

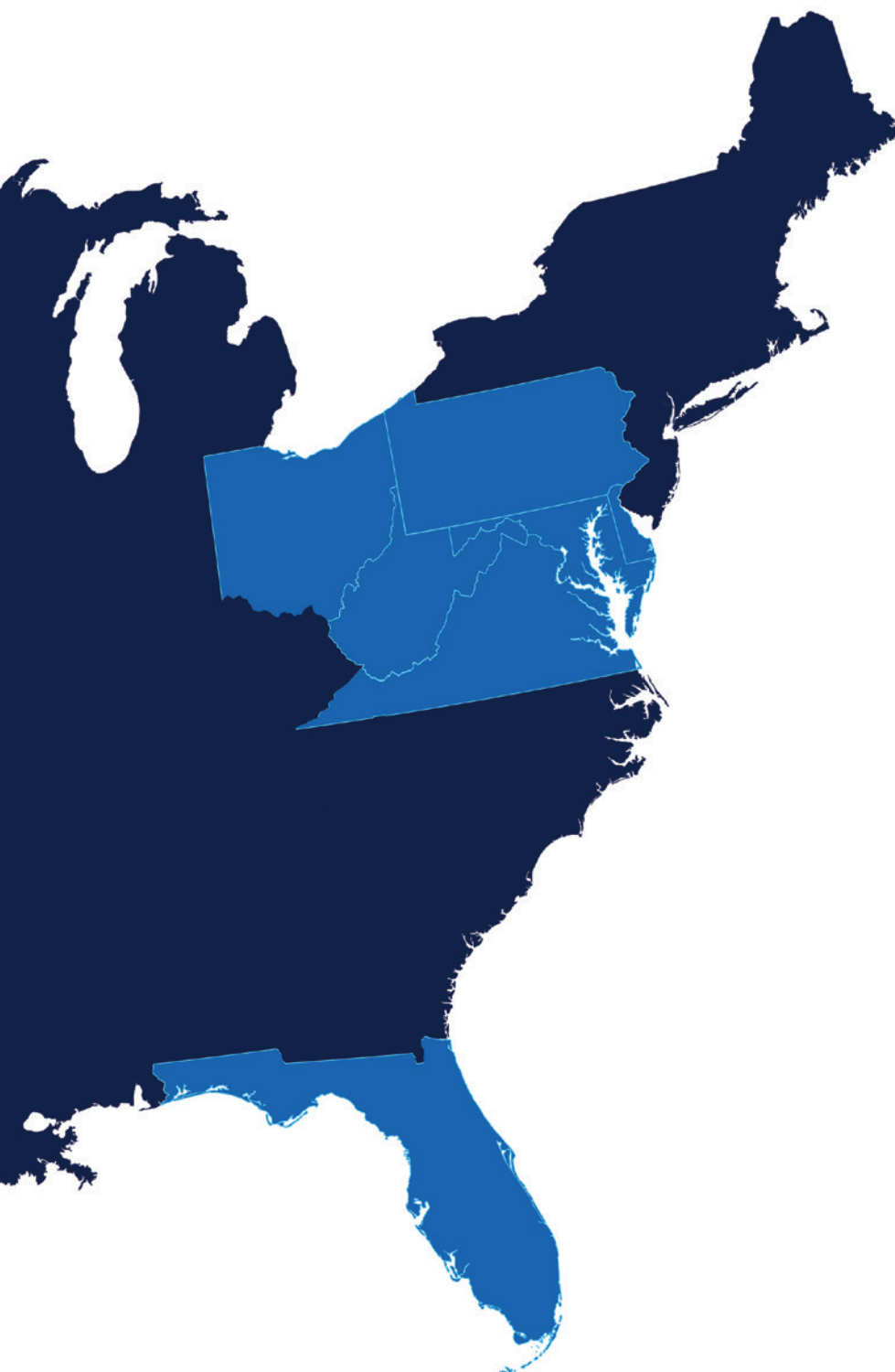


energized



2017 ANNUAL REPORT TO SHAREHOLDERS

Operational Highlights



150+

Years of providing energy

240K+

Distribution customers

457

Miles of interstate natural gas pipeline

2,600

Miles of natural gas gathering pipelines

4,600

Miles of natural gas distribution mains

58M

Gallons of propane distributed annually

6.8M

Gallons of bulk propane storage capacity



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Our Company



Aspire Energy, Inc.

Operates a natural gas infrastructure with over 2,600 miles of pipeline systems in 40 counties throughout Ohio. Aspire Energy provides natural gas supplies to several local distribution companies and cooperatives. Aspire Energy primarily sources gas from approximately 300 conventional producers and provides gathering and processing services as necessary to maintain quality and reliability to wholesale markets.

Chesapeake Utilities

Serves approximately 65,000 customers and owns approximately 1,400 miles of gas distribution mains. Chesapeake Utilities distributes natural gas through its Delaware and Maryland divisions to residential, commercial, and industrial customers.

Eastern Shore Natural Gas Company (ESNG)

Owns and operates a 457-mile interstate pipeline that transports natural gas from four pipeline interconnection points in Pennsylvania to customers in Delaware, Maryland and Pennsylvania. ESNG transports over 50 billion cubic feet (BCF) of natural gas annually to local distribution companies, electric power generators and industrial customers throughout the region.

Eight Flags Energy, LLC

Provides electricity and steam generation services through a combined heat and power (CHP) plant on Amelia Island, FL.

Florida Public Utilities Company (FPU)

Owns approximately 2,900 miles of natural gas distribution mains across 21 counties in Florida and distributes natural gas to approximately 79,000 customers; electricity to 32,000 customers; and propane to 17,000 customers throughout Florida (includes the Company's Florida natural gas division).

Peninsula Energy Services Company, Inc. (PESCO)

Provides natural gas supply, asset management, and risk management services to retail and wholesale customers in the Mid-Atlantic, Southeast, and Appalachian Basin regions. PESCO transacts on more than 10 transmission pipelines and over 15 local distribution companies in eight states.

Peninsula Pipeline Company, Inc.

Provides natural gas intrastate pipeline services in Florida serving three local distribution companies, two large industrial customers and the Eight Flags Energy, LLC, Combined Heat and Power Plant located on Amelia Island.

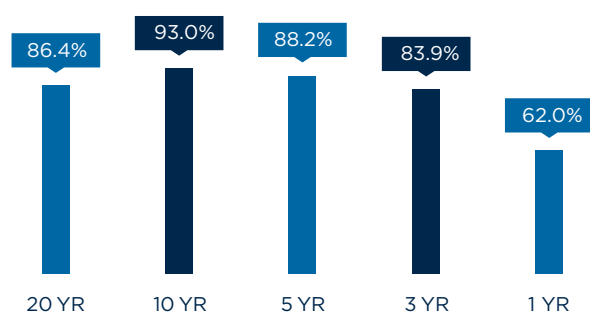
Sandpiper Energy, Inc.

Serves approximately 11,000 residential, commercial, and industrial customers in Worcester County, MD. Originally a propane distribution system, Sandpiper Energy is actively converting its customers to natural gas.

Sharp Energy, Inc.

