Record Financial Performance

Due to our continued growth, 2012 results were the best in our history.

Operating revenues grew by 2.0% to \$41.4 million in 2012. Operating income increased 3.5% to \$20.6 million. Our net income increased by 2.4% to \$9.3 million in 2012. Earnings per share increased 1.4% to \$0.72.

Due to increased reporting requirements from our regulators, we are only including a summary of our financial results in this annual report. Please refer to our annual SEC Form 10-K, which was delivered with this report, or can be downloaded from the investor relations section of our website at www.yorkwater.com for a more detailed review of our financial performance.

Continued Growth, Acquisitions, and Expansion

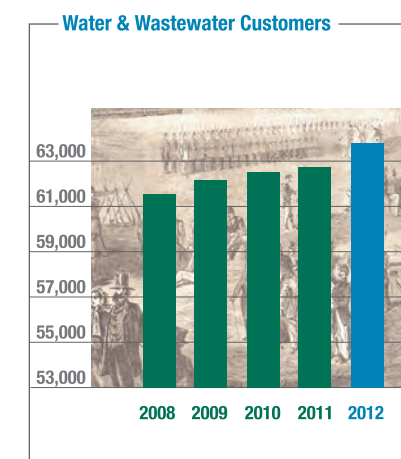
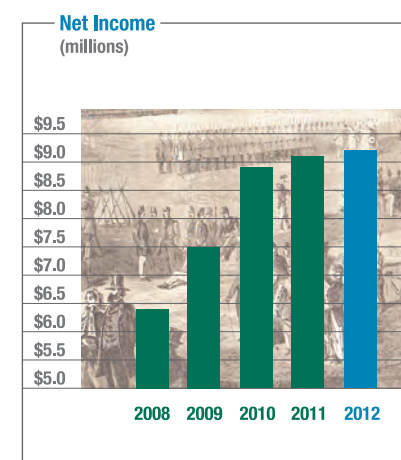
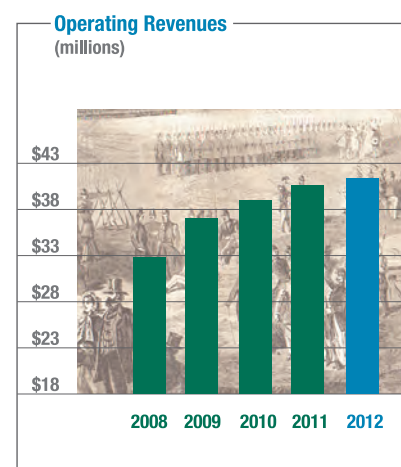
The number of customers served in 2012 grew to 63,779 water and wastewater customers. This was an increase of 808 water and 233 wastewater customers for a total of 1,041 new customers. This 1.7% customer growth in 2012 was below our typical growth of 3% due to the continued slowdown in the housing market due to the economy. The Company is now authorized to serve in 47 municipalities in Adams and York Counties. Population served grew by about 1.1% in 2012 to approximately 189,000.

Carroll Valley Acquisition

In 2012, The York Water Company continued its long tradition of acquiring troubled water systems and providing water service into new areas. In 2012 we completed the acquisition of the Section A Water Company in Carroll Valley, Adams County. Carroll Valley is a growing community along the Maryland line. In 1863 it was a key axis of advance (and exit) for the Confederate army.

Dividends and Shareholder Value: An American Record!

In line with our objective to maintain regular dividend increases, we raised the quarterly dividend rate by 3.5% during the year. This is the sixteenth consecutive year we have raised our dividend and the 197th consecutive year of dividend payments. We believe this to be the longest consecutive dividend record in America.





1863. Many things have changed in the past 150 years, but this photo of East Market Street in York shows that a hydrant is still ready to protect the neighborhood from fire, whether it's from an invading Rebel army, or a more modern cause.

Our financial position continued to improve in 2012. The market price of our common stock finished the year at \$17.57 per share. Declared dividends increased in 2012 by 2.4% to \$0.5391 per share, for a yield on December 31, 2012 of about 3.1%.

