



2017 ANNUAL REPORT



2017 was an exciting and transformational year for SJI. Driven by record performance at South Jersey Gas Company and continued growth in our wholesale marketing and fuel management businesses, SJI delivered significant progress toward our 2020 strategic vision.



At South Jersey Gas, our focus remains on our customers, and on providing safe, reliable, high quality service at competitive prices. From 2017-2020 we have committed to invest nearly \$1.5 billion to modernize, reinforce and expand our system. These investments will enable us to bring clean-burning natural gas to more homes and businesses while simultaneously improving the safety and reliability of our system. Additionally, we launched our Cx Initiative, aimed at streamlining processes and improving service to ensure an exceptional experience for every customer, every time.



Within our Midstream businesses, 2017 was marked by steady progress on the PennEast pipeline. With all necessary FERC approvals now in hand, this vital project moves to the state permitting and approval stage. The economic and environmental benefits of this project are critical to the region, especially in New Jersey, where gas supplied

from PennEast could have saved customers more than \$300 million during the extreme cold experienced earlier this winter.

In our non-utility businesses, a strong finish to 2017 and the continued success of our active fuel management contracts helped our wholesale marketing business achieve strong year-over-year growth. With six fuel management contracts currently on-line and five more slated to begin service over the next two years, our non-regulated business is well positioned strategically.

Finally, the announcement in October of our intent to acquire Elizabethtown Gas and Elkton Gas reinforces the objectives of our strategic plan and our commitment to exceptional growth and high quality earnings.

Investments in Our Future

SJI continues to experience significant growth across all our core businesses. The investments we make today are the key to continuing along the growth trajectory we've outlined and achieving our long term strategic objectives. These investments go beyond our system. They include investments that support our customers, our employees, and the communities we serve – all of which are essential to our success.

Investments in Our Customers

A positive customer experience drives customer satisfaction. Our commitment to delivering safe, reliable, affordable service demands that we evolve our service and our offerings to meet and exceed customer expectations.

Michael J. Renna
President & CEO

Throughout 2017, we made significant enhancements designed to improve the overall customer experience. From upgrades to our South Jersey Gas customer contact center, and the launch of a completely redesigned, customer-friendly billing statement, to simplifying the customer appointment scheduling process and enhancing the bill payment process, we introduced solutions that deliver value for our customers.

Investments in Our Community

Our commitment to the communities we serve goes beyond our commitment to providing energy solutions. It includes investing time and resources to help make the communities we serve the best possible places to live, work and raise a family. It demands that we develop and maintain strong relationships with elected and community leaders. That commitment also guides us to prioritize the advancement of the economy of southern New Jersey. We are proud of the progress made in 2017 to bring our new Atlantic City utility headquarters to life. In late 2018, over 200 South Jersey Gas employees will move into this new, state of the art 75,000-square-foot building. This location will contribute to the economic diversity of the city, while providing employees the modern worksite critical to the advancement of our business.

Investments in Growth

The acquisitions of Elizabethtown Gas and Elkton Gas represent an exciting and unprecedented opportunity for growth at SJI. Upon completion of the acquisition, SJI will become the second largest natural gas provider in New Jersey, and one of the largest stand alone gas utilities in the U.S., serving 681,000 customers. More importantly, the acquisition fully supports our strategic plan, adding high quality regulated earnings growth to our already solid foundation.

As we work toward completing the acquisition, we recognize the importance of adapting our business model to effectively and efficiently support this growth. In preparation, we've undertaken extensive collaboration with our partners in this transaction to ensure the best outcome for customers, employees and shareholders. Together, we remain committed to the highest standards of safety, reliability and environmental stewardship.

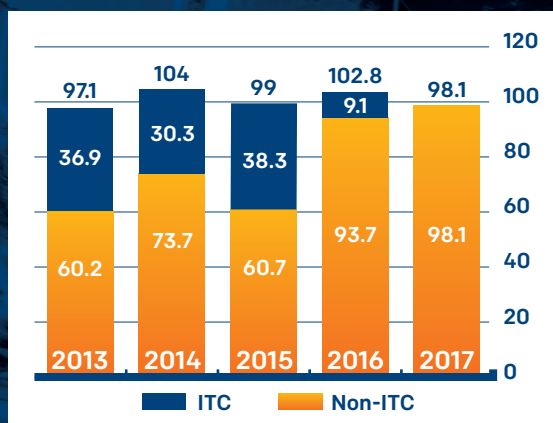
As we turn the page on 2017, we look forward to great and continuing success in 2018. But we must acknowledge our Board of Directors, the leadership of our organization, and every employee who has helped us achieve our success to date. Together, with the support of our shareholders, we drive SJI forward.