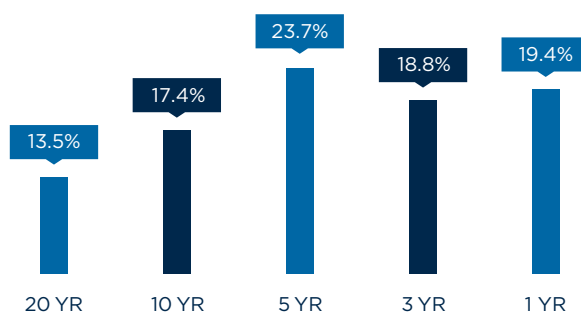
Distributes propane to 38,000 customers in Delaware, Maryland, Virginia, and southeastern Pennsylvania. Sharp AutoGas fuels over 800 vehicles and is available at 42 propane fueling stations in Delaware, Maryland and Pennsylvania.

2017 Financial Highlights



CPK SHAREHOLDER RETURN RANKING AMONG ALL NYSE COMPANIES

(Periods Ended 12/31/17)



COMPOUND ANNUAL SHAREHOLDER RETURN

(Periods Ended 12/31/17)

We achieved a total shareholder return of 19.4 percent in 2017. Our total return relative to the broader market has exceeded the 83rd percentile of all NYSE companies for the 3, 5, 10 and 20-year periods ended December 31, 2017.

	2017	2016	2017/2016 % CHANGE	2015	2016/2015 % CHANGE
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Financial

(dollars in thousands, except per share data)

OPERATING REVENUES	\$617,583	\$498,860	24%	\$459,244	9%
OPERATING INCOME	\$85,843	\$84,096	2%	\$77,758	8%
NET INCOME	\$58,124	\$44,675	30%	\$41,140	9%
EARNINGS PER SHARE					
BASIC	\$3.56	\$2.87	24%	\$2.73	5%
DILUTED	\$3.55	\$2.86	24%	\$2.72	5%
ANNUALIZED DIVIDENDS PER SHARE	\$1.30	\$1.22	7%	\$1.15	6%
TOTAL ASSETS	\$1,417,434	\$1,229,219	15%	\$1,067,421	15%
STOCKHOLDERS' EQUITY	\$486,294	\$446,086	9%	\$358,138	25%
LONG-TERM DEBT, NET OF CURRENT MATURITIES	\$197,395	\$136,954	44%	\$149,006	-8%
RETURN ON AVERAGE EQUITY	12.6%	11.3%	12%	12.1%	-7%

Other

SHARES OUTSTANDING AT YEAR END	16,344,442	16,303,499	N/M	15,270,659	7%
REGISTERED STOCKHOLDERS	2,334	2,373	-2%	2,396	-1%
AVERAGE TOTAL NATURAL GAS DISTRIBUTION CUSTOMERS	153,537	149,179	3%	144,872	3%
AVERAGE TOTAL ELECTRIC DISTRIBUTION CUSTOMERS	32,026	31,695	1%	31,430	1%
AVERAGE TOTAL PROPANE DISTRIBUTION CUSTOMERS	54,760	54,947	N/M	53,682	2%



A Letter From the President

My Fellow Shareholders:

2017 Financial Achievements

I am very pleased to report to you that 2017 was the 11th straight year of record earnings for Chesapeake Utilities Corporation. Total shareholder return, including stock price appreciation and dividends, was 19 percent for 2017, bringing our compound annual shareholder return to 24 percent over the past five years. We provide more detail on our financial gains elsewhere in this report and in the accompanying Form 10-K for 2017.

Tax Reform

The federal Tax Cuts and Jobs Act ("TCJA") is providing benefits to our Company, primarily our unregulated businesses. The TCJA impact on our 2017 earnings was \$0.87 per share, due to a \$14.3 million noncash benefit from revaluation of net deferred tax assets and liabilities associated with our unregulated businesses. These 2017 TCJA benefits resulted from our robust capital investment opportunities driven by our strategy and developed by our engaged employees over the past five years, bonus depreciation available under pre-TCJA tax law, and the treatment of deferred tax assets and liabilities provided by the TCJA.

Looking forward, the TCJA reduction in the corporate income tax rate, beginning in 2018, will benefit our unregulated business strategy and increase our earnings per share. The income tax rate reduction and the utilization of 100 percent expensing of capital expenditures for our unregulated businesses' strategy are expected to stimulate additional growth by reducing our capital costs.

Michael P. McMasters, President and CEO, Chesapeake Utilities Corporation.





The *Spirit* that *Energizes* Us

Achieving record earnings for 11 straight years is only part of our 2017 story. Another part began in 2011 and continued through 2017. In my 2011 letter to you, I recounted our companywide initiative to define our values and unique brand:

We, as a Company, went through a disciplined process to identify what distinguishes Chesapeake wherever we are doing business.

We asked ourselves: Why have we been successful? How do we continue this success?

We conducted research, analyzed the results and launched strategic discussions to see if we could reach consensus on the values and attributes that make us who we are.

We ultimately boiled it all down into two statements:

We turn aspirations into reality every day.

We personally and genuinely care about each other, our customers, the communities we serve, our investors, and our business partners.

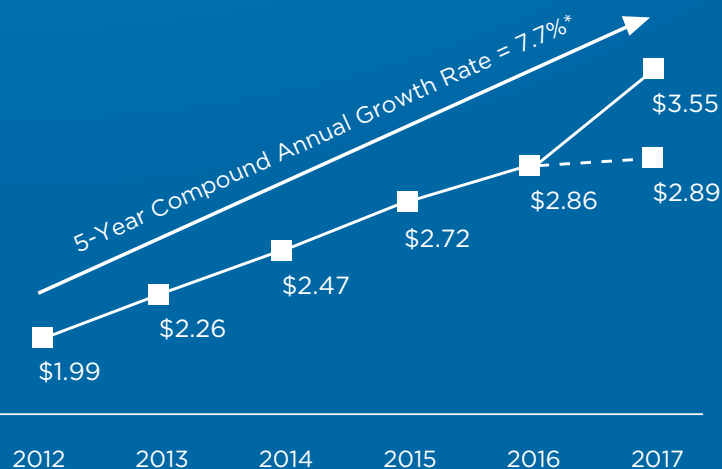
We emerged from our 2011 companywide process with a powerful consensus that *aspiring* and *caring* define who we are. We also knew that *aspiring* and *caring* had been at the heart of our success before we identified them as such in 2011, and they have energized our success even more since then. These values are symbolized by the soaring aspiring and caring bird that first appeared in our 2011 Annual Report and has become more prominent throughout our business and in every annual report since then. On the cover of this year's report, the aspiring and caring bird soars like a burning star in a midnight blue sky, leading us, energized, onward and upward.