Continued Success of a Direct Stock Purchase Plan

The Company continued its Direct Stock Purchase Plan that allows for the purchase of up to \$40,000 per year directly from the company at market price without any fees. Dividends can then be reinvested automatically at a 5% discount, again with no fees. Interested investors should go to www.yorkwater.com and review the prospectus for additional information and to participate in the program.

York Water Expands into the Sewer Business

In 2012 York Water completed the acquisition of the Asbury Pointe wastewater collection and treatment system. This system in East Manchester Township, York County serves 233 customers for sewer service and has a wastewater treatment plant capacity of 80,000 GPD. In 2012 we also expanded our wastewater billing and customer service contracts to area wastewater authorities, starting with the Jefferson-Codorus Joint Sewer Authority and the New Salem Sewer Authority.

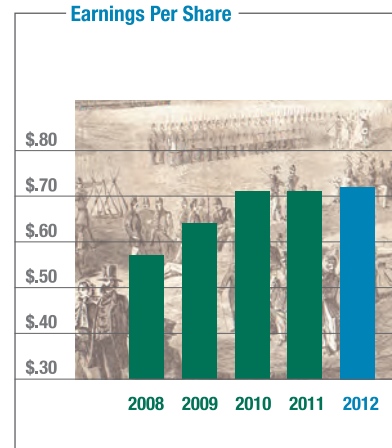
York Water Initiates a Service Line Protection Plan

Over the years, we've had a number of customers express their concerns that if there is a leak on their side of a water service line that they wouldn't know who to call or how they would pay for such an event. In 2012 we started The York Water Service Line Protection Plan to assist these customers. The customer pays a small monthly or annual fee (as low as \$55/year), we inspect the line, and if they are eligible, we enter them into the program so that if they do have a leak or break, York Water will repair the line. Please see our website at www.yorkwater.com/serviceplan for more information.

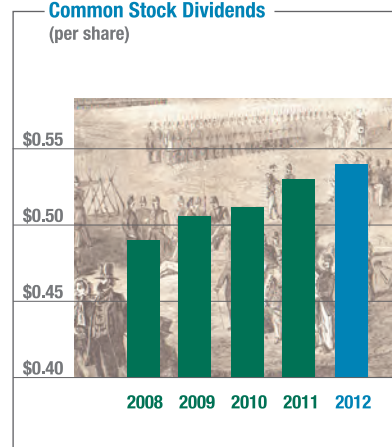
Customer Service: Still less than one penny per gallon

The York Water Company continues to maintain some of the lowest customer complaint rates in the state and York Water's rates for water service remain among the lowest in the state.

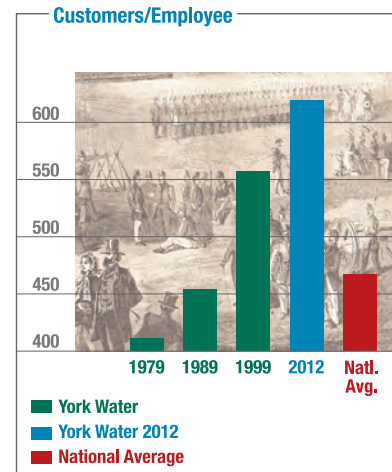
Earnings Per Share

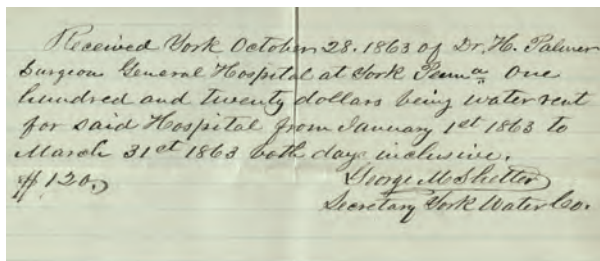


Common Stock Dividends (per share)



Customers/Employee





(Above left) During the Civil War a U.S. Army Hospital was constructed on Penn Commons in York. During the war over 14,000 wounded soldiers from north and south passed thru this hospital. It was reported that less than 200 died which was a remarkable recovery rate. (Above right) After the invasion, the receipt above shows the hospital paid their water bill!

