



Philadelphia Suburban Corporation Reports Significant Increase in Second Quarter 2001 Income From Operations

Per share income from operations up 16.7 percent

BRYN MAWR, Pa.--(BUSINESS WIRE)--July 31, 2001--

Philadelphia Suburban Corporation (PSC) today reported strong operating results for the quarter ended June 30, 2001.

Diluted income per share from operations increased significantly to \$.28 per share, up 16.7 percent, versus \$.24 for the second quarter 2000 (2000 income exclusive of \$.02 net merger recovery). Diluted net income per share of \$.28 was up 7.7 percent in comparison to 2000 second quarter levels of \$.26, on 5.9 percent more shares outstanding.

Corresponding net income increased 13.2 percent to \$15.4 million versus \$13.6 million in the prior year. In comparison, income from operations increased 23.2 percent for the second quarter 2001 to \$15.4 million, versus \$12.5 million in the prior year.

Increased earnings for the second quarter 2001 were primarily due to increased revenues from rate settlements, customer growth and increased water consumption due to favorable weather conditions; and a reduction in interest expense. For the six months ended June 30, 2001, diluted earnings per share were \$.52, versus \$.46 for the six months ended June 30, 2000, up 13.0 percent.

Income exclusive of merger recovery for the six months ended June 30, 2001, was \$.52 per share, versus \$.44 in the prior year.

Revenues for the quarter grew to \$77.2 million from second quarter 2000 revenues of \$68.5 million. The company's 12.7 percent increase in revenues is attributed to rate settlements increases and increased water sales, aided by continued customer growth. Revenues for the six months ended June 30, 2001, were up 11.1 percent to \$147.4 million, versus \$132.7 million in the prior year.

PSC's operations and maintenance (O&M) expenses increased by 8.6 percent to \$26.5 million for the second quarter 2001, versus \$24.4 million in the prior year. Approximately one half of this increase is related to customer growth and increased water sales. O&M expenses as a percentage of revenue (efficiency ratio) continues to improve.

For the second quarter of 2001 the ratio was 34.3 percent, compared to 35.6 percent for the second quarter 2000. For the 12 months ended June 30, 2001 the ratio was 36.4 percent, versus 38.2 percent for the 12 months ended June 30, 2000, a decrease of 180 basis points.

PSC has one of the best efficiency ratios in the water utility industry, and expenses on a per customer basis have decreased by 1.0 percent for the 12 months ended June 30, 2001, which is indicative of the company's successful growth and cost containment strategies.

PSC announced, at its May 17, 2001, annual meeting of shareholders, its expectation to exceed its 2001 customer growth goal. PSC has purchased two new systems in its fast growing Consumers North Carolina subsidiary since entering the state in December 2000, and is in discussions with other possible acquisition targets.

The company's Consumers Illinois subsidiary recently purchased the Village of Aroma Park water system, in Kankakee County, Illinois, following the same tuck-in acquisition strategy that has proven to be successful for PSC's southeastern Pennsylvania subsidiary, Philadelphia Suburban Water Company.

PSC has experienced a 2.8 percent increase in its customer base for the first 6 months of 2001, in comparison to 1.2 percent for the first 6 months of 2000. PSC has completed the following acquisitions and growth ventures through June 30, 2001:

- 1. January - Purchase of Hydraulics, Ltd. of Greensboro, North Carolina, a public water utility serving 16,000 residents in 22 counties surrounding the towns of Greensboro, Hickory, Raleigh, and Gastonia

- 2. January - Operation and maintenance contract with Port Clyde Water District in St. George, Maine, serving approximately 315 residents
- 3. January - Purchase of Creekside Water System, in Gastonia, North Carolina, serving approximately 470 residents
- 4. January - Expansion of service franchise and construction of major pipeline in Mahoning Township, Lawrence County, Pennsylvania to serve 1,000 residents
- 5. January - Purchase of Walnut Hill Well Association, in Vermillion County, Illinois, a small groundwater system serving 40 residents
- 6. February - Operation and maintenance contract with Greenwich Township, Warren County, New Jersey serving approximately 450 residents
- 7. March - Purchase of Springton Court water system, serving approximately 100 residents in West Brandywine Township, Chester County, Pennsylvania
- 8. April - Purchase of Media Borough wastewater system in Delaware County, Pennsylvania serving approximately 15,000 residents in Media Borough and neighboring townships
- 9. April - Purchase of Dresher Woods Condominium water system in Upper Dublin Township, Montgomery County, Pennsylvania serving approximately 400 residents
- 10. April - Renewal of two-year professional services agreement with the Borough of Allentown in Monmouth County, New Jersey for the town's water and wastewater systems
- 11. May - Purchase of the Village of Aroma Park water system in Kankakee County, Illinois serving approximately 2,100 residents
- 12. June - Purchase of Geigertown Water Company, serving approximately 250 residents in Robeson and Union Townships, Berks County, Pennsylvania

PSC is the holding company for regulated public utilities that provide water and wastewater services to approximately two million residents in Pennsylvania, Ohio, Illinois, New Jersey, Maine, and North Carolina.

PSC's common shares are traded 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 company's quarterly conference call with analysts will be at 11:00 a.m. Eastern Daylight Time today. Interested parties may listen to the conference call over the Internet by logging onto www.suburbanwater.com.

The call will be recorded and replayed beginning 1:00 p.m., Tuesday, July 31, 2001, and will run until 1:00 p.m., Thursday, August 2, 2001. The dial-in telephone number for the audio replay is (973) 341-3080 (pin number 2719436).

The following table shows the comparative operating revenues, net income available to common stock and net income per share for Philadelphia Suburban Corporation for the quarters and six months ended June 30, 2001 and 2000 (in thousands, except per share amounts):

	(Unaudited) Quarter Ended June 30,		(Unaudited) Six Months Ended June 30,	
	2001	2000	2001	2000
Operating revenues	\$ 77,240	\$ 68,494	\$147,433	\$132,702
	=====	=====	=====	=====

Income exclusive of net merger recovery	\$ 15,432	\$ 12,506	\$ 28,517	\$ 22,752
Merger recovery, net of tax	\$ -	\$ 1,059	\$ -	\$ 1,059
Net income available to common stock	\$ 15,432	\$ 13,565	\$ 28,517	\$ 23,811
Income per common share exclusive of net merger recovery:				
Basic	\$ 0.28	\$ 0.24	\$ 0.53	\$ 0.44
Diluted	\$ 0.28	\$ 0.24	\$ 0.52	\$ 0.44
Net income per common share:				
Basic	\$ 0.28	\$ 0.26	\$ 0.53	\$ 0.47
Diluted	\$ 0.28	\$ 0.26	\$ 0.52	\$ 0.46
Average common shares outstanding:				
Basic	54,203	51,226	54,078	51,202
Diluted	54,870	51,801	54,722	51,672

Note: The recovery of merger costs is related to the March 1999 merger with Consumers Water Company.

This release contains certain forward-looking statements involving risks, uncertainties and other factors that may cause the actual results to be materially different from any future results expressed or implied by such forward-looking statements.

These factors include, among others, the following: general economic business conditions; weather conditions affecting customers' water usage or the company's costs of operations; the success of cost containment initiatives, including the recovery of merger costs; changes in regulations or regulatory treatment; availability and cost of capital; and the success of growth initiatives.

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

	Quarter Ended June 30,		Six Months Ended June 30,	
	2001	2000	2001	2000
Operating revenues	\$ 77,240	\$ 68,494	\$147,433	\$132,702
Cost & expenses:				
Operations and maintenance	26,462	24,350	52,648	49,278
Depreciation	9,729	7,665	18,682	15,916
Amortization	623	388	1,145	658
Taxes other than				

income taxes	5,350	5,597	10,938	11,579
Recovery of restructuring costs	-	(396)	-	(396)
Total	42,164	37,604	83,413	77,035
Operating income	35,076	30,890	64,020	55,667
Other expense (income):				
Interest expense, net	9,904	9,990	20,166	19,845
Allowance for funds used during construction	(264)	(985)	(512)	(1,719)
Gain on sale of other assets	(118)	-	(2,909)	(1,363)
Minority interest	-	28	-	46
Recovery of merger transaction costs	-	(663)	-	(663)
Income before income taxes	25,554	22,520	47,275	39,521
Provision for income taxes	10,096	8,929	18,705	15,657
Net income	15,458	13,591	28,570	23,864
Dividends on preferred stock	26	26	53	53
Net income available to common stock	\$ 15,432	\$ 13,565	\$ 28,517	\$ 23,811
Net income	\$ 15,458	\$ 13,591	\$ 28,570	\$ 23,864
Other comprehensive income (loss), net of tax	569	144	12	(510)
Comprehensive income	\$ 16,027	\$ 13,735	\$ 28,582	\$ 23,354
Net income per common share:				
Basic	\$ 0.28	\$ 0.26	\$ 0.53	\$ 0.47
Diluted	\$ 0.28	\$ 0.26	\$ 0.52	\$ 0.46
Average shares outstanding:				
Basic	54,203	51,226	54,078	51,202
Diluted	54,870	51,801	54,722	51,672

CONTACT: Philadelphia Suburban Corporation, Bryn Mawr

Keya W. Epps, 610/645-1084

eppsk@suburbanwater.com

or

Donna P. Alston, 610/645-1095

alstond@suburbanwater.com