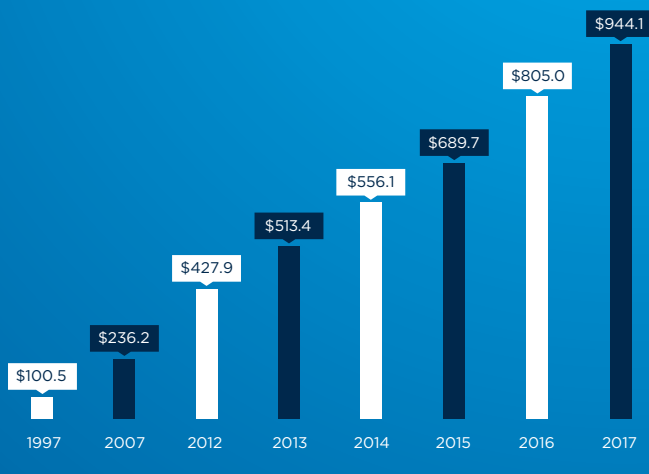
MARKET CAPITALIZATION AS OF DECEMBER 31 IN MILLIONS

Our market capitalization has grown by 195 percent over the past five years.

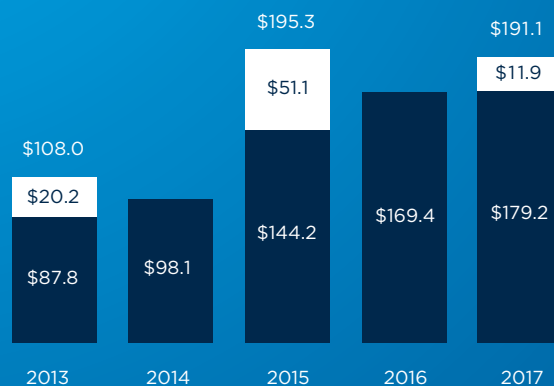


DILUTED EARNINGS PER SHARE

We achieved a 5-year 7.7 percent compound annual growth rate based on our adjusted 2017 earnings per share of \$2.89 (adjusted 2017 EPS excludes the tax reform impact and Mark-to-Market accounting).



TOTAL CAPITALIZATION AS OF DECEMBER 31
IN MILLIONS



ANNUAL CAPITAL EXPENDITURES
IN MILLIONS

■ Acquisitions ■ Capital Expenditures exclude acquisitions.

Total Capitalization has grown by 121 percent over the past five years. This is driven by the \$762 million in Total Capital Expenditures that we have invested within these five years.

Pictured below: CNBC Co-anchors Sara Eisen and Bill Griffeth interview Michael P. McMasters on the New York Stock Exchange trading floor.



Aspiring and Caring Energize Our Growth

Ideals energize top performance in any organization. Consistently trying to live up to our ideals of aspiring and caring has made us a better and stronger Company.

Look at the map at the front of this year's report, depicting the U.S. from the Mississippi eastward to the Atlantic, showing Chesapeake's growth far beyond our initial footprints on the Delmarva Peninsula 70 years ago and in Florida 32 years ago. Since 2011, we have actively grown our operations in those areas and expanded into Ohio, Pennsylvania, Virginia, and West Virginia, including cities such as Fernandina Beach and Pensacola, Florida; Baltimore and Ocean City, Maryland; Columbus, Ohio; and Philadelphia and Pittsburgh, Pennsylvania.

As we look forward to 2018 and beyond, we are truly energized by the prospects that we see ahead for us. We continue to identify opportunities to expand our regulated and unregulated service offerings within and beyond our current markets. In all that we do, our employees' commitment and dedication are at the heart of our success. Their care for our customers, our communities and each other strengthens all of our relationships. Their caring and aspiring account for our Top Workplace awards for each of the past six years as well as the other 2017 awards and honors described in this report.

We were also honored to see the results of a survey we conducted in 2017 that focused on our top 25 institutional investors. We found that they have very favorable opinions of Chesapeake, our team, corporate strategy and execution, financial and operating performance, and future growth plans and objectives. They most frequently cited our track record of identifying strategic opportunities and producing superior total returns driven by earnings and dividend growth as factors that differentiate Chesapeake from our peers. This is a result of our excellent team and a culture that values both capital discipline and entrepreneurship.

Such shareholder support energizes the aspiring and caring bird to soar even higher.

Our Continuing Commitment and Thanks

I closed my letter to you seven years ago by saying:

We are driven every day to find creative and innovative ways to serve our customers and attract more, while honoring our obligations to operate in a safe and environmentally responsible manner and to provide you a competitive return on your investment in us.

We stand by that commitment today, as we did in 2011. I say to you now, as I said then: Thank you for your continuing confidence in us.

Sincerely,



Michael P. McMasters
President and Chief Executive Officer



Driven by our strategy, energized by our employees

Our employees are the energy that drives Chesapeake Utilities Corporation.

Their commitment to our customers, communities and each other energizes the Company and helps us achieve sustainable growth. Our employees strive to build meaningful connections that generate opportunities to grow our businesses, develop new markets, and enrich the communities in which we live, work and serve.

The illuminated aspiring and caring bird on the cover of our 2017 Annual Report represents the Company's culture and our aspiring and caring nature that energizes our employees and is a guiding light for our commitment to reach new heights. As we continued to grow this past year, it is evident that our strengths come from our family of businesses moving forward together. We continue to be energized by our growth opportunities identified through our strategic planning process and our powerful growth in 2017.

Highlights of our powerful growth in 2017 include:

- ESNG, our interstate natural gas transmission pipeline company, completed two significant projects – the White Oak Mainline Expansion and System Reliability Projects – and then began construction of a \$117 million Expansion Project, the largest in its history. This pipeline expansion will increase firm natural gas pipeline capacity by 25 percent;
- Aspire Energy grew its core business with higher customer growth, added new operating facilities in southern Ohio and expanded its pipeline infrastructure to serve its growing markets throughout the state;
- PESCO realized over 73 percent gross margin growth, primarily from increased natural gas sales and expanded operations into western Pennsylvania with the acquisition of strategically positioned commercial and marketing assets;
- Chesapeake Utilities and FPU increased their customer bases and continued to extend natural gas distribution services on both the Delmarva Peninsula and in Florida. Additionally, Sandpiper Energy increased the energy options available for residents in Ocean City, MD;
- The Eight Flags Combined Heat and Power Plant completed its first year of operations in 2017. It has been recognized with several accolades (discussed further in this report) because of the innovation in its construction and operations;
- Our Florida business unit entered into agreements with Pensacola Energy and other customers in northwest Florida, pursuant to which it will construct a \$40 million pipeline that will increase its natural gas service footprint; and
- The Company's propane distribution business experienced significant growth in their retail and wholesale operations. Sharp Energy grew its AutoGas business, which included a new operations and fueling station in Maryland. FPU expanded its propane services by acquiring two small distribution businesses in Florida.

Our employees led the Company to Top Workplace recognition in 2017, marking the sixth consecutive year we received this honor. A third-party survey showed that nine out of 10 Chesapeake employees surveyed said that they would highly recommend working for the Company. Employees highlighted Chesapeake's strong values and ethics; confidence in the direction of the Company; the feeling of being a part of something meaningful; and the genuine appreciation they receive for their efforts.

Our employees are the engines driving our strategic growth. Energized to go the extra mile, our employees deliver safe and outstanding service while identifying innovative solutions that meet the energy needs of our customers and communities, and achieve long-term growth for our Company.