Personal Service and “green” Electronic Billing

Although we are a 197-year old company, we continue to make technological advances to assist our customers. However we still strive to provide that personal touch. When you call our office, one of our friendly customer service representatives will answer the phone and assist you. In 2010 we initiated electronic billing. Now, instead of receiving a paper bill, customers have the option of getting it delivered to their email account each month with directions on how they can pay their bill on-line. Of course, our historic office in downtown York remains open for walk-in or phone-in customer support.

5,000,000 Feet of Pipe!

In 2012 York Water’s distribution system surpassed 5,000,000 feet with the acquisition of the Starview water system in East Manchester Township, York County. In commemorating the Civil War’s passage thru York County 150 years ago, the Village of Starview overlooked two critical bridges on the Northern Central Railway between Harrisburg and Baltimore. On June 27, 1863, both bridges were burned and destroyed by the Confederate Army.

Dedicated and Experienced Employees

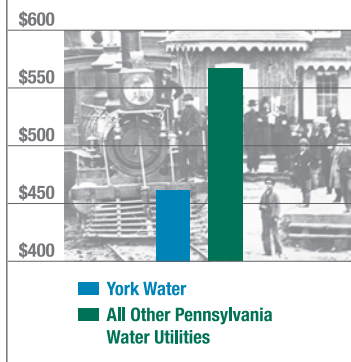
A Company that continues to thrive and grow, and improve service to its customers for nearly 200 years, can only be possible due to the dedication, loyalty, and hard work of its talented employees. We thank all of the York Water family for their commitment to make this Company the most efficient water utility in the nation.

Outlook

We continue our efforts to grow our business and serve our communities. We monitor our operating region for opportunities to acquire new regulated businesses. We look to provide our rich history, experience, and know-how to communities that realize the importance of a high quality, drought-resistant supply of water for domestic, commercial, industrial, and fire protection uses. We also investigate and enter into complementary business activities. In 2012 we entered the regulated wastewater business and we’ll continue to evaluate opportunities to provide our expertise to serve our region and expand our customer base within the wastewater field.

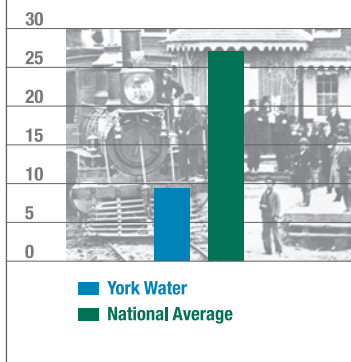
We will continue to anticipate our communities’ growth so that wherever and whenever “That good York water” is needed, it will be available in plentiful supply.

Average Annual Cost For Water (Residential)



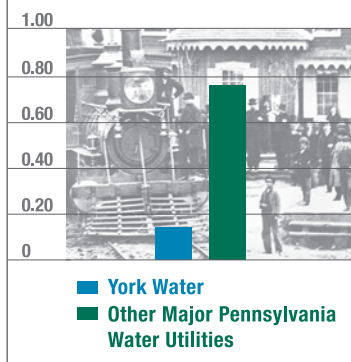
Main Breaks

Per 100 Miles of Pipe

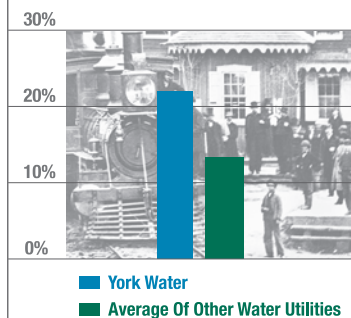


Complaint Rate

Per 1000 Customers



Most Efficient Water Utility in America



Note: Efficiency ratio as measured by net income as a percent of revenue.