As always, we thank you for your continued interest and investment in SJI.

Walter M. Higgins III
Chairman

Results from 2017 reflect strong growth in our core business lines that supports the key principles of our strategic plan.

ECONOMIC EARNINGS (in millions of dollars)



ANNUALIZED DIVIDEND DECLARED PER COMMON SHARE (in dollars)



The results SJI delivered in 2017 reinforce the foundation for a strong 2018 while driving us toward our 2020 targets.

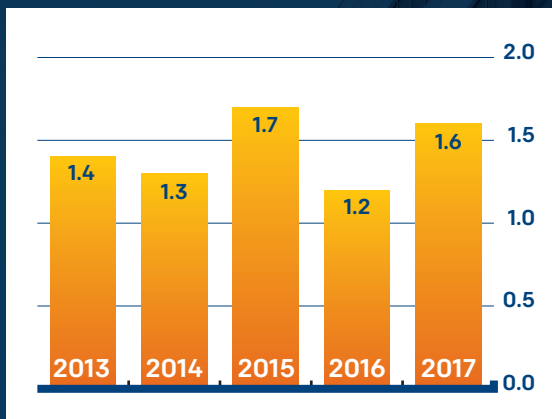
From a successful base rate case and customer growth in our utility, to strong performance from our wholesale marketing and fuel management businesses, the company's performance underscored our commitment to high quality earnings growth. Other key events in 2017, including the advancement of the PennEast pipeline, and our pending acquisition of

Elizabethtown Gas and Elkton Gas, reinforce the foundation that supports the continued growth and long term success of SJI.

Economic Earnings in 2017 totaled \$98.1 million as compared to \$102.8 million in 2016. These results were achieved despite our decision to exit renewable energy development and the resultant elimination of \$9.1 million of investment tax credits that benefitted 2016 earnings.

Contributions from our recent base rate case, accelerated infrastructure investment programs and strong customer growth drove year-over-year utility performance improvements in 2017.

CUSTOMER GROWTH RATE (percentage year over year)



AIRP/AIRP II & SHARP

	AIRP/AIRP II (2013-2017)	SHARP (2014-2017)
Total Investment	\$244.48 Million	\$103.50 Million
Miles of Main Replaced	546.68	92.0
Service Lines Renewed	29,319	11,090
Jobs Created	557	144

The success of our South Jersey Gas strategic initiatives resulted in full year 2017 utility net income in 2017 of \$72.6 million, exceeding prior year results of \$69.0 million.

In October 2017, South Jersey Gas settled a base rate case. Since the previous case in 2014, we invested more than \$410 million in our infrastructure to ensure the continued safety and reliability of our distribution and transmission systems and address the growing demand for natural gas service. The resulting case granted SJG a \$39.5 million revenue increase.

Throughout 2017 we maintained our commitment to modernizing our utility distribution system with an additional \$95 million in investments through the Storm Hardening and Reliability Program (SHARP) and Accelerated Infrastructure

Replacement Program (AIRP). In November, South Jersey Gas filed a petition with the New Jersey Board of Public Utilities to extend the SHARP program. The proposed program extension includes investments totaling \$110 million, and would allow for the installation of excess flow valves to enhance the safety, reliability and resiliency of our system in the coastal communities we serve.

South Jersey Gas added 6,008 net customers in 2017, representing a growth rate of 1.6%. As a result, South Jersey Gas now serves approximately 383,000 customers. Contributing factors to this growth include strong conversion activity, a strengthening housing market, and growing commercial demand. Overall, customer growth produced incremental net margin of \$2.4 million in 2017.

Federal Energy Regulatory Commission approval of the PennEast Pipeline in January 2018 brought our customers one step closer to receiving significant cost savings and enhanced reliability in their energy supply.

