



Aqua America Reports Operating Results for Fourth Quarter and Year End 2003; Customer growth exceeded 20 percent - among best growth years in company history

BRYN MAWR, Pa.--(BUSINESS WIRE)--Feb. 4, 2004--Aqua America, Inc. (NYSE:WTR), formerly Philadelphia Suburban Corporation (NYSE:PSC), reported customer growth in 2003 greater than 20 percent, making it one of the best years for customer growth in the company's history. Last summer's acquisition of the AquaSource water and wastewater operations from DQE, along with the combined acquisitions of smaller systems throughout its existing service territory, resulted in the strong year-end customer numbers.

Chairman and President Nicholas DeBenedictis said, "This year's significant customer growth - the equivalent of five typical years of growth in one year -- is a result of the company's commitment to the growth-through-acquisition strategy that began more than 10 years ago. Customer growth complements our goal of delivering revenue, earnings and dividend growth for our shareholders, while further enhancing our ability to deliver cost effective service to our customers. The numerous small systems we gained with the AquaSource acquisition provide us an expanded footprint in six new states, including the fast growing southern states of Texas and Florida. These new locations afford us new opportunities to invest in and earn on infrastructure improvements."

Fourth quarter operating revenues increased 23.7 percent over the same period in 2002 to \$101.2 million from \$81.8 million, and full year revenues increased 14.0 percent to \$367.2 million from \$322.0 million. Revenue increases were primarily driven by customer growth through acquisitions and rate relief in various operating divisions. Full year 2003 revenues were dampened by above average rainfall levels coupled with lower than normal temperatures in the company's primary service areas. Because of the weather, revenues were negatively impacted during the typically high demand spring and summer months. DeBenedictis said, "We look forward to returning to more normal weather patterns in 2004. This past year presented the most challenging weather in the company's recent history."

The company reported \$0.20 in net income per diluted share for the quarter ended December 31, 2003 compared to \$0.22 for the same period in 2002. Fourth quarter net income per diluted share in 2002 included a \$0.04 gain from the Ashtabula County, Ohio water system sale. Net income for the full year 2003 increased 5.3 percent to \$70.8 million, or \$0.79 per diluted share from \$67.2 million, or \$0.78 per diluted share for 2002.

Operating and maintenance expenses have increased since the July 31, 2003 acquisition of the AquaSource water and wastewater operations. Of the 19.4 percent increase in the 2003 operating and maintenance expenses above 2002 levels, 80 percent was attributable to the AquaSource operations which have a higher operating cost structure due to its decentralized operations. The remaining 20 percent, or 3.7 percent, was driven primarily by increased pension and other postretirement benefit costs. DeBenedictis said, "Although we inherited the higher expense operating model from the AquaSource operations acquired during 2003, we were successful in holding the line on operating expenses over which we had direct control at our other subsidiaries. Going forward, we will continue to take costs out of the newly acquired operations to continue to improve our efficiency."

Throughout 2003, the company continued its strategy of lowering its borrowing costs by taking advantage of historically low interest rates. Through effective use of low cost debt and refinancing, the company was able to decrease its embedded cost of debt by 40 basis points from 6.6 percent to 6.2 percent since December 31, 2002, and by approximately 120 basis points over the past four years.

In addition to the 18 acquisitions and growth ventures completed in 2003 -- including the AquaSource acquisition which was completed in July 2003 adding approximately 130,000 new customers -- Aqua America recently announced an agreement to acquire Heater Utilities, Inc., a water and wastewater system with approximately 50,000 customers in North Carolina. The acquisition is expected to close in the second quarter of 2004. The addition of Heater's operations will make the company the largest investor-owned water utility in North Carolina.

In November, the company's largest subsidiary, Aqua Pennsylvania, Inc., filed a \$25 million rate request with the Pennsylvania Public Utility Commission to recover the company's investment in infrastructure improvements and water treatment facilities installed to provide service since its last rate case.

On December 1, 2003 the company effected its thirteenth dividend increase in the last 12 years and the fifth stock split in the

last seven years. The 7.1 percent dividend increase raised the annualized dividend rate to \$0.48 per share on the post-split shares. The five-for-four stock split was effected in the form of a 25 percent common stock distribution.

On January 16, 2004, the company changed its name and ticker symbol from Philadelphia Suburban Corporation (NYSE:PSC) to Aqua America, Inc. (NYSE:WTR). The new name better represents the company's expanded footprint and reflects its position as the nation's largest publicly-traded water utility based in the U.S. On Tuesday January 20, the company began trading under its new ticker symbol WTR. The daily closing price is listed in most newspapers under "AquaAm."

The company's conference call with analysts will be today at 11:00 a.m. Eastern Standard Time. The call will be webcast so that interested parties may listen over the Internet by logging on to www.aquaamerica.com. The conference call will be archived in the investor relations section of the company's website for 90 days following the call. Additionally, the call will be recorded and made available for replay for 10 business days after the call, beginning at 12:00 p.m. Wednesday, February 4, 2004 through Wednesday, February 18. The dial-in telephone number for the audio replay is (877) 519 - 4471 (PIN#: 4457838).