Highlights of Our 197th Year

(In thousands of dollars, except per share amounts)

For the Year	Summary of Operations				
	2012	2011	2010	2009	2008
Operating revenues	\$ 41,447	\$ 40,629	\$ 39,005	\$ 37,043	\$ 32,838
Operating expenses	20,874	20,754	19,238	19,655	18,158
Operating income	20,573	19,875	19,767	17,388	14,680
Interest expense	5,144	5,155	4,795	4,780	4,112
Other income (expenses), net	(520)	(677)	(465)	(517)	(509)
Income before income taxes	14,909	14,043	14,507	12,091	10,059
Income taxes	5,606	4,959	5,578	4,579	3,628
Net income	\$ 9,303	\$ 9,084	\$ 8,929	\$ 7,512	\$ 6,431

Per Share of Common Stock

Book value	\$ 7.73	\$ 7.45	\$ 7.19	\$ 6.92	\$ 6.14
Basic earnings per share	0.72	0.71	0.71	0.64	0.57
Cash dividends declared per share.....	0.5391	0.5266	0.5150	0.5060	0.4890
Weighted average number of shares outstanding during the year	12,847,160	12,734,420	12,626,660	11,695,155	11,298,215

Utility Plant

Original cost, net of acquisition adjustments.....	\$ 289,579	\$ 278,344	\$ 269,856	\$ 259,839	\$ 245,249
Construction expenditures	11,543	9,472	10,541	12,535	24,438

Other

Total assets	\$ 282,490	\$ 274,219	\$ 259,931	\$ 248,837	\$ 240,442
Long-term debt including current portion	84,975	85,017	85,173	77,568	86,353

Shareholder Information

Market for Common Stock and Dividends

The common stock of The York Water Company is traded on the NASDAQ Global Select Market (Symbol "YORW").

Quarterly price ranges and cash dividends per share for the last two years follow:

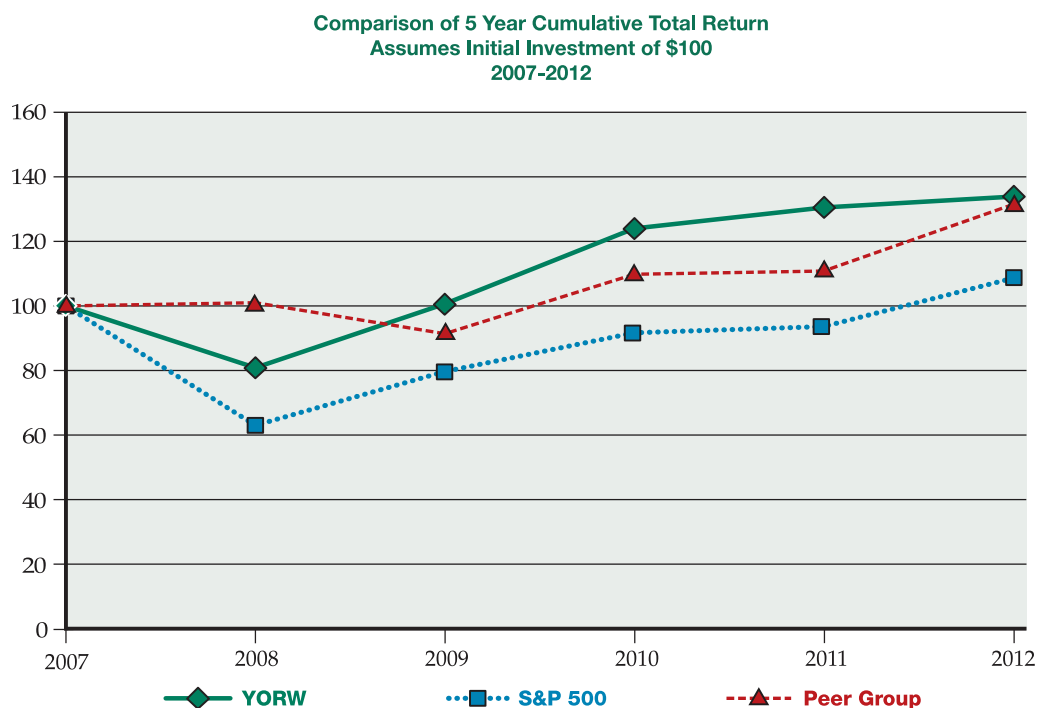
	2012			2011		
	High	Low	Dividend*	High	Low	Dividend*
1st Quarter	\$18.43	\$17.00	\$0.1336	\$17.51	\$15.81	\$0.1310
2nd Quarter	17.89	16.94	0.1336	17.72	16.40	0.1310
3rd Quarter	18.49	17.51	0.1336	18.14	16.00	0.1310
4th Quarter	18.49	16.75	0.1383	18.00	15.86	0.1336

