



## **Philadelphia Suburban Corporation Reports Operating Results for Second Quarter 2003; Company Reports Acquisition of AquaSource Immediately Accretive**

BRYN MAWR, Pa.--(BUSINESS WIRE)--Aug. 6, 2003--Philadelphia Suburban Corporation (NYSE:PSC) today reported \$0.22 in net income per diluted share for the quarter ended June 30, 2003, compared to \$0.21 per diluted share last year--or a five percent increase. Corresponding net income increased to \$15.2 million, from \$14.8 million, for the same quarter in 2002. Second quarter 2002 net income per diluted share, included \$0.01 per share from a net gain on the sale of other assets.

Operating revenues grew nine percent in the second quarter to \$83.4 million, versus \$76.6 million for the same period in 2002 in spite of unfavorable weather throughout the quarter in PSC's primary service areas. Operating revenues in the quarter increased due to rate relief as well as a larger customer base from acquisitions in the various states in which the company operates.

"I am pleased with our performance in spite of the fact that we have experienced an unusually cool and wet spring," said Nicholas DeBenedictis, PSC Chairman and President. "May and June traditionally represent the beginning of our heavy demand period. However, during the second quarter, several of our key service areas experienced rainfall more than 100 percent above normal precipitation levels combined with cool, cloudy weather. Poor weather has historically had a five to 10 percent impact on the company's quarterly earnings per share. However, with the addition of the AquaSource states, we gain greater geographic diversity to help mitigate the impact of regional weather anomalies on the company's performance. "

The PSC efficiency ratio, or measure of operating and maintenance expenses to revenue, measured 37.2 percent for the second quarter, down from 37.7 percent for the same period in 2002. Year to date 2003, the efficiency ratio was 37.6 percent, also slightly improved from the company's ratio for the first six months of 2002 of 37.9 percent, due to continuing expense management within PSC's operations. "Even though some expenses, such as pension and insurance costs, were up over last year, our management team continues to do an effective job of mitigating increases in controllable expenses to maintain our industry-leading efficiency ratio," explained DeBenedictis.

PSC closed the second largest acquisition in the company's history on July 31, 2003. The acquisition of the investor-owned water and wastewater systems of AquaSource, Inc.--a subsidiary of DQE (NYSE:DQE)--was capitalized at a lower cost of debt than originally expected (4.87 percent), and for a lower-than-expected purchase price (\$195 million compared to the initial target of \$205 million plus working capital), which will help make the transaction immediately accretive to earnings. Based upon specific performance measures, including revenue, rate base, customer connections, and working capital the final purchase price might be further reduced to a price lower than the stated \$195 million.

Synergies have been identified and will be acted upon quickly to improve current AquaSource operating efficiencies. Redundant AquaSource overhead functions have been folded into PSC, enabling cost reduction.

PSC announced in May 2003 that it had reached an agreement to sell the Connecticut and New York operations of AquaSource, Inc. The strategic decision to quickly prune the Connecticut and New York operations is consistent with PSC's desire to focus on growth of its regulated operations in planned growth markets for the company. The regulated operations of Connecticut and New York represent approximately two percent of the AquaSource customers being acquired.

"PSC will continue to seek profitability through a combination of accretive acquisitions in all of the states where we operate, and the strategic pruning of current operations that do not meet our desired profile of a promising growth rate and economies of scale. Any asset sales will then be reinvested in our faster growing franchise areas," said DeBenedictis.

On the heels of the AquaSource acquisition, the PSC Board also announced that in October, the company will change its name to Aqua America, Inc. to reflect its position as the largest investor-owned water utility based in the U.S. The company will also change the names of each of its subsidiaries. DeBenedictis said that PSC's expansive customer growth (more than 300 percent in the past 10 years) from a regional company in Pennsylvania to a national company weighed heavily in the decision to change the company's name.

The PSC Directors also authorized a 7.1 percent cash dividend increase above the September 1, 2003 quarterly cash dividend payment and also approved for the fifth time in seven years a stock split for 2003, to be effected in the form of a 25 percent stock distribution. Both the increased dividend and stock distribution will be paid December 1, 2003 to shareholders of record

on November 14, 2003.

Additionally, the Board declared the regular \$.14 per share quarterly common stock cash dividend to be paid on September 1, 2003 to shareholders of record on August 15, 2003.

Beginning with the December 1, 2003 payment, PSC's quarterly dividend will increase to \$.15 per share from \$.14 per share (\$.60 per share versus \$.56 on an annualized basis) on the pre-split shares. The new quarterly cash dividend rate will be \$.12 per share on the increased number of shares resulting from the stock distribution or \$.48 per share annualized.

The company's quarterly conference call with analysts will be held today at 11:00 a.m. Eastern Daylight Time, and will be available via webcast so that interested parties may listen to the call over the Internet by logging on to [www.suburbanwater.com](http://www.suburbanwater.com).