Pictured clockwise from top: Sergio Carrillo, Director, Corporate Development; Amy Snyder, Manager of Origination; and Brian Goff, Manager, Environmental Projects, engage and exchange ideas to help energize our Company.





engaging our employees

Our employees energize the Company and our growth. The results of our most recent Top Workplace survey showed that our employee engagement level is twice that of average U.S. workplaces.

Pictured left to right: Nicole Durham, Treasury Analyst II; Tiffany Palmer, Manager, Business Unit Accounting; and Dan Massengill, Manager, Financial Analysis and Services, participating in the Company's Aspiring Leaders Academy.

**TOP
WORK
PLACES**

Our Culture

At Chesapeake, we recognize employee and business milestones, welcome new team members and offer a forum for peer-to-peer recognition at Chesapeake Cares Events. A team of Brand Champions organizes these events throughout the Company to encourage team building and camaraderie among co-workers.

“Our employees’ shared values drive our strategy, and their commitment is key to our success. We are fortunate to have a team that strives to reach new heights and cares about one another, our customers and the communities we serve. We continue to invest in our people through training and programs that reinforce our culture and shared values.”

– **Michael P. McMasters,**
President and Chief Executive Officer

Pictured right: Employees, such as Andy Hesson, Assistant Vice President, contribute to our caring culture through which our employees work together to identify new and challenging growth opportunities that start with aspirational strategic plans.





Investing in **our employees**



New Heights University

Our employees are the engines driving our strategic growth and they energize the Company to reach new heights. Investing in our teams is essential to the long-term growth of our Company. To reinforce this strategy, we launched a companywide educational and professional development corporate university, New Heights University. In 2017, New Heights University introduced the Aspiring Leaders Academy, a unique development program that blends classroom sessions and independent assignments into an immersive learning experience for the development of current and future leaders.





Promoting Health and Wellness

Our Chesapeake Wellness program encourages a healthier lifestyle by supporting our employees' wellness efforts. Aligned with the program, our employees participated in community runs and walks.

Pictured right: Bill O'Brien, Associate General Counsel; Heidi Zaneckosky, Manager, Corporate Governance; and Arleen Murchison, Accounting Specialist II, at one of the many community races available to our employees.



Pictured below, left to right: Connie Osei, Executive Assistant; Kisha Brown, Manager, Operations Analysis; and Nicole Carter, Assistant Vice President, Customer Care, wear red in support of the American Heart Association's Southern Delaware Go Red For Women® Luncheon. Chesapeake employees helped with the fund-raising and planning for the luncheon in support of women's health.





Pictured above: Senior Meter Reader Virginia Nail represents the Company's commitment to celebrating and encouraging women to consider careers in energy. Pictured below: Elaine B. Bittner, Senior Vice President of Strategic Development, was honored among Delaware Today's 2017 "Women in Business - Extraordinary Women Leaders" for her record of accomplishments.



Empowering Our Employees

During International Women's Day and Women's History Month, we honored our female colleagues through a "Women in Energy" campaign that highlighted their expertise, dedication and successes within the industry and our Company. Elaine B. Bittner, Senior Vice President of Strategic Development, was the keynote speaker at the Greater Philadelphia chapter of the Women's Energy Network 2017 Annual Meeting, and addressed a room of enthused women working in the energy industry.



Celebrating **our accolades**

Corporate Governance Team of the Year

Our Corporate Governance team was recognized by *Corporate Secretary Magazine* as the 2017 Corporate Governance Team of the Year for small to mid-cap sized companies. This is the third year that the Company has been recognized by the magazine for its outstanding Corporate Governance practices, and the second time it has taken top honors.

iNOVA Awards

Chesapeake received four 2017 International iNOVA Awards for four videos highlighting our employees' commitment to the community. The award-winning videos focused on Chesapeake's company culture, participation in our Chesapeake Cares Mentor program, and leadership and partnerships with the Food Bank of Delaware and Go Red for Women®.

Marketing Excellence Award

The Southern Gas Association recognized FPU with a Marketing Excellence - Member's Choice Award for its "Natural Gas Spring Showers" campaign. The program encouraged FPU customers to apply for substantial natural gas rebates on eligible appliances, such as hot water heaters, to help offset appliance costs.

Danielle Mulligan, Manager, Marketing, was part of the team that earned recognition by the Southern Gas Association for the marketing campaign, "Natural Gas Spring Showers."



Economic & Environmental Impact

Chesapeake Utilities was named 2017 Kent County Tourism Partner of the Year in recognition of its collaboration in creating a positive environmental impact and advancing tourism within Kent County, DE.

ServeOhio Governor's Award

Aspire Energy received a commendation from the office of Governor John R. Kasich, on behalf of the state of Ohio. In recognition for "outstanding volunteer services" to the community, People to People Ministries nominated Aspire Energy for supporting programs, including their back to school and holiday collections, throughout the year.

Best Gas Company Awards

For the second consecutive year, Sharp Energy received awards for "Best Gas Company of the Eastern Shore" and "Best Southern Delaware Gas Company - Sussex County" as chosen by the readers of *The Metropolitan Magazine*.

Industry Excellence Award

The Southeastern Electric Exchange, Inc. named the Eight Flags Energy Combined Heat and Power (CHP) Plant a 2017 Industry Excellence Award winner in the Production category. The award recognizes projects that demonstrate innovation, improvements and technical complexity.

Engineering Innovation Award

FPU received the Southern Gas Association's Engineering Innovation Award in recognition of the inventive engineering, design and business model used in the development of the Eight Flags Energy CHP Plant. The innovative project lowered electric costs for customers, enhanced system reliability, created economic benefits for the community and had a positive impact on the environment.

Top Workplace

For the sixth consecutive year, Chesapeake Utilities Corporation was honored to receive the Top Workplace Award. This recognition is a reflection of our strong culture, engagement and the commitment of our employees who work together to achieve success.

Safety

Safety is a top priority for our Company. Over the last 15 years, our businesses in Delaware, Maryland and Florida have been recognized with 22 Safety Achievement Awards from the American Gas Association.

Top 50 Most Powerful Women in Oil and Gas

The National Diversity Council recognizes and honors women who have achieved personal success in America's workplace while paving the way for others to follow in their footsteps. The Council named Elaine B. Bittner, Senior Vice President of Strategic Development, one of the Top 50 Most Powerful Women in Oil and Gas for 2017.

Ms. Bittner also was honored as one of *Delaware Today* Magazine's 2017 top "Women in Business - Extraordinary Women Leaders." The award recognizes the accomplishments of the leading businesswomen in Delaware.





connecting with our communities

We care about the communities where we live, work and serve. Our employees are committed to making personal connections and giving back in meaningful ways.

Amy Snyder, Manager of Origination, mentors students at Junior Achievement of Delaware.



Chesapeake strives to provide our employees with opportunities to increase their service to our communities. Kicking off 2017 with a companywide campaign supporting the United Way, Chesapeake employees pledged over \$80,000.

80+ Organizations

Supported in 2017

\$300K+

Donated in 2017

1,300+ hours

Volunteered by Chesapeake employees in 2017

For the sixth year, Chesapeake volunteers brought their energy and enthusiasm to the Food Bank of Delaware's warehouse facility where they packaged holiday meals to distribute to families on the Delmarva Peninsula as part of our "Thanksgiving For All" program. From left: Becca Grier, Operations Assistant II; Avonel Rodriguez, Accountant III; Dave Detrick, Manager, Commercial and Industrial Accounts; and Crystal Waples, Service Coordinator.