*Cash dividends per share reflect dividends declared at each dividend date.

Prices listed in the above table are sales prices as listed on the NASDAQ Global Select Market. Shareholders of record (excluding individual participants in securities positions listings) as of December 31, 2012 numbered approximately 1,786.

Performance Graph

The following line graph presents the annual and cumulative total shareholder return for The York Water Company Common Stock over a five-year period from 2007 through 2012, based on the market price of the Common Stock and assuming reinvestment of dividends, compared with the cumulative total shareholder return of companies in the S&P 500 Index and a peer group made up of publicly traded water utilities, also assuming reinvestment of dividends. The peer group companies include: American States, Aqua America, Artesian Resources, California Water Service, Connecticut Water Service, Middlesex Water and San Jose Water. Pennichuck Corporation was dropped from the peer group in 2012 as it is no longer publicly traded.



Shareholder Information

Dividend Policy

Dividends on the Company's common stock are declared by the Board of Directors and are normally paid in January, April, July and October. Dividends are paid based on shares outstanding as of the stated record date, which is ordinarily the last day of the calendar month immediately preceding the dividend payment.

The dividend paid on the Company's common stock on January 15, 2013 was the 568th consecutive dividend paid by the Company. The Company has paid consecutive dividends for its entire history, since 1816. The policy of the Company's Board of Directors is currently to pay cash dividends on a quarterly basis. The dividend rate has been increased annually for sixteen consecutive years. The Company's Board of Directors declared dividend number 569 in the amount of \$0.1383 per share at its January 2013 meeting. The dividend is payable on April 15, 2013 to shareholders of record as of February 28, 2013. Future cash dividends will be dependent upon the Company's earnings, financial condition, capital demands and other factors and will be determined by the Company's Board of Directors.

Financial Reports and Investor Relations

The Company makes available free of charge, on or through its website (www.yorkwater.com), its annual report on SEC Form 10-K, its quarterly reports on SEC Form 10-Q, current reports on SEC Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after the Company electronically files such material with, or furnishes it to, the SEC.

Shareholders may request, without charge, copies of the Company's financial reports. Such requests, as well as other investor relations inquiries, should be addressed to:

Bonnie J. Rexroth — Investor Relations
Administrator

The York Water Company
130 East Market Street
York, PA 17401

(717) 845-3601
(800) 750-5561
bonnier@yorkwater.com



United States Army Troops training at Camp Scott, York, Pennsylvania during the Civil War.

Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

Year Ended December 31	2012	2011	2010
Selected Financial Data			
Income			
Operating Revenues.....	\$41,447	\$40,629	\$39,005
Operating Expenses	\$20,874	\$20,754	\$19,238
Operating Income.....	\$20,573	\$19,875	\$19,767
Interest Expense.....	\$5,144	\$5,155	\$4,795
Net Income	\$9,303	\$9,084	\$8,929
Percent Change in Net Income Compared to Prior Year	2.4%	1.7%	18.9%
Common Stock Dividends	\$6,929	\$6,708	\$6,506
Dividend Payout Ratio	74.5%	73.8%	72.9%
Weighted Average Common Shares Outstanding.....	12,847,160	12,734,420	12,626,660
Basic Earnings Per Weighted Average Common Share.....	\$0.72	\$0.71	\$0.71
Number of Common Shares Outstanding.....	12,918,633	12,791,671	12,692,054
ROE on Year End Common Equity	9.3%	9.5%	9.8%
Common Stock Dividends Per Share	\$0.5391	\$0.5266	\$0.5150
Net Cash Flows From Operating Activities	\$16,422	\$17,474	\$14,755
Balance Sheet			
Common Stockholders' Equity	\$99,825	\$95,265	\$91,257
Long-Term Debt Including Current Maturities	\$84,975	\$85,017	\$85,173
Total Capitalization	\$184,800	\$180,282	\$176,430
Percent Common Stockholders' Equity	54%	53%	52%
Percent Long-Term Debt	46%	47%	48%
Net Utility Plant	\$239,539	\$232,277	\$227,677
Operating Data			
Revenue Class			
Residential	\$26,114	\$25,693	\$24,478
Commercial and Industrial.....	\$12,114	\$11,820	\$11,440
Other.....	\$3,219	\$3,116	\$3,087
Total Operating Revenues.....	\$41,447	\$40,629	\$39,005
Construction Expenditures	\$11,543	\$9,472	\$10,541
Other Operating Data			
Number of Customers	63,779	62,738	62,505
Number of Employees.....	105	106	111
Common Shareholders	1,786	1,658	1,649
Book Value Per Common Share	\$7.73	\$7.45	\$7.19
Market Value at Year End	\$17.57	\$17.64	\$17.29
Market Value to Book Value	227%	237%	240%
P/E Ratio	24.4	24.8	24.4

Supplemental Information (Unaudited)

(In thousands of dollars, except per share amounts)

2009	2008	2007	2006	2005	2004	2003	2002
\$37,043	\$32,838	\$31,433	\$28,658	\$26,805	\$22,504	\$20,889	\$19,553
\$19,655	\$18,158	\$17,333	\$15,754	\$14,049	\$12,627	\$11,578	\$11,243
\$17,388	\$14,680	\$14,100	\$12,904	\$12,756	\$9,877	\$9,311	\$8,310
\$4,780	\$4,112	\$3,916	\$3,727	\$3,423	\$2,132	\$2,523	\$2,692
\$7,512	\$6,431	\$6,414	\$6,091	\$5,833	\$5,301	\$4,448	\$3,790
16.8%	0.3%	5.3%	4.4%	10.0%	19.2%	17.4%	-5.4%
\$6,050	\$5,526	\$5,332	\$4,820	\$4,392	\$3,930	\$3,512	\$3,323
80.5%	85.9%	83.1%	79.1%	75.3%	74.1%	79.0%	87.7%
11,695,155	11,298,215	11,225,822	10,475,173	10,359,374	9,937,836	9,579,690	9,495,591
\$0.64	\$0.57	\$0.57	\$0.58	\$0.56	\$0.53	\$0.46	\$0.40
12,558,724	11,367,248	11,264,923	11,201,119	10,399,995	10,330,571	9,628,845	9,547,205
8.6%	9.2%	9.5%	9.3%	11.6%	11.0%	11.4%	10.2%
\$0.5060	\$0.4890	\$0.4750	\$0.4540	\$0.4240	\$0.3940	\$0.3667	\$0.3500
\$15,801	\$11,527	\$10,040	\$7,116	\$8,451	\$7,670	\$6,772	\$6,172
\$86,922	\$69,766	\$67,272	\$65,361	\$50,415	\$48,037	\$39,056	\$37,216
\$77,568	\$86,353	\$70,505	\$62,335	\$51,874	\$51,913	\$32,652	\$32,690
\$164,490	\$156,119	\$137,777	\$127,696	\$102,289	\$99,950	\$71,708	\$69,906
53%	45%	49%	51%	49%	48%	54%	53%
47%	55%	51%	49%	51%	52%	46%	47%
\$221,475	\$210,820	\$191,046	\$173,800	\$154,774	\$139,454	\$115,724	\$106,217
\$23,299	\$20,572	\$19,722	\$17,972	\$16,737	\$13,789	\$12,574	\$11,527
\$10,734	\$9,671	\$9,290	\$8,497	\$8,009	\$6,893	\$6,598	\$6,385
\$3,010	\$2,595	\$2,421	\$2,189	\$2,059	\$1,822	\$1,717	\$1,641
\$37,043	\$32,838	\$31,433	\$28,658	\$26,805	\$22,504	\$20,889	\$19,553
\$12,535	\$24,438	\$18,154	\$20,678	\$15,562	\$25,689	\$10,252	\$6,310
62,186	61,527	58,890	57,578	55,731	53,134	51,916	51,023
111	110	109	106	97	95	92	89
1,516	1,485	1,443	1,463	1,449	1,459	1,392	1,353
\$6.92	\$6.14	\$5.97	\$5.84	\$4.85	\$4.65	\$4.05	\$3.90
\$14.51	\$12.10	\$15.50	\$17.88	\$17.23	\$12.93	\$12.13	\$9.47
210%	197%	260%	306%	356%	278%	299%	243%
22.7	21.2	27.2	30.8	30.8	24.3	26.0	23.7