The conference call will be archived in the investor relations section of the company's website for 90 days after the call. Additionally, the call will be recorded and made available for replay for 10 business days following the call, beginning 12:00 p.m. Wednesday, August 6, 2003 through August 20. The dial-in telephone number for the audio replay is 973-341-3080 (pin number 4066615).

NOTE: Effective October 13, 2003, PSC will begin officially operating under the new company name of Aqua America, Inc, and will begin trading under a new ticker symbol, "WTR."

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

The following table shows selected operating data for the quarters ended June 30, 2003 and 2002 (in thousands, except per share data) for Philadelphia Suburban Corporation.

	(Unaudited)			
	Quarter Ended June 30,		Six Months Ended June 30,	
	2003	2002	2003	2002
	-----	-----	-----	-----
Operating revenues	\$83,379	\$76,615	\$163,868	\$148,284
	=====	=====	=====	=====
Net income available to common stock	\$15,235	\$14,818	\$28,559	\$26,693
	=====	=====	=====	=====
Basic net income per share	\$0.22	\$0.22	\$0.42	\$0.39
	=====	=====	=====	=====
Diluted net income per share	\$0.22	\$0.21	\$0.41	\$0.38
	=====	=====	=====	=====
Average common shares outstanding:				
Basic	68,843	68,701	68,395	68,576
	=====	=====	=====	=====
Diluted	69,615	69,461	69,123	69,408
	=====	=====	=====	=====

This release contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995 that address, among other things, the effect of acquisitions, the impact of regional weather conditions, the final AquaSource purchase price, plans to seek future acquisition candidates and consider selective dispositions and actions to integrate AquaSource operations. 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.

Philadelphia Suburban Corporation and Subsidiaries  
Consolidated Statements of Income and Comprehensive Income  
(In thousands, except per share amounts)  
(Unaudited)

	Quarter Ended		Six Months Ended	
	June 30,		June 30,	
	2003	2002	2003	2002
Operating revenues	\$83,379	\$76,615	\$163,868	\$148,284
Cost & expenses:				
Operations and maintenance	31,029	28,915	61,693	56,200
Depreciation	11,464	10,307	22,811	20,200
Amortization	650	669	1,362	1,209
Taxes other than income taxes	4,946	4,621	10,266	9,935
Total	48,089	44,512	96,132	87,544
Operating income	35,290	32,103	67,736	60,740
Other expense (income):				
Interest expense, net	10,651	9,891	21,263	19,671
Allowance for funds used during construction	(500)	(546)	(876)	(932)
Gain on sale of other assets	(165)	(1,409)	(220)	(1,758)
Income before income taxes	25,304	24,167	47,569	43,759
Provision for income taxes	10,067	9,337	19,005	17,039
Net income	15,237	14,830	28,564	26,720
Dividends on preferred stock	2	12	5	27
Net income available to common stock	\$15,235	\$14,818	\$28,559	\$26,693
Net income	\$15,237	\$14,830	\$28,564	\$26,720
Other comprehensive income (loss), net of tax:				
Unrealized gain on securities	102	217	149	345
Reclassification adjustment for gains reported in net income	(11)	(466)	(11)	(693)
Comprehensive income	\$15,328	\$14,581	\$28,702	\$26,372
Net income per common share:				
Basic	\$0.22	\$0.22	\$0.42	\$0.39
Diluted	\$0.22	\$0.21	\$0.41	\$0.38

Average common shares  
outstanding:

Basic	68,843	68,701	68,395	68,576
	=====	=====	=====	=====
Diluted	69,614	69,461	69,123	69,408
	=====	=====	=====	=====

Philadelphia Suburban Corporation and Subsidiaries  
Condensed Consolidated Balance Sheets  
(In thousands of dollars)  
(Unaudited)

	June 30, 2003	Dec. 31, 2002
	-----	-----
Net property, plant and equipment	\$1,529,091	\$1,490,841
Current assets	73,381	70,908
Regulatory assets and other assets	151,173	155,320
	-----	-----
	\$1,753,645	\$1,717,069
	=====	=====
Stockholders' equity	\$541,762	\$493,097
Long-term debt, excluding current portion	584,118	582,910
Current portion of long-term debt and loans payable	131,112	149,378
Other current liabilities	65,906	77,153
Deferred credits and other liabilities	430,747	414,531
	-----	-----
	\$1,753,645	\$1,717,069
	=====	=====

CONTACT: Philadelphia Suburban Corporation Cheryl Hansen, 610-645-1084  
hansenc@suburbanwater.com  
or  
Randi Polanich, 610-645-1175  
polanichr@suburbanwater.com

SOURCE: Philadelphia Suburban Corporation