Caring is Always in Season



Thanksgiving For All

More than 350 employees from across the Company packaged and delivered Thanksgiving meals for families in need through our Thanksgiving For All program.

5,500+

Meals provided to local families since 2012

\$140K

Donated to provide meals since 2012

3,800+ hours

Volunteered by Chesapeake employees since 2012



Stuffing the Bus

Sharp Energy partnered with the Delaware Transit Corporation to “stuff a bus” with Thanksgiving food items that were distributed through the Food Bank of Delaware.



Summer Cares

With our Summer Cares program, employees packed kid-friendly, nutritious meals to be put into backpacks for children in need, and sorted produce and canned goods to keep the shelves fully stocked for local food banks.

5,300+

Delicious and nutritious meals packed and donated for children in need in 2017

1,900+ hours

Volunteered by Chesapeake employees since 2013

Mentoring our future

Through our companywide Chesapeake Cares Mentor program, employees make a positive impact on students' lives by offering encouragement and guidance. Our mentoring partners include Connecting Generations and Junior Achievement. View our mentors in action at chpk.com/mentor2017.

"Knowing that someone out there believes in students and cares enough about them will carry them through extraordinary things."

– **Brian Gaerity, Executive Director, Connecting Generations**



Pictured above: Vince Fiorelli, Sales Representative, has been a mentor to his mentee for six consecutive years. Pictured below: Al Gallo, (front row, far right) Assistant Vice President and board member for Junior Achievement of Delaware; Bill Hancock, (third row, third from left), Assistant Vice President; and the PESCO team dedicate time to mentoring students through our Chesapeake Cares Mentor program.





Pictured above: In front of the Games Room sponsored by Chesapeake Utilities are Michael P. McMasters, President and CEO, (left); and Darrell Tingle, Regional Resource Development Director for Boys & Girls Clubs of Greater Dover. Pictured below, left to right: Lori Lynch, Cash Disbursement Analyst I; Philip Onsomu, Manager, Financial Reporting; and Michael Reno, Cash Disbursement Analyst I, joined members of our Finance team to participate in a Cares Event by serving meals at a local family shelter, The Shepherd Place, in Dover, DE.

Boys & Girls Clubs

Chesapeake Utilities supported the construction of the Boys & Girls Clubs' new 75,000-square-foot multi-use facility in Dover, DE, which provides a safe and friendly atmosphere for children to meet and play. With the new facility, the Boys & Girls Clubs were able to increase the number of youth served.

Cares with a Cause

We harness the power of our collective efforts to create a larger impact in our communities through our companywide Cares With a Cause program. Each quarter, we select a different charitable cause to support through donations of time, money or goods. The year's biggest efforts surrounded the Hurricane Relief Drive. Many needed items were collected companywide and shipped to those affected in Texas, Puerto Rico, Florida and the U.S. Virgin Islands.

Student Scholarships

The Chesapeake Aspiring Scholars program awarded scholarship grants to students of our employees in support of their educational pursuits at colleges, universities and technical schools for the 2017-2018 school year. This annual program is open to high school seniors of employees across the Company.

FPU also contributed to Step Up for Students, Inc., to provide scholarships for underprivileged youth in Florida.



Giving Back to **Our Community**

Chesapeake SHARING

The Chesapeake Emergency Energy Recipient Program, or Chesapeake SHARING, assists Delaware and Maryland customers who are unable to pay their natural gas or propane heating bills due to financial hardship. The purchase or repair of appliances also qualifies for individual grants. Chesapeake funds the SHARING program with donations provided by Chesapeake Utilities, Sharp Energy, and their employees, customers and other members of the community.



\$455K

In grant money distributed over the last 10 years by Chesapeake SHARING

Chesapeake is committed to increasing the availability and convenience of the Sharing program, which provides funds for families with financial needs. Pictured below: Crystal Waples, Service Coordinator.





Pictured above: Andy Hesson, Assistant Vice President; Ed Hudson, Delivery Driver; Suzy Hutchison, Manager, Customer Experience; Mandie Granger, District Manager; and Bob Zola, President of Sharp Energy, with the Nemours Charity Bobtail. Pictured below: Crystal Campbell, Marketing Coordinator, was part of the team that connected with FPU's customers and community members through social media during Hurricane Irma.

Nemours Charity Bobtail

Sharp Energy is partnering with The Nemours Alfred I. duPont Hospital for Children, which is currently under construction, by making a contribution to the hospital for each gallon of propane that Sharp Energy delivers to its customers with the Nemours Charity Bobtail. Once the hospital opens its doors in the first quarter of 2019, Sharp Energy employees will also donate their time and energy in support of The Nemours Alfred I. duPont Hospital for Children.

Hurricane Irma Relief

The Hurricane Irma electric restoration effort was the largest restoration event that the U.S. has experienced. Hurricane Irma impacted Amelia Island, FL causing loss of power to all of our electric customers on the Island and numerous customers in northwestern Florida. FPU crews started restoration efforts as soon as the wind dropped below 40 mph. After the first 48 hours, FPU had restored power to over 70 percent of the Island's customers. Our team worked nonstop to have all power restored within 100 hours.

Our propane team went above and beyond to keep customers throughout Florida up and running and even provided deliveries for other propane suppliers who could not meet their customers' needs.





A photograph of a man with a white beard and sunglasses, wearing a tan bucket hat and a blue jacket with white stripes, holding a small sapling in a black plastic pot. He is standing in a field with other trees in the background. The right side of the image is a solid green overlay containing text.

caring for the environment

Our environmental commitment extends beyond compliance as we remain dedicated to sustainable, environmental stewardship. We are providing solutions for more efficient energy use, assisting our customers and communities to reduce their carbon footprints and conducting business with environmental responsibility.

“We are engaging our customers, communities and governments with our strong support of the conservation and protection of our natural resources.”

– **Steve Thompson, Senior Vice President and a board member of the Delaware Chapter of The Nature Conservancy.**

Through volunteer efforts and sponsorships, Chesapeake has partnered with the Delaware Chapter of The Nature Conservancy in support of conservation and protection of natural resources in Delaware. Pictured, left to right: Joel Hermogenes, Corrosion and Leak Specialist; Anthony Lugo, Measurement Technician; Kevin Jones, Bulk Plant Construction Manager; and Richard Cleveland, District Gas Operations Manager, joined Chesapeake volunteers and the Delaware Chapter of The Nature Conservancy at the Milford Neck Nature Preserve in Delaware.



Powering Vehicles with Cleaner Fuel

We provide environmentally-friendly alternative fuels for vehicles, including compressed natural gas (CNG) and propane AutoGas, to reduce emissions in transportation applications.

Chesapeake Utilities teamed up with Kent County Tourism on the Tourism office's new CNG-fueled mobile visitor center, The Villager. Powered by CNG, the mobile visitor center travels across the region and sends an environmentally positive message as well.



Our businesses are dedicated to providing cleaner alternative fuels. Pictured above: Frank Wildermuth, Conversion Coordinator. Pictured below, left to right: Shane Breakie, Director, Energy Services; Josh Leager, Meter Technician II; Jason Scott, Designer I; Eric Mays, Director, Marketing; Dave Detrick, Manager, Commercial and Industrial Accounts; and Rick Wunsch, Manager, Field Operations.





Compressed Natural Gas (CNG)

Over the past 10 years, Chesapeake Utilities and Sharp Energy have worked with Delaware's Clean Cities Coalition to improve air quality and increase the use of cleaner fuels in transportation. Currently, we are partnering with the coalition on the distribution of parking signs that read "Preferred Parking for Alternative Fuel Vehicles" in support of developing a Clean Fuel Corridor in Delaware.

Our new Energy Lane Campus, which will accommodate approximately 250 employees in Dover, DE, will feature the Company's new CNG fueling station for public use on the Delmarva Peninsula. In addition to the station in Dover, we added four more CNG vehicles to our fleet and upgraded our private CNG station in Salisbury, MD with more fill connection points. The station also provides CNG for system operational uses.

CNG-powered vehicles
produce lower emissions than
gasoline and diesel vehicles

30%-40%

Lower CO₂ emissions in a CNG-fueled vehicle
over vehicles using gasoline and diesel

85%

Lower NO_x emissions with
CNG-powered vehicles

30%

Reduced Greenhouse Gas Emissions
with CNG-powered vehicles



Propane AutoGas

The new Sharp AutoGas fueling station near the Baltimore-Washington International Airport is the latest addition to the Company's network of 42 propane fueling stations, servicing airport shuttles, school bus companies and commercial fleets.

AutoGas provides

60%

Reduction in carbon monoxide emissions
compared to gasoline on a life cycle basis

\$1.00

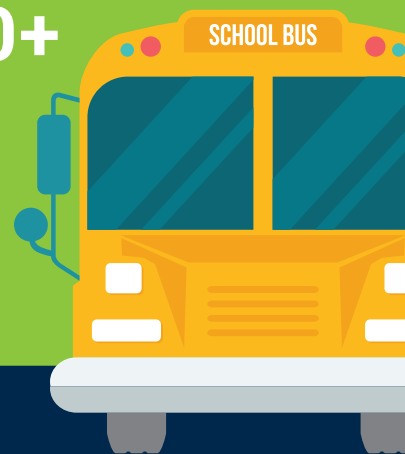
Or more in savings on each gallon
of propane used by customers who
convert to propane fueled vehicles

19

School buses are being fueled
at an AutoGas location near
the Baltimore-Washington
International Airport

40,000+

Gallons of diesel
being displaced
each year







energizing growth

The energy and heart that our employees demonstrate in executing our strategy are what helps the Company turn aspirations into reality, year after year. Their efforts have resulted in the disciplined expansion of our service area and capacity across the Company.

Mike Bates, Compressor Technician I, at the site of the new ESNG 3,550 horsepower compressor station in Delaware City, DE, that will increase transportation services to customers.



Maximizing Our Organic Growth

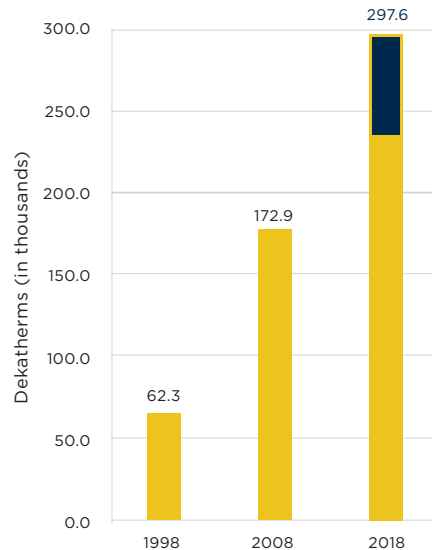


\$117M+ Project

The 2017 Expansion Project, the single largest expansion in ESNG's history

More than \$117 million is being invested in ESNG's natural gas interstate pipeline system in order to provide more than 60,000 dekatherms per day of additional firm natural gas service to meet the growing energy needs of the Mid-Atlantic region.

NATURAL GAS AVAILABILITY ON THE DELMARVA PENINSULA
Year-End Pipeline Capacity



■ Growth includes completion of the 2017 Expansion Project.

23 miles

Of pipeline looping in PA, MD and DE

17 miles

Of mainline extension

3,750 HP

Of new compression

25%

More capacity

Through the completion of ESNG's White Oak Mainline Expansion Project and the System Reliability Project, the Company significantly enhanced the operational capabilities of its existing pipeline system.

White Oak Mainline Expansion Project

The White Oak Mainline Expansion project went into service in early 2017. The project involved the construction of pipeline looping and a new operationally independent compressor station, providing additional transportation offerings to our customers.

System Reliability Project

The System Reliability Project, which also began service in early 2017, added pipeline looping and a new operationally independent compressor station, reinforcing ESNG's system to benefit all of its customers.

\$42M

Capital Investment

5.5 miles

Of pipeline looping

\$38M

Capital Investment

10 miles

Of pipeline looping

3,550 HP

Of new compression

1,775 HP

Of new compression



Expanding into **New Areas**



6M Gallons

This is the annual wholesale throughput capability due to Sharp Energy completing its North Dover Rail Plant project in Dover, DE, and construction of its bulk storage plant in Anne Arundel County to serve the western shore of Maryland.

Sharp AutoGas doubled the gallons of propane distributed in 2017

The dramatic increase is attributable to Sharp AutoGas' strong reputation as a premier provider, its strategic focus on converting school buses to propane AutoGas and its alliances with conversion manufacturers.



Pictured above: Marcy Robbins, Manager, Energy Distribution, is part of the Sharp Energy team who led the upgrade of the North Dover Rail Plant project that increases the availability of our propane supply to growing markets in Delaware, Maryland and Pennsylvania. Pictured below: Scott Turner, Manager, Operations, discusses Sharp Energy's AutoGas initiative with U.S. Senator Tom Carper.





51 Miles

Of new pipelines in Ohio

Aspire Energy enhanced its services to its expanding markets in Ohio with the addition of 51 miles of new pipeline mains for gathering services and deliveries, and the completion of a new office and warehouse facility in southern Ohio. Aspire Energy achieved nearly a 20 percent year-over-year increase in gross margin through diligent growth and expansion efforts, additional services to customers and favorable pricing amendments to long-term gas sales agreements. To support its growth and expansion efforts, Aspire Energy invested in personnel and resources, improving the bench strength and talents of its team and leadership group.



PESCO experienced significant growth in 2017 by entering new marketing territories and expanding its energy marketing reach in the Mid-Atlantic, Southeast and Midwest. PESCO also complemented its current portfolio by acquiring certain commercial and industrial marketing assets specifically located in western Pennsylvania. These accomplishments helped PESCO execute on its strategic plan to aggregate supply, increase market demand and optimize its natural gas assets. PESCO realized over 73 percent gross margin growth in 2017.

Pictured top right: Chris Hines, Systems Operations Administrator, and his colleagues from Aspire Energy achieved growth goals and enhanced operational performance in 2017. Pictured bottom left: Marissa Stipa, Director of Optimization, contributes to our PESCO team of energized professionals who have an average of 20 years in the industry and use this experience to create thoughtful and customized solutions for customers.



In 2017, Sandpiper Energy brought natural gas service to the town of Ocean City, MD as part of the Company's ongoing initiatives to increase energy options for residents.

3,500+ tons

Of CO₂ emissions will be eliminated when the Ocean City system fully converts to natural gas – the equivalent of 600+ cars being taken off the road

5,800

Homes and businesses in Worcester County, MD have been converted by the Sandpiper Energy team since 2013



\$40M Pipeline Project

Through this project, three of our businesses – Peninsula Pipeline, FPU and Chesapeake Utilities' Florida Division – are working together to provide additional transportation and delivery services to municipal utilities and industrial customers that will increase the Company's footprint in northwest Florida.



FPU grew its propane services in Florida through the acquisition of assets from Chipola Propane Gas Company and the Central Gas Company of Okeechobee (right).



Customized Energy Solutions

Combined Heat and Power

According to the Environmental Protection Agency, combined heat and power (CHP) plants currently account for eight percent of U.S. electricity generating capacity, and are a critical tool for reducing carbon emissions and generating significant energy cost savings nationwide.



Our natural gas-fired Eight Flags Energy CHP Plant located on Amelia Island, FL (left) completed its first year of operations in 2017. It generates approximately 21 megawatts of base load power, producing enough electricity to meet on average 50 percent of the Island's demand. The plant produces three energy outputs: steam, heated water and electricity. FPU purchases the electricity for distribution to its electric customers. A customer adjacent to the CHP plant purchases the steam and heated water for use in its production facility.



Chesapeake Utilities is providing natural gas to power a three megawatt CHP plant at Peninsula Regional Medical Center in Salisbury, MD. Maryland Governor Larry Hogan attended the commissioning event where he spoke about the economic and environmental benefits of the CHP plant. This is the third CHP gas supply project that Chesapeake Utilities has implemented throughout the Delmarva Peninsula as a result of its commitment to providing valuable energy options to our customers.



Pictured, left to right: Mary Beth Tung, Maryland Energy Administration Director; Roger Follebout, Jr., Community Relations Director at Peninsula Regional Medical Center; and Maryland Governor Larry Hogan at the dedication of the medical center's CHP plant.



2018 and Beyond

As we stated in our 2014 Annual Report, our strategy and strategic planning process have served us well and positioned us for future growth. We have grown our businesses at rates higher than the national averages for utilities. Nevertheless, we are not resting on our laurels; rather we continue to be committed to looking for opportunities beyond our existing service territories and existing offerings.

Our growth in 2017 as well as the 10 prior years is evidence of the commitment, talent and creativity that our employees use to energize our Company, customers, investors and communities.

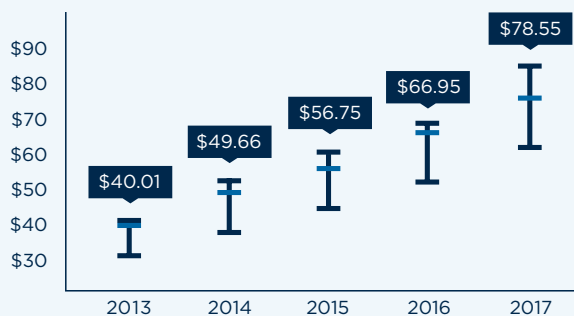
Our ongoing engagement efforts will infuse employees with a shared set of values: to personally care about each other, our customers, communities and investors, and to strive to turn aspirations into reality. These engaged and empowered people are emboldened to look for new ways to meet the needs of our customers, grow our businesses and make a meaningful impact on our communities.

We will continue to expand our service offerings and further expand our presence as the provider of choice. We are committed to tailoring our energy plans to meet the unique needs of customers through increased capacity and the availability of natural gas and propane via our infrastructure, environmentally cleaner transportation fuels and technologies that increase reliability and resiliency.

As we continue to expand our service territories and bring natural gas and propane energy solutions to new areas, we will also identify future opportunities by weighing the financial performance with the cultural and strategic fit to our business mix. Through our thorough and disciplined Growth Council review and approval process, we are committed to generating the right strategic opportunities for our long-term growth while increasing shareholder value.

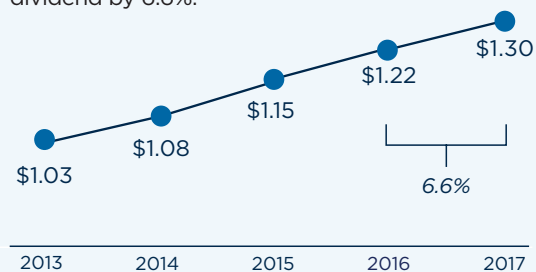
ANNUAL STOCK PRICE RANGE

(The closing price for each year is shown within the annual range.)



ANNUALIZED DIVIDENDS PER SHARE

Chesapeake has paid dividends without interruption for 57 years. We have increased dividends for the last 14 consecutive years. In 2017, we increased the dividend by 6.6%.



More than 150 years of growth

1859

Dover Gas Light Company, a gas company located in Dover, DE, was started. Dover Gas Light would eventually become Chesapeake Utilities Corporation.



1985

Central Florida Gas Company, Winter Haven, FL, a natural gas distribution company, was acquired. Chesapeake Utilities Corporation's common stock began trading on the NASDAQ National Market System.



1955

Eastern Shore Natural Gas Company (ESNG) was incorporated in Delaware. By 1966, ESNG extended a pipeline from Bridgeville, DE to Cambridge and Easton, MD.



1947

Chesapeake Utilities Corporation was incorporated in Delaware.

1959

ESNG extended a pipeline from Parkesburg, PA to Salisbury, MD and began delivering gas to its customers in the region. During this time, Chesapeake Utilities Corporation converted three operating facilities from propane to natural gas.

1981

Clarence E. Sharp Company, Georgetown, DE, a propane distribution company, was acquired. Sharpgas, Inc., dba Sharp Energy, was formed to consolidate Chesapeake's propane distribution operations.

1948

Two natural gas companies, Citizens Gas Company, Salisbury, MD and Sussex Gas Company, Seaford, DE, were acquired.



1980

Chesapeake Utilities Corporation acquired its first propane company, Mitchell's Gas Service, Laurel, DE.

2009

The Company completed the acquisition of Florida Public Utilities Company.



1988

Plant City Natural Gas Company, Plant City, FL, a natural gas distribution company, and Kellam Energy Inc., Belle Haven, VA, a propane and oil products distribution company, were both acquired.

2018

Chesapeake opens the Energy Lane Campus, in Dover, DE – the largest single location in the Company's history – to accommodate our natural gas transmission and distribution operations in Delaware.



2017

Chesapeake Utilities Corporation celebrates its 70th anniversary of incorporation. The Company completed the acquisition of natural gas marketing assets in Pennsylvania.



2016

Chesapeake Utilities Corporation rings The Closing Bell® at the NYSE.

1986

Cambridge Gas Company, Cambridge, MD, a natural gas distribution company, was acquired.

1993

Chesapeake Utilities Corporation began trading on the NYSE as CPK.