Directors, Officers, & Key Employees

BOARD OF DIRECTORS



Cynthia A. Dotzel, CPA ^{(2) (3)}
Age 58
Director Since 2009



John L. Finlayson ^{(2) (4)}
Age 72
Director Since 1993



Michael W. Gang, Esq. ^{(1) (3)}
Age 62
Director Since 1996



Jeffrey R. Hines, P.E. ⁽¹⁾
Age 51, President and
Chief Executive Officer
Director Since 2008



George W. Hodges ⁽¹⁾
Age 62
Chairman
Director Since 2000



George Hay Kain, III ⁽⁴⁾
Age 63
Director Since 1986



Jeffrey S. Osman ⁽¹⁾
Age 70
Director Since 2001



Steven R. Rasmussen, CPA ⁽²⁾
Age 40
Director Since 2011



Ernest J. Waters ^{(3) (4)}
Age 63
Director Since 2007

- (1) Executive Committee
- (2) Audit Committee
- (3) Nomination and Corporate Governance Committee
- (4) Compensation Committee

Directors, Officers, & Key Employees

OFFICERS & KEY EMPLOYEES



Vernon L. Bracey

Age 51
Vice President-
Customer Service



Joseph T. Hand

Age 50
Chief Operating Officer



Bruce C. McIntosh

Age 60
Vice President-Human Resources
and Secretary



Kathleen M. Miller

Age 50
Chief Financial Officer
and Treasurer



Mark S. Snyder

Age 42
Vice President-Engineering



John H. Strine

Age 56
Vice President-Operations



Bonnie J. Rexroth

Age 52
Investor Relations Administrator

DIRECTORS EMERITI

Josephine S. Appell
Chloé R. Eichelberger
Horace E. Keeseey, III
William T. Morris
Irvin S. Naylor
Thomas C. Norris

STOCK EXCHANGE LISTING

The Company's common shares
trade on the NASDAQ Global
Select Market.

The trading symbol is "YORW".

TRANSFER AGENT & REGISTRAR

**American Stock Transfer &
Trust Company**
59 Maiden Lane
New York, NY 10273-0923
(800) 937-5449
www.amstock.com

INDEPENDENT AUDITORS

ParenteBeard LLC
Suite 200
221 West Philadelphia Street
York, PA 17401



Hanover Junction, York County, Pennsylvania



*From 1861-1863 this was a critical railroad junction that exchanged hands several times.
In November 1863 President Lincoln passed thru here on his way to deliver the Gettysburg Address.*

*To learn more about York and Gettysburg's roles in the Civil War,
or if you plan on visiting the area, please visit www.gettysburgcivilwar150.com or www.yorkheritage.org.
Or, feel free to stop in for a tour of our office at 130 East Market Street, York, Pennsylvania.*



www.gettysburgcivilwar150.com



www.yorkheritage.org



The York Water Company

130 East Market Street
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717-845-3601
www.yorkwater.com



THE YORK WATER COMPANY



"That good York water"
SINCE 1816