The following table shows selected operating data for the quarters and year ended December 31, 2003 and 2002 (in thousands, except per share data) for Aqua America, Inc. All share and per share data have been restated to reflect the December 1, 2003 five-for-four stock split.

(Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2003	2002	2003	2002
Operating revenues	\$101,212	\$81,826	\$367,233	\$322,028
Net income available to common stock	\$18,606	\$18,646	\$70,785	\$67,154
Basic net income per share	\$0.20	\$0.22(a)	\$0.80	\$0.78(a)
Diluted net income per share	\$0.20	\$0.22(a)	\$0.79	\$0.78(a)
Average common shares outstanding:				
Basic	92,493	85,161	88,275	85,674
Diluted	93,352	85,927	89,244	86,538

(a) Fourth quarter 2002 includes \$.04 per share gain on sale of water system

Aqua America, Inc. is the largest U.S.-based publicly-traded water utility serving approximately 2.5 million residents in Pennsylvania, Ohio, Illinois, Texas, New Jersey, Indiana, Virginia, Florida, North Carolina, Maine, Missouri, New York, South Carolina and Kentucky. Aqua America is listed on both the New York and Philadelphia Stock Exchanges under the ticker symbol WTR. The company has been committed to the preservation and improvement of the environment throughout its history, which spans more than 100 years.

This release contains forward looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including, among others, the impact of customer growth on revenues, earnings and dividends, increased opportunities to invest and earn on infrastructure improvements, the expected return to normal weather patterns, the expected completion of the Heater transaction, the impact of the Aqua Pennsylvania rate request, and the growth prospects and effect on operating expense levels associated with the AquaSource operations acquired in July 2003. There are important factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements including: general economic business conditions, unfavorable weather conditions, the success of certain cost containment initiatives, changes in

regulations or regulatory treatment, availability and the cost of capital, the success of growth initiatives, and other factors discussed in our filings with the Securities and Exchange Commission

Aqua America, Inc. and Subsidiaries
Consolidated Statements of Income and Comprehensive Income
(In thousands, except per share amounts)
(Unaudited)

	Quarter Ended December 31,		Year Ended December 31,	
	2003	2002	2003	2002
Operating revenues	\$101,212	\$ 81,826	\$367,233	\$322,028
Cost & expenses:				
Operations and maintenance	42,132	30,392	140,602	117,735
Depreciation	13,083	10,949	48,522	41,424
Amortization	690	965	2,941	2,898
Taxes other than income taxes	5,784	4,795	21,607	19,467
Total	61,689	47,101	213,672	181,524
Operating income	39,523	34,725	153,561	140,504
Other expense (income):				
Interest expense, net	11,677	10,139	44,662	40,396
Allowance for funds used during construction	(638)	(191)	(2,127)	(1,389)
Gain on sale of water system	-	(5,676)	-	(5,676)
Gain on sale of other assets	(1,278)	-	(5,692)	(2,079)
Income before income taxes	29,762	30,453	116,718	109,252
Provision for income taxes	11,154	11,794	45,923	42,046
Net income	18,608	18,659	70,795	67,206
Dividends on preferred stock	2	13	10	52
Net income available to common stock	\$ 18,606	\$ 18,646	\$ 70,785	\$ 67,154
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Net income	\$ 18,608	\$ 18,659	\$ 70,795	\$ 67,206
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities	299	(63)	455	104
Reclassification adjustment for gains reported in net income	(265)	-	(347)	(767)
Comprehensive income	\$ 18,642	\$ 18,596	\$ 70,903	\$ 66,543
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Net income per common share:				
Basic	\$ 0.20	\$ 0.22	\$ 0.80	\$ 0.78
Diluted	\$ 0.20	\$ 0.22	\$ 0.79	\$ 0.78

Average common shares outstanding:				
Basic	92,493	85,161	88,275	85,674
	=====	=====	=====	=====
Diluted	93,352	85,927	89,244	86,538
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Aqua America, Inc. and Subsidiaries
Condensed Consolidated Balance Sheets
(In thousands of dollars)
(Unaudited)

	December 31, 2003	December 31, 2002
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Net property, plant and equipment	\$1,830,506	\$1,490,841
Current assets	83,969	70,908
Regulatory assets and other assets	156,547	155,320
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	\$2,071,022	\$1,717,069
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Stockholders' equity	\$659,030	\$493,097
Long-term debt, excluding current portion	696,666	582,910
Current portion of long-term debt and loans payable	135,845	149,378
Other current liabilities	96,156	77,153
Deferred credits and other liabilities	483,325	414,531
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	\$2,071,022	\$1,717,069
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SOURCE: Aqua America, Inc.