1998

Central Florida Gas Company's service territory expanded to include Gadsden and Citrus Counties.

2013

The Company purchased the operating assets of Eastern Shore Gas, now operating as Sandpiper Energy, Inc., to provide service to customers in Worcester County, MD on the Delmarva Peninsula.



2015

The Company completed the merger of Gatherco, Inc. into Aspire Energy of Ohio, LLC, providing natural gas midstream services, processing and transportation services to over 300 producers, and wholesale natural gas supply to over 20,000 end users in Ohio.

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CLOSING BELL

NYPD
NE

By the Numbers



6

Consecutive years recognized as
a Top Workplace company

11

Consecutive years of record earnings

14%

Annual shareholder return since
listing on the NYSE in 1993

457

Miles of interstate natural gas pipeline

2,600

Miles of natural gas
gathering pipelines

4,600

Miles of natural gas distribution mains

58M

Gallons of propane distributed
annually

338

Miles of underground propane
distribution mains

6.8M

Gallons of bulk propane
storage capacity

800

Fleet vehicles supplied with propane
through 15 public and 27 private
propane fueling stations in Delaware,
Maryland and Pennsylvania

2.4M

Gallons of propane transportation fuel
delivered annually through wholesale
and retail operations

950+

Employees

240K+

Distribution customers

1859

Chesapeake Utilities Corporation's
history began with providing street
lighting in Dover, DE

1947

Year of incorporation in Delaware

1985

Chesapeake Utilities Corporation's
common stock began trading on the
NASDAQ National Market System

1993

Chesapeake Utilities Corporation's
common stock began trading on the
New York Stock Exchange as CPK

Chesapeake's Corporate Governance team was named 2017 Team of the Year for small to mid-cap sized companies by Corporate Secretary Magazine. Nasdaq displayed the recognition in Times Square, New York City.

Leadership



SENIOR EXECUTIVE OFFICERS



Michael P. McMasters
President & Chief Executive Officer



Elaine B. Bittner
Senior Vice President of Strategic Development; President and Chief Operating Officer, Aspire Energy; and Chief Operating Officer, Sharp Energy, Inc.; and Peninsula Energy Services Company



Beth W. Cooper
Senior Vice President, Chief Financial Officer & Assistant Secretary



Jeffrey M. Householder
President, Florida Public Utilities Company; and Peninsula Pipeline Company, Inc.



James F. Moriarty
Senior Vice President, General Counsel & Corporate Secretary



Stephen C. Thompson
Senior Vice President; President and Chief Operating Officer, Eastern Shore Natural Gas Company; and Sandpiper Energy, Inc.

CORPORATE OFFICERS



Louis J. Anatrella
Chief Human Resources Officer



Nicole T. Carter
Assistant Vice President of Customer Care



Mark L. Eisenhower
Vice President of Strategic Planning & Development



Vikrant A. Gadgil
Vice President and Chief Information Officer



Naimul Islam
Vice President and Corporate Controller



John J. Lewnard
Vice President of Business Development



Thomas E. Mahn
*Vice President and
 Treasurer*



Sheri D. Richard
*Vice President,
 Rates and Regulatory
 Affairs*



Devon S. Rudloff
*Assistant Vice
 President, Human
 Resources*



**Joseph D.
 Steinmetz**
*Assistant Vice
 President,
 Internal Audit*

BUSINESS UNIT OFFICERS



Alfred V. Gallo, III
*Assistant Vice
 President,
 Peninsula Energy
 Services Company*



William D. Hancock
*Assistant Vice
 President,
 Peninsula Energy
 Services Company*



Andrew R. Hesson
*Assistant Vice
 President,
 Sharp Energy, Inc.*



Cheryl M. Martin
*Assistant Vice
 President,
 Florida Public Utilities
 Company*



Aleida F. Socarrás
*Vice President,
 Chesapeake Utilities
 Corporation*



Jeffrey R. Tietbohl
*Vice President,
 Eastern Shore
 Natural Gas
 Company*



Douglas M. Ward
*Vice President,
 Aspire Energy*



Kevin J. Webber
*Vice President,
 Business Development
 & Gas Operations,
 Florida Public Utilities
 Company*



S. Robert Zola
*President,
 Sharp Energy, Inc.*

Board of Directors



John R. Schimkaitis ■
Director Since 1996

Chair of the Board
*Retired President & Chief
Executive Officer -
Chesapeake Utilities
Corporation*



Eugene H. Bayard ■
Director Since 2006

*Law Partner -
Morris James Wilson
Halbrook & Bayard,
Georgetown, Delaware*



Thomas J. Bresnan ■ ■
Director Since 2001

*President -
Global LT, Troy, Michigan;
Owner & President -
Accounting & Business
School of the Rockies and
Denver Accounting Services,
Greenwood Village, Colorado*



Ronald G. Forsythe, Jr., Ph.D. ■
Director Since 2014

*Chief Executive Officer -
Qlarant Corporation
Easton, Maryland*

COMMITTEE KEY



Audit Committee



Compensation Committee



Corporate Governance Committee



Investment Committee

AUDIT COMMITTEE

Thomas J. Bresnan - CHAIR

Ronald G. Forsythe, Jr., Ph.D.

Thomas P. Hill, Jr.

Dennis S. Hudson, III



Thomas P. Hill, Jr. ■ ■ ■
Director Since 2006

*Retired Vice President
of Finance & Chief
Financial Officer -
Exelon Energy
Delivery Company,
Philadelphia, Pennsylvania*



Dennis S. Hudson, III ■ ■ ■
Director Since 2009

*Chair & Chief Executive Officer -
Seacoast National Bank
& Seacoast Banking
Corporation of Florida,
Stuart, Florida*



Paul L. Maddock, Jr. ■ ■ ■
Director Since 2009

*Chief Executive Officer and
Manager -
Palamad, LLC,
Palm Beach, Florida*



Michael P. McMasters ■ ■ ■
Director Since 2010

*President & Chief
Executive Officer -
Chesapeake Utilities
Corporation*



Calvert A. Morgan, Jr. ■ ■ ■ ■ ■
Director Since 2000

*Director and Former Special Advisor -
WSFS Financial Corporation,
Wilmington, Delaware;
Director and Vice Chair -
Wilmington Savings Fund Society
(WSFS Bank), Wilmington, Delaware;
Retired Chair, President & Chief
Executive Officer - PNC Bank,
Delaware, Wilmington, Delaware*



Dianna F. Morgan ■ ■ ■ ■ ■
Director Since 2008

*Former Senior Vice President -
Walt Disney World Co.,
Orlando, Florida;
Past Chair of the Board of
Trustees -
University of Florida,
Gainesville, Florida*

COMPENSATION COMMITTEE

Dianna F. Morgan - CHAIR

Dennis S. Hudson, III

Calvert A. Morgan, Jr.

CORPORATE GOVERNANCE COMMITTEE

Calvert A. Morgan, Jr. - CHAIR

Eugene H. Bayard

Paul L. Maddock, Jr.

INVESTMENT COMMITTEE

Michael P. McMasters - CHAIR

Thomas J. Bresnan

Thomas P. Hill, Jr.

Calvert A. Morgan, Jr.

John R. Schimkaitis







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