PENNEAST PIPELINE OVERVIEW



PENNEAST PIPELINE REQUIREMENTS TIMELINE



In January 2018, the Federal Energy Regulatory Commission (FERC) issued a certificate of public convenience and necessity for the PennEast pipeline project. Pending receipt of the regulatory approvals still needed, construction is expected to begin in 2018. The pipeline will bring affordable natural gas to local families and businesses, helping protect consumers in our

area from the expense of natural gas prices that have been as much as 30 times higher during peak usage periods than the prices in the production area that the PennEast pipeline will access.

SJI Midstream contributed \$4.6 million to Economic Earnings in 2017. These results represent the benefit from AFUDC associated with our investment in PennEast.

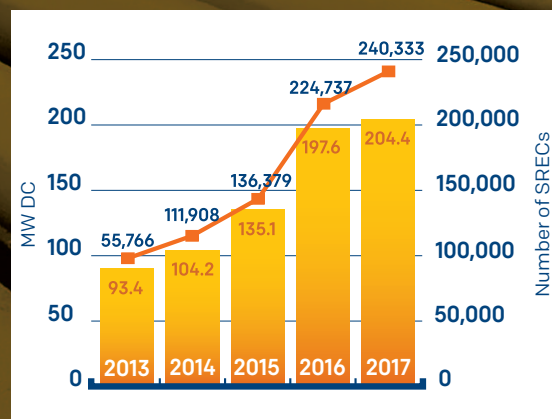
NON-UTILITY

South Jersey Energy Group, our wholesale and retail commodity business, remains a significant driver of earnings from core operations. Additionally, we continue to optimize assets within South Jersey Energy Services, our energy production business.

OVERVIEW OF FUEL MANAGEMENT CONTRACTS



SOLAR SREC GENERATION



South Jersey Energy Group

In 2017, South Jersey Energy Group contributed \$21.3 million of Economic Earnings, compared with \$17.7 million in 2016. The return of winter weather at the end of December provided a significant benefit to our wholesale business, offsetting the unseasonably warm weather experienced earlier in 2017, and driving a fourth quarter Economic Earnings contribution of \$11.7 million.

Year-over-year performance also benefited from our growing fuel management portfolio. We currently serve six facilities and have five additional contracts executed and scheduled to be online by the end of 2020. This growth positions the business to continue driving high-quality, low-risk, repeatable earnings while also offering meaningful optimization opportunities.

South Jersey Energy Services

South Jersey Energy Services' 2017 results reflect an Economic Earnings loss of \$2.8 million as compared to a contribution of \$16.5 million in 2016. Year-over-year performance reflected the cessation of our renewable project development efforts, which resulted in the elimination of Investment Tax Credits (ITCs) from solar development in 2017 results. ITCs did, however, provide a \$9.1 million benefit in the prior year.

In 2017, our solar portfolio generated 240,333 solar renewable energy credits (SRECs) as compared with 224,737 in the same period in 2016. This performance allows us to continue operating our existing assets with a focus on cash production.

BOARD AND OFFICERS

Board of Directors

Walter M. Higgins III (Chairman)

Sarah M. Barpoulis

Thomas A. Bracken

Keith S. Campbell

Victor A. Fortkiewicz

Sheila Hartnett-Devlin, CFA

Sunita Holzer

Michael J. Renna (President & CEO, SJI)

Joseph M. Rigby

Frank L. Sims

SJI Leadership Team

Michael J. Renna

President & Chief Executive Officer

Stephen H. Clark

Executive Vice President & Chief Financial Officer

Steven R. Cocchi

Senior Vice President & Chief Strategy
and Development Officer

Kenneth Lynch

Senior Vice President & Chief Risk Officer

Kathleen A. McEndy

Senior Vice President & Chief Administrative Officer

Gregory M. Nuzzo

Senior Vice President;
President, South Jersey Energy Solutions

Melissa Orsen

Senior Vice President & Corporate Counsel

David Robbins Jr.

Senior Vice President; President, South Jersey Gas

ANNUAL MEETING INFORMATION

The Annual Meeting of Shareholders will be held
Friday, May 11, 2018 at 9:00 a.m. at
Resorts Casino Hotel, 1133 Boardwalk, Atlantic City, New Jersey 08401

TRANSFER AGENT/SHAREHOLDER INQUIRIES

Broadridge Corporate Issuer Solutions, PO Box 1342, Brentwood, NJ 11717-0718
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