



## **Philadelphia Suburban Corporation Reports Record Third Quarter 2002 Operating Results; Company's Increased Dividend Payable December 1**

BRYN MAWR, Pa.--(BUSINESS WIRE)--Nov. 7, 2002--Citing increased revenues resulting from rate relief, continued customer growth and increased water consumption in its Midwest operations due to favorable weather conditions, Philadelphia Suburban Corporation (NYSE:PSC) today reported diluted net income per share of \$0.31 for the quarter ended September 30, 2002, up significantly from 2001 third quarter earnings per share of \$0.28.

Net income increased 13.1 percent to \$21.8 million for the quarter, versus \$19.3 million in the prior year.

Revenues for the quarter grew 8.5 percent to \$91.9 million from third quarter 2001 revenues of \$84.7 million. PSC's revenue growth is largely attributable to rate relief received in the company's various operating divisions. The company has received nine rate awards during the first nine months of the year, which have been awarded primarily for the significant capital investment that the company has made to improve its systems, allowing PSC to continue to meet or outperform federal and state environmental requirements. Also driving the increase in the company's revenues were continued customer growth and increased water sales in its Ohio and Illinois operating divisions as a result of favorable weather conditions. The increased sales in the company's Midwest operations mitigated the negative effects of drought restrictions in its Pennsylvania and New Jersey operating divisions.

According to PSC Chairman and President Nicholas DeBenedictis, "In addition to providing a platform for growth, having utility operations in various parts of the country reduces weather related risks. We have been under drought restrictions for more than half the year in our Pennsylvania and New Jersey operating subsidiaries. Fortunately, we had a great summer in our Illinois and Ohio operations, which helped mitigate the effects of the drought."

During the quarter, PSC completed six acquisitions or other growth ventures, increasing its customer base to approximately 618,000. In addition, the company announced its definitive agreement to purchase the investor-owned water and wastewater systems of AquaSource, Inc., a wholly owned subsidiary of DQE, Inc. Upon completion of the AquaSource transaction, which is expected to occur in the second half of 2003, PSC will have a presence in 9 additional states, further increasing its geographic diversity. This transaction will add approximately 130,000 customer accounts with an additional 40,000 customers being served through operations and maintenance contracts that are integrated with the investor owned systems.

At its August meeting, the PSC Board of Directors approved a 5.7 percent increase to the cash dividend effective with the December 1, 2002 dividend payment to shareholders of record on November 15. This is the twelfth cash dividend increase granted by the company in the last 11 years. The increase in the company's cash dividend from \$0.1325 per share to \$0.14 per share represents an increase, on an annualized basis, to \$0.56 per share from the former annual rate of \$0.53 per share.

The secondary offering of PSC common stock formerly held by Vivendi Environnement (NYSE:VE) was completed in September 2002. Prior to the completion of the offering, VE held approximately 11.1 million or 16 percent of PSC's common shares outstanding. The initial offering of 8.6 million shares, along with the underwriters' over allotment option of an additional 1.3 million shares, were sold at a price of \$18.25 per share. The remaining 1.2 million shares previously held by VE were purchased by PSC (at a price of \$18.25 per share) on October 25 according to the terms of a previously announced agreement with VE.

PSC Chairman Nicholas DeBenedictis said, "We are pleased with the outcome of the offering. With the PSC shares previously held by VE now repositioned among a broader U.S. investor base, and with the pending sale of American Water Works Company, Inc. to the German utility RWE, PSC is poised to become the largest water utility with a U.S. investor base."

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 Standard Time today. Interested parties may listen to the conference call over the Internet by logging onto [www.suburbanwater.com](http://www.suburbanwater.com). The call will be recorded and replayed beginning 12:00 p.m., Thursday, November 7, 2002, and will run until 12:00 p.m., Monday, November 11, 2002. The

dial-in telephone number for the audio replay is (973) 341-3080 (pin number 3548688).

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 nine months ended September 30, 2002 and 2001 (in thousands, except per share amounts):

(Unaudited)

	Quarter Ended September 30		Nine Months Ended September 30	
	2002	2001	2002	2001
Operating revenues	\$ 91,918	\$ 84,726	\$ 240,202	\$ 232,159
Net income available to common stock	\$ 21,815	\$ 19,279	\$ 48,508	\$ 47,796
Basic net income per share(a)	\$ 0.32	\$ 0.28	\$ 0.71	\$ 0.71
Diluted net income per share(a)	\$ 0.31	\$ 0.28	\$ 0.70	\$ 0.70
Average common shares outstanding:				
Basic	68,903	68,003	68,678	67,735
Diluted	69,422	68,844	69,397	68,559

(a)The amounts for the nine months ended September 30, 2002 and 2001, respectively include a net gain of \$0.02 per share and \$0.03 per share for the sale of other assets.

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; changes in regulations or regulatory treatment; availability and cost of capital; and the success of growth initiatives, including pending acquisitions.

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

	Quarter Ended September 30,		Nine Months Ended September 30,	
	2002	2001	2002	2001
Operating revenues	\$ 91,918	\$ 84,726	\$240,202	\$232,159
Cost & expenses:				
Operations and maintenance	31,143	28,994	87,343	81,642
Depreciation	10,275	9,679	30,475	28,361

Amortization	724	497	1,933	1,642
Taxes other than income taxes	4,737	4,550	14,672	15,488
Total	46,879	43,720	134,423	127,133
Operating income	45,039	41,006	105,779	105,026
Other expense (income):				
Interest expense, net	10,586	9,861	30,257	30,027
Allowance for funds used during construction	(266)	(353)	(1,198)	(865)
Gain on sale of other assets	(321)	(188)	(2,079)	(3,097)
Income before income taxes	35,040	31,686	78,799	78,961
Provision for income taxes	13,213	12,380	30,252	31,085
Net income	21,827	19,306	48,547	47,876
Dividends on preferred stock	12	27	39	80
Net income available to common stock	\$ 21,815	\$ 19,279	\$ 48,508	\$ 47,796
Net income	\$ 21,827	\$ 19,306	\$ 48,547	\$ 47,876
Other comprehensive income (loss), net of tax:				
Unrealized gain (loss) on securities	(178)	(146)	167	(98)
Reclassification adjustment for gains reported in net income	(74)	(66)	(767)	(102)
Comprehensive income	\$ 21,575	\$ 19,094	\$ 47,947	\$ 47,676
Net income per common share:				
Basic	\$ 0.32	\$ 0.28	\$ 0.71	\$ 0.71
Diluted	\$ 0.31	\$ 0.28	\$ 0.70	\$ 0.70
Average common shares outstanding:				
Basic	68,903	68,003	68,678	67,735
Diluted	69,422	68,844	69,397	68